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LISTING PARTICULARS

NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

Kirk Beauty Zero GmbH
Kirk Beauty One GmbH

to acquire

Beauty Holding Zero GmbH

€300,000,000 6.25% Senior Secured Notes due 2022
€335,000,000 8.75% Senior Notes due 2023

Kirk Beauty Zero GmbH (the "Senior Secured Notes Issuer") is offering €300,000,000 aggregate principal amount of its 6.25% Senior Secured Notes due 2022 (the "Senior Secured Notes"), and its parent Kirk Beauty One GmbH (the "Senior Notes Issuer", together with the Senior Secured Notes Issuer, the "Issuers") is offering €335,000,000 aggregate principal amount of its 8.75% Senior Notes due 2023 (the "Senior Notes", together with the Senior Secured Notes, the "Notes"), as part of the financing for the proposed acquisition (the "Acquisition") of Beauty Holding Zero GmbH ("Douglas" or the "Target") by the Senior Secured Notes Issuer.

We will pay interest on the Notes semi-annually on each January 15 and July 15, commencing on January 15, 2016. All or a portion of the Notes may be redeemed prior to July 15, 2018 at redemption prices equal to 100% of the principal amount of the relevant Notes redeemed plus accrued and unpaid interest to the redemption date and additional amounts, if any, plus the applicable "make-whole" premium, as described in these Listing Particulars. The Notes may be redeemed at any time on or after July 15, 2018, at the redemption prices set forth in these Listing Particulars. At any time prior to July 15, 2018, up to 40% of the aggregate principal amount of the Senior Secured Notes may be redeemed at a redemption price equal to 106.250% and at any time prior to July 15, 2018, up to 40% of the aggregate principal amount of the Senior Notes may be redeemed at a redemption price equal to 108.750% provided in each case that at least 60% of the original aggregate principal amount of the applicable Notes remains outstanding after the redemption, in each case, with the net proceeds of one or more specified equity offerings. All of the Notes may also be redeemed upon the occurrence of certain developments affecting taxation. If certain events defined as constituting a change of control occur, the Issuer may be required to make an offer to purchase the Notes.

Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the offerings of the Notes into segregated escrow accounts, in each case, for the benefit of the holders of the relevant Notes. The release of escrow proceeds will be subject to the satisfaction of certain conditions, including the closing of the Acquisition. The consummation of the Acquisition is subject to certain conditions, including regulatory approval. For so long as the proceeds from the offering of the Notes are held in the escrow accounts described above, the Senior Secured Notes will be secured by (i) a first-priority pledge over the escrow account to which the gross proceeds of the offering of the Senior Secured Notes will be deposited on the Issue Date and the rights of the Senior Secured Notes Issuer under the relevant Shortfall Agreement (as defined below); (ii) a first-priority pledge over all issued capital stock and any bank accounts of the Senior Secured Notes Issuer; (iii) a first-priority pledge over intercompany loan receivables owed by the Senior Secured Notes Issuer to the Senior Notes Issuer; (iv) a first-priority pledge over receivables of the Senior Secured Notes Issuer under certain hedging agreements (if any); and (v) a first-priority assignment of the rights of the Senior Secured Notes Issuer under the Acquisition Documents. The Senior Notes will be secured by (a) a first-priority pledge over the escrow account to which the gross proceeds of the offering of the Senior Notes will be deposited on the Issue Date and the rights of the Senior Notes Issuer under the relevant Shortfall Agreement; (b) a first-priority pledge over all issued capital stock of the Senior Notes Issuer and intercompany loan receivables owed by the Senior Notes Issuer to TopCo; and (c) a second-priority pledge over all issued capital stock of the Senior Secured Notes Issuer and intercompany loan receivables owed by the Senior Secured Notes Issuer to the Senior Notes Issuer. If the Acquisition is not consummated on or prior to November 26, 2015, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 100% of the aggregate issue price of the respective series of Notes plus accrued and unpaid interest from the relevant issue date of the Notes to the date of special mandatory redemption. See "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*."

The Senior Secured Notes will be senior obligations of the Senior Secured Notes Issuer and as of the Issue Date will be guaranteed on a senior basis by the Senior Notes Issuer. After release of the proceeds of each series of Notes from escrow (the date of such release, the "Completion Date") and subject to any grace periods in respect of the Senior Secured Credit Facilities, the Senior Secured Notes will also be guaranteed on a senior basis by the Target and certain of the Target's subsidiaries that will also guarantee the Senior Secured Credit Facilities, other than subsidiaries of the Target incorporated in France, which will only guarantee the Senior Secured Credit Facilities. The Senior Notes will be senior obligations of the Senior Notes Issuer and as of the Issue Date will be guaranteed on a senior subordinated basis by the Senior Secured Notes Issuer. After the Completion Date and subject to any grace periods in respect of the Senior Secured Credit Facilities, the Senior Notes will also be guaranteed on a senior subordinated basis by the Target and certain of the Target's subsidiaries that will also guarantee the Senior Secured Notes.

On the Completion Date, the Senior Secured Notes will be secured by a first-priority pledge over all issued capital stock of the Target and intercompany loan receivables owed by a member of the Target group to the Senior Secured Notes Issuer acquired under the Acquisition Agreement. After the Completion Date and subject to any grace periods in respect of the Senior Secured Credit Facilities, the Senior Secured Notes will be secured by a first-priority security interest in additional collateral granted by the Target and certain of the Target's subsidiaries that will also secure the Senior Secured Credit Facilities, other than security provided by subsidiaries of the Target incorporated in France, which will only secure the Senior Secured Credit Facilities.

This document constitutes the listing particulars in respect of the admission of the Notes to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange (the "Global Exchange Market") and has been approved by the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. Admission of the Notes to the Official List and trading on the Global Exchange Market is not an indication of the merits of the Issuers, the Guarantors, the Notes or the Guarantees. There can be no assurance that a trading market in the Notes will develop or be maintained. Deutsche Bank Luxembourg S.A. is acting solely in its capacity as listing agent for the Issuers in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Global Exchange Market of the Irish Stock Exchange.

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 32.

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

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Senior Secured Notes Price: 100% plus accrued interest, if any, from the issue date.

Senior Notes Price: 100% plus accrued interest, if any, from the issue date.

Joint Bookrunners

Deutsche Bank **Goldman Sachs International** **J.P. Morgan** **UniCredit Bank**

Co-Managers

BayernLB **CM-CIC** **Commerzbank** **Landesbank Baden-Württemberg**

The date of these Listing Particulars is July 24, 2015.

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We are providing these Listing Particulars (the "offering memorandum") only to prospective purchasers of the Notes.

You are responsible for making your own examination of us and our business and your own assessment of the merits and risks of investing in the Notes. You may contact us if you need any additional information. By purchasing the Notes, you will be deemed to have acknowledged that:

- you have reviewed this offering memorandum;
- you have had an opportunity to request any additional information that you need from us; and
- the Initial Purchasers are not responsible for, and are not making any representation to you concerning, our future performance or the accuracy or completeness of this offering memorandum.

We are not providing you with any legal, business, tax or other advice in this offering memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

This offering memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this offering memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. We and the Initial Purchasers are not responsible for your compliance with these legal requirements.

We are offering the Notes in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The Notes have not been recommended by any U.S. federal, state or any non-U.S. securities authorities, nor have any such authorities determined that this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense in the United States.

The Notes are subject to restrictions on resale and transfer as described under "*Notice to Investors*" and "*Plan of Distribution*." By purchasing any Notes, you will be deemed to have made certain acknowledgments, representations and agreements as described in those sections of this offering memorandum. You may be required to bear the financial risks of investing in the Notes for an indefinite period of time.

We accept responsibility for the information contained in this offering memorandum. We, and not the Initial Purchasers, have ultimate authority over the statements contained in this offering memorandum, including the content of those statements and whether and how to communicate them. To the best of our knowledge and belief (which we have taken all reasonable care to ensure is the case), the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the fullest extent permitted by law, the Initial Purchasers do not accept any responsibility for the contents of this offering memorandum or for any other statement made or purported to be made by the Issuers in connection with the issue and offering of the Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement. The Initial Purchasers do not undertake to review the financial condition or affairs of either Issuer or any Guarantor during the life of the Notes or to advise any investor or potential investor in the Notes of any information coming to the attention of any Initial Purchaser.

We and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed.

The information contained under the captions "*Currency Presentation*" and "*Exchange Rate Information*" includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing the information concerning exchange rate information, we accept no further responsibility in respect of such information. The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry, Delivery and Form*" is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information.

We expect that delivery of the Notes will be made against payment on the Notes on or about July 10, 2015, which will be nine business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act of 1934, as amended, (the "U.S. Exchange Act")) following the date of pricing of the Notes (this settlement cycle is being referred to as "T + 9"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or the following five business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

STABILIZATION

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

NOTICE TO 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 U.S. Investors

The Notes will be sold outside the United States to non-U.S. persons pursuant to Regulation S of the Securities Act and within the United States to QIBs pursuant to Rule 144A. The Notes and the Note Guarantees have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, registration requirements of the Securities Act. The Notes shall not be offered, sold or delivered (i) as part of an Initial Purchaser's distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the latest closing date, within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to Rule 144A and each dealer to which Notes have been sold during the distribution compliance period will be sent a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S. See "*Notice to Investors*."

Notice to Investors in the United Kingdom

This offering memorandum 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.

Notice to Investors in the 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 Issuers, the Guarantors or any of the Initial Purchasers to produce a prospectus for such offer. Neither the Issuers 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 4 November 2003 (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State (as defined below).

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

(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 Issuers; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall result in a requirement for the publication by the Issuers or any Initial Purchaser of a prospectus pursuant to Article 3 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 Issuers, 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.

Germany

In the Federal Republic of Germany, the Notes may only be offered and sold in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (the “Securities Prospectus Act,” *Wertpapierprospektgesetz*, *WpPG*) and any other applicable German law. 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 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 the 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 Securities Prospectus Act or who are subject of another exemption in accordance with Section 3 para. 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.

Austria

The Notes may only be offered in the Republic of Austria in compliance with the provisions of the Austrian Capital Market Act (*Kapitalmarktgesetz*) and other laws applicable in the Republic of Austria governing the offer and sale of the Notes in the Republic of Austria. The Notes are not authorized for public offer under either the Austrian Capital Market Act (*Kapitalmarktgesetz*) or Investment Fund Act 2011 (*Investmentfondsgesetz 2011*) and the offering memorandum has not been and/or will not be published pursuant to the Austrian Capital Market Act (*Kapitalmarktgesetz*) or Investment Fund Act 2011 (*Investmentfondsgesetz 2011*). The recipients of this offering memorandum and other selling material with respect to the Notes have been individually selected and identified before the offer is made and are targeted exclusively on the basis of a private placement. Accordingly, the Notes may not be, and are not being, offered or advertised publicly or offered similarly under either the Austrian Capital Market Act (*Kapitalmarktgesetz*) or Investment Fund Act 2011 (*Investmentfondsgesetz 2011*). No offer will be made to any persons in Austria other than the recipients to whom this offering memorandum is personally addressed.

Grand Duchy of Luxembourg

The terms and conditions relating to this offering memorandum have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (Commission de Surveillance du Secteur Financier) for purposes of public offering or sale in the Grand Duchy of Luxembourg (“Luxembourg”). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended.

Denmark

This offering memorandum has not been filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in Denmark. The Notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in Denmark by way of a public offering, unless in compliance with Chapter 6 or Chapter 12 of the Danish Act on Trading in Securities and Executive Orders issued pursuant thereto as amended from time to time.

France

This offering memorandum has not been prepared and is not being distributed in the context of a public offering of financial securities in France 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) (the “AMF”). Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France (*offre au public de titres financiers*), and neither this offering memorandum nor any offering or marketing materials relating to the Notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

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

Prospective investors are informed that:

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

(b) in compliance with Articles L. 411-2 and D. 411-1 of the French Code monétaire et financier, any qualified investors subscribing for the Notes should be acting for their own account; and

(c) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 through L. 621-8-3 of the French Code monétaire et financier.

The Netherlands

For selling restrictions in respect of the Netherlands, see "*—Notice to Investors in the European Economic Area*" above and in addition:

(a) *Specific Dutch selling restriction for exempt offers*: Each Initial Purchaser has represented and agreed that it will not make an offer of the Notes which are the subject of the offering contemplated by this offering memorandum to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive unless:

(i) such offer is made exclusively to legal entities which are qualified investors as defined in the Prospectus Directive, or

(ii) such offer is otherwise made in circumstances in which article 5:20(5) of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*, the "NLFMSA") is not applicable,

provided that no such offer of the Notes shall require any Issuer or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expressions (i) an "offer of the Notes to the public" in relation to any Notes in the Netherlands; and (ii) "Prospectus Directive," have the meaning given to them above in the paragraph headed "*Notice to Investors in the European Economic Area*."

(b) *Regulatory capacity to offer the Notes in the Netherlands*: Each Initial Purchaser which did and does not have the requisite Dutch regulatory capacity to make offers or sales of financial instruments in the Netherlands has represented and agreed with the Issuers that it has not offered or sold and will not offer or sell any of the Notes of the relevant Issuer in the Netherlands, other than through one or more investment firms acting as principals and having the Dutch regulatory capacity to make such offers or sales.

Spain

Neither the Notes nor the offering memorandum have been or will be approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Notes may not be offered, sold or distributed in Spain except in circumstances which do not constitute a public offering of securities in Spain within the meaning of section 30-bis of the Securities Market Law 24/1988 of 28 July 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) (as amended), or pursuant an exemption from registration in accordance with Royal Decree 1310/2005 of 4 November on admission to listing and on issues and public offers of securities (as amended) (*Real Decreto 1310/2005 de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, de 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*), and supplemental rules enacted thereunder or in substitution thereof from time to time.

Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except: (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the Italian Financial Services Act) and Article 34-ter, first paragraph, letter b) of Regulation No.11971 of 14 May 1999, as amended from time to time (Regulation No.11971); or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Services Act and Article 34-ter of Regulation No. 11971.

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

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No.16190 of 23 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the Banking Act); and

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

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

Prospective investors should note that in accordance with Article 100-bis of the Italian Financial Services Act, where no exemption applies under (i) and (ii) above, Notes which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are regularly (*sistematicamente*) distributed on the secondary market in Italy to non qualified investors become subject to the public offer and the prospectus requirement rules set out in the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of the Notes being declared null and void and in the liability of the intermediary transferring the Notes for any damages suffered by the investors.

Switzerland

This offering memorandum, as well as any other material relating to the Notes which are the subject of the offering contemplated by this offering memorandum, do not constitute an issue prospectus pursuant to article 652a and/or article 1156 of the Swiss Code of Obligations and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes will not be listed on the SIX Swiss Exchange Ltd., and, therefore, the documents relating to the Notes, including, but not limited to, this offering memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd. The Notes are being offered in Switzerland by way of a private placement (*i.e.*, to a limited number of selected investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This offering memorandum, as well as any other material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. This offering memorandum, as well as any other material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without the Issuers' express consent. This offering memorandum, as well as any other material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Poland

The Notes may not be offered or sold into Poland except under circumstances that do not constitute a public offering or distribution of securities under Polish laws and regulations. This offering memorandum has not been and will not be approved by *Komisja Nadzoru Finansowego*, the Polish Financial Supervision Authority. The Notes have not been and will not be registered with *Komisja Nadzoru Finansowego*.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “aims,” “targets,” “anticipates,” “expects,” “intends,” “may,” “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this offering memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate, other statements relating to our future business performance and general economic, regulatory and market trends and other circumstances relevant to our business.

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

- our future financial position;
- the implementation of our strategic plans and the impact of those plans on our financial position and results of operations;
- our liquidity, capital resources and capital expenditure;
- our expectations regarding the impact of economic, operating, legal and other risks affecting our business;
- macroeconomic trends and developments in the markets in which we operate, such as general economic growth, developments in unemployment rates, the level of consumer prices, wage levels, consumer confidence and spending levels, interest rates, inflation and taxation;
- developments in international financial markets;
- our ability to successfully compete in the European beauty and personal care market, and in particular in the selective distribution segment of such market, and to successfully implement cost-efficiency and restructuring initiatives;
- our ability to obtain a sufficient amount and variety of quality selective and exclusive products from our suppliers;
- our dependence on a small number of suppliers and on the ability of our suppliers to meet our requirements;
- our ability to acquire, maintain and strengthen relationships with new and existing suppliers and manufacturers;
- our exposure to the risk of rising labor costs, as well as work stoppages, strikes or other collective actions, supply shortages and interruptions in our supply chain;
- developments in the distribution of our products, including the level of acceptance of internet retailing, user behavior on mobile devices, our ability to attract more internet traffic (including mobile internet traffic) and translate such traffic into purchases of our products;
- the impact of our franchise ownership structure of certain stores;
- our reliance on third parties for computer hardware, software, services and support and the risk of interruption to our operations as a result of failures in our information technology systems;

- our ability to protect confidential information of our customers, and network against security breaches;
- our ability to offer our customers an inspirational and attractive purchasing experience, both online and in our stores;
- our ability to adopt and apply technological advances in a timely manner and to successfully expand our multi- and cross-channel capabilities;
- our ability to effectively integrate the business and achieve expected synergies as well as manage unexpected liabilities in connection with past and future acquisitions and joint ventures, including with respect to the Nocibé Acquisition;
- our ability to anticipate and effectively respond to consumer tastes and trends;
- the effectiveness of our marketing advertising and marketing programs and our ability to communicate with customers;
- changes in the strength of the "Douglas" brand, the "Nocibé" brand, our private label products or the brand products of our suppliers, or our reputation;
- our ability to identify suitable sites for our future stationary stores and our ability to negotiate, terminate or extend store leases on acceptable terms;
- demographic changes;
- changes in the competitive environment and in the competition level in the markets in which we operate;
- acquisition opportunities in the markets in which we currently, or may in the future, operate;
- changes in law and regulations, for example, with respect to the European regime applicable to selective distribution of beauty and personal care products and the impact of such changes on us and our operations;
- compliance with private data protection laws, antitrust and competition laws and regulations;
- protection of our and our suppliers' intellectual property rights, including trademarks and domain names;
- currency effects;
- our ability to attract and retain key management and personnel;
- risks associated with the payment methods that we accept online and in our stationary stores;
- misappropriation of funds and products in our stores, warehouses and logistics centers and of customer data;
- the availability of consumer credit;
- the impact of changes in credit and debit card provider requirements or applicable regulations;
- the outcome of legal proceedings;
- the effects of seasonality on our business;
- potential liabilities that may not be covered by insurance;
- our substantial leverage and ability to generate sufficient cash to service our debt and to refinance these borrowings upon maturity;
- risks associated with our structure, the Notes, the Note Guarantees, the collateral securing the Notes and our other borrowings; and

- other factors described under "*Risk Factors*" and elsewhere in this offering memorandum.

We urge you to read the sections of this offering memorandum entitled "*Risk Factors,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations,*" "*Market and Competitive Environment*" and "*Business*" for a more detailed discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering memorandum may not occur.

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

CERTAIN DEFINITIONS

In this offering memorandum:

- "Acquisition" has the meaning ascribed to it in "Summary—The Transactions";
- "Acquisition Agreement" refers to the sale and purchase agreement regarding the sale and purchase of the Douglas Group dated June 1, 2015, between Kirk Beauty Zero GmbH and AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l., including all exhibits and schedules thereto;
- "Acquisition Documents" refers to the Acquisition Agreement and the Funds Guarantee;
- "AI Beauty" refers to AI Beauty & Cy S.C.A.;
- "Books Business" refers to the book business held and managed by Thalia Holding GmbH and its subsidiaries, which was one of the Douglas Group's four operating businesses sold subsequent to the First Douglas Acquisition, collectively referred to as the Non-Acquired Business, and transferred to a wholly-owned subsidiary of AI Beauty with effect as of October 1, 2014;
- "Clearstream" refers to Clearstream Banking, société anonyme;
- "Company" refers to Beauty Holding Zero GmbH;
- "Completion Date" refers to the date on which the proceeds from the offerings of the Senior Secured Notes and Senior Notes are released from the relevant escrow accounts following the consummation of the Acquisition;
- "Confectionery Business" refers to the confectionery business held and managed by the Hussel group companies, which was one of the Douglas Group's four operating businesses sold subsequent to the First Douglas Acquisition, collectively referred to as the Non-Acquired Business, and transferred to a third party with effect as of April 30, 2014;
- "CVC" refers to CVC Capital Partners Limited and its affiliates and direct or indirect subsidiaries;
- "CVC Funds" refer to funds or limited partnerships managed or advised by CVC (but excluding, in each case, any funds managed or advised by CVC Credit Partners LP and its subsidiaries);
- "Douglas," the "Douglas Group," the "Group," "our Group" and other similar terms refer to Beauty Holding Zero GmbH and its consolidated subsidiaries;
- "Equity Contribution" has the meaning assigned to it under "Summary—The Transactions—The Financing";
- "Escrow Accounts" refers to Senior Secured Notes Escrow Account and the Senior Notes Escrow Account;
- "Escrow Agreement" refers to each agreement to be dated the Issue Date between the relevant Issuer, the relevant Trustee and the relevant Escrow Agent relating to the escrow account with which the proceeds of the Senior Secured Notes or the Senior Notes, as applicable, will be deposited pending consummation of the Acquisition;
- "Euroclear" refers to Euroclear Bank SA/NV;
- "European Union" or "EU" refers to the European economic and political union;
- "Existing Facilities" refers to the senior facilities agreement dated October 15, 2012, as amended and restated, among Beauty Holding One GmbH, Beauty Holding Two GmbH and UniCredit Bank AG, London Branch as senior facility agent and security agent and several financial institutions as lenders providing for term loan facilities in the amount of €650.0 million and a revolving credit facility in the amount of €180.0 million (the "Existing Senior Facilities Agreement") and a mezzanine facility agreement dated October 15, 2012, as amended and restated, among Beauty Holding One GmbH, Beauty Holding Two GmbH, the Bank of New York Mellon London Branch as mezzanine facility agent, UniCredit Bank AG, London Branch as security agent and several financial institutions as lenders

providing for a term loan facility in the amount of €200.0 million (the "Existing Mezzanine Facility Agreement");

- "Fashion Business" refers to the fashion business held and managed by Reiner Appelrath-Cüpper Nachf. GmbH, which was one of the Douglas Group's four operating businesses sold subsequent to the First Douglas Acquisition, collectively referred to as the Non-Acquired Business, and transferred to a wholly-owned subsidiary of AI Beauty with effect as of October 1, 2014;

- "Financing" has the meaning ascribed to it in "Summary—The Transactions";

- "First Douglas Acquisition" refers to the indirect acquisition of a 96.17% interest in Douglas Holding AG (which was the holding entity of the Douglas Group prior to the acquisition) by the Company in 2012, together with the subsequent squeeze-out carried out in 2013, pursuant to which the Company indirectly acquired the remaining interest in Douglas Holding AG, as well as the delisting carried out in 2013;

- "Founder Co-Investors" refers to the Kreke family;

- "Funds Guarantee" refers to the agreement to be entered into on or before the Closing Date between Advent International GPE VII Limited Partnership, Advent International GPE VI Limited Partnership and Advent Central & Eastern Europe IV Limited Partnership and the Company;

- "German GAAP" refers to generally accepted accounting principles in Germany (*Handelsgesetzbuch*);

- "Guarantors" collectively refers to the Senior Secured Note Guarantors and the Senior Note Guarantors, and references to "Guarantor" are to each of them;

- "IFRS" refers to International Financial Reporting Standards as adopted by the EU;

- "Indentures" refers to the Senior Secured Notes Indenture and the Senior Notes Indenture;

- "Initial Purchasers" refers to the initial purchasers set forth in the table after the first paragraph in the section headed "*Plan of Distribution*;"

- "Intercreditor Agreement" refers to, to be dated on or prior to the Completion Date, as amended from time to time, the intercreditor agreement among the Issuers, Deutsche Bank AG, London Branch, as Security Agent and security agent under the Senior Secured Credit Facilities Agreement, and certain lenders and arrangers under the Senior Secured Credit Facilities Agreement;

- "Issue Date" refers to the date of original issuance of the Senior Secured Notes or the Senior Notes, as the context may require;

- "Issue Date Collateral" refers to the Senior Secured Notes Issue Date Collateral and the Senior Notes Issue Date Collateral;

- "Issue Date Guarantors" refers to, in respect of the Senior Secured Notes, the Senior Notes Issuer, and in respect of the Senior Notes, the Senior Secured Notes Issuer;

- "Issuers" refers to the Senior Secured Notes Issuer and the Senior Notes Issuer;

- "Jewelry Business" refers to the jewelry business held and managed by Christ Juweliere und Uhrmacher seit 1863 GmbH, which was one of the Douglas Group's four operating businesses sold subsequent to the First Douglas Acquisition, collectively referred to as the Non-Acquired Business, and transferred with effect as of October 1, 2014, to Diamond Holding GmbH, which was a wholly-owned subsidiary of AI Beauty and subsequently sold to a third party;

- "LuxCo1" refers to Kirk Beauty S.à r.l., a limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg;

- "LuxCo2" refers to Kirk Beauty Investments S.A., a public limited company (*société anonyme*) incorporated and existing under the laws of Luxembourg;

- "LuxCo3" refers to Kirk Beauty International S.A., a public limited company (*société anonyme*) incorporated and existing under the laws of Luxembourg;

- "Member State" means a member state of the European Economic Area;

- "Non-Acquired Business" refers to the Confectionery Business, the Books Business, the Jewelry Business and the Fashion Business collectively;

- "Note Guarantees" refers to the Senior Secured Note Guarantees together with the Senior Note Guarantees;

- "Notes" refers to the Senior Secured Notes and the Senior Notes;

- "Offering" or "Offerings" refers to the offering of the Senior Secured Notes or the Senior Notes pursuant to this offering memorandum, as the context may require;

- "Original Subsidiary Guarantors" refers to the Target, Beauty Holding One GmbH, Beauty Holding Two GmbH, Douglas Holding AG, Parfümerie Douglas GmbH, Parfümerie Douglas Beteiligungs GmbH, Parfümerie Douglas Deutschland GmbH, Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG, Parfümerie Douglas International Verwaltungs GmbH, Parfümerie Douglas International GmbH, Douglas Marken- und Lizenzen GmbH & Co. KG, Douglas Grundstücks- und Verwaltungsgesellschaft mbH & Co. KG, Douglas Investment B.V., Parfumerie Douglas Nederland B.V., Douglas Finance B.V. and "Douglas Polska" sp. z o.o., each of whom will guarantee the Notes within 90 days of the Completion Date;

- "PECs" refers to preferred equity certificates;

- "Perfumeries Business" refers to Douglas Perfumeries Business, which is the Douglas Group's core business, relating to fragrances and cosmetics;

- "RBS" refers to RBS RoeverBroennerSusat GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, with registered seat in Hamburg, Germany;

- "Regulation S" refers to Regulation S under the U.S. Securities Act of 1933, as amended;

- "Revolving Credit Facility" refers to a €200 million multicurrency revolving credit facility to be established under the Senior Secured Credit Facilities Agreement;

- "Rule 144A" refers to Rule 144A under the U.S. Securities Act of 1933, as amended;

- "Security Agent" refers to Deutsche Bank AG, London Branch;

- "Security Documents" has the meaning ascribed to it under the "Description of the Senior Secured Notes" and "Description of the Senior Notes";

- "Seller 1" refers to AI Beauty & Cy S.C.A.;

- "Seller 2" refers to AI Beauty (Luxembourg) Finance S.à r.l.;

- "Sellers" refers to Seller 1 and Seller 2, collectively;

- "Senior Note Guarantees" has the meaning ascribed to it under "Summary—The Offering—Note Guarantees—Senior Notes";

- "Senior Note Guarantors" refers to the Senior Secured Notes Issuer, the Original Subsidiary Guarantors and any future guarantors of the Senior Notes;

- "Senior Notes Indenture" refers to the indenture to be dated on or prior to the Issue Date governing the Senior Notes by and among, *inter alios*, the Senior Notes Issuer and the Senior Notes Trustee;

- "Senior Notes Issuer" or "Parent" refers to Kirk Beauty One GmbH;

- “Senior Notes Only Collateral” has the meaning ascribed to it under “Description of the Senior Notes—General—Security”;

- “Senior Notes Trustee” refers to Deutsche Trustee Company Limited;

- “Senior Secured Credit Facilities” refers to the Term Loan B Facility, the Revolving Credit Facility and any incremental facility and/or any additional borrowings which may be made available under the Senior Secured Credit Facilities Agreement from time to time;

- “Senior Secured Credit Facilities Agreement” refers to the senior secured credit facilities agreement to be entered into, on or prior to the Completion Date (including by way of an amendment and restatement of the Existing Senior Facilities Agreement) between, among others, the Senior Secured Notes Issuer and certain of its subsidiaries and Deutsche Bank AG, London Branch as agent and security agent, in each case, comprised of, as of the Completion Date, as amended from time to time, the Term Loan B Facility and the Revolving Credit Facility;

- “Senior Secured Note Guarantees” has the meaning ascribed to it under “Summary—The Offering—Note Guarantees—Senior Secured Notes”;

- “Senior Secured Note Guarantors” refers to the Senior Notes Issuer, the Original Subsidiary Guarantors and any future guarantors of the Senior Secured Notes;

- “Senior Secured Notes Collateral” has the meaning ascribed to it under “Summary—The Offering—Security—Senior Secured Notes”;

- “Senior Secured Notes Indenture” refers to the indenture to be dated on or prior to the Issue Date governing the Senior Secured Notes by and among, *inter alios*, the Senior Secured Notes Issuer and the Senior Secured Notes Trustee;

- “Senior Secured Notes Issuer” refers to Kirk Beauty Zero GmbH;

- “Senior Secured Notes Trustee” refers to Deutsche Trustee Company Limited;

- “Separation of the Non-Acquired Business” refers to the sales and transfer of the Non-Acquired Business to third parties: the Confectionery Business was sold to a third party with effect as of April 30, 2014, and the Books Business, the Jewelry Business and the Fashion Business were sold and transferred to companies controlled by AI Beauty with effect as of October 1, 2014;

- “Shared Collateral” refers to all issued capital stock of the Senior Secured Notes Issuer and any intercompany receivables owed by the Senior Secured Notes Issuer to the Senior Notes Issuer, which are secured on a first-priority basis in favor of the Senior Secured Credit Facilities and the Senior Secured Notes and on a second-priority basis in favor of the Senior Notes;

- “Shortfall Agreements” refer to the agreements between each of the Issuers and the CVC Funds pursuant to which the CVC Funds will be required to fund the Issuers with interest accrued and additional amounts, if any, from the issue date to a special mandatory redemption date;

- “Target” refers to Beauty Holding Zero GmbH;

- “Term Loan B Facility” refers to a €1,220.0 million term loan B facility established under the Senior Secured Credit Facilities Agreement;

- “TopCo” refers to Kirk Beauty Two GmbH, the direct parent of the Senior Notes Issuer;

- “Transactions” has the meaning ascribed to it in “Summary—The Transactions”;

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

- “United States,” “U.S.” or “US” refer to the United States of America and its territories and possessions; and

- “we,” “us,” “our” and other similar terms refer to Beauty Holding Zero GmbH (the Target) and its consolidated subsidiaries.

INDUSTRY AND MARKET INFORMATION

We operate in an industry in which it is difficult to obtain precise industry or market information. We have generally obtained the market and competitive position data in this offering memorandum from industry publications and from surveys or studies conducted by third-party sources, including a report commissioned by our Group prepared by OC&C Strategy Consultants GmbH ("OC&C") entitled "Selective Beauty Market and Competitive Environment" (April 2015). Information is also based on a customer survey commissioned by our Group.

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

This offering memorandum also contains estimates of market data and information derived therefrom that cannot be gathered from publications by market research institutions or any other independent sources. Such statements in this offering memorandum regarding our industry and our position in the industry have been made based on our experience and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information have been verified by any independent sources. We believe that our estimates of market data and information derived therefrom are helpful to give investors a better understanding of the industry in which we operate as well as our position within the industry. Although we believe that our internal market observations are reliable, our own estimates are not reviewed or verified by any external sources. While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the heading "*Risk Factors*."

Trademarks and Trade Names

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this offering memorandum belongs to its holder.

PRESENTATION OF FINANCIAL INFORMATION

For information regarding the presentation of financial information contained in this offering memorandum see the respective introductions to the sections headed *"Summary Historical Consolidated/Combined and Unaudited Pro Forma Financial Information"*, "*Selected Consolidated and Combined Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

The financial years ended September 30, 2014, September 30, 2013 and September 30, 2012 are also referred to in this offering memorandum as "financial year 2013/2014" or "2013/2014", "financial year 2012/2013" or "2012/2013" and "financial year 2011/2012" or "2011/2012", respectively. The current financial year, which will end on September 30, 2015, is also referred to as "financial year 2014/2015" or "2014/2015".

Historical financial data in this offering memorandum denoted as "audited" was taken from Douglas's Audited Combined Financial Statements or Audited Consolidated Financial Statements. Financial data in this offering memorandum denoted as "unaudited" was not taken from Douglas's Audited Combined Financial Statements or Audited Consolidated Financial Statements, but was taken either from the Unaudited Interim Condensed Consolidated Financial Statements, the Unaudited Pro Forma Financial Information, our accounting or controlling records, or from the audited consolidated financial statements of Groupe Nocibé SAS, or is based on calculations of these figures.

The Issuers are holding companies formed for the purpose of facilitating the Acquisition and are not expected to engage in any activities other than those related to their formation, the Acquisition and the financing related to the Acquisition. The Issuers' only material assets and liabilities are currently and are expected in the future to be their interest in the issued and outstanding shares of their respective subsidiaries and their outstanding indebtedness and intercompany balances incurred in connection with the Transactions. We do not present in this offering memorandum any financial information or financial statements of the Issuers for the periods presented, other than certain limited financial data presented at the Senior Notes Issuer or Senior Secured Notes Issuer level on a consolidated basis as adjusted to reflect the Transactions. The Unaudited Interim Condensed Consolidated Financial Statements included in this offering memorandum are that of Beauty Holding Zero GmbH and its consolidated subsidiaries. The Audited Combined Financial Statements included in this offering memorandum are that of Douglas Holding AG, an indirect subsidiary of Beauty Holding Zero GmbH, and its consolidated subsidiaries.

As part of the Transactions, the entire share capital of Beauty Holding Zero GmbH will be transferred to the Senior Secured Notes Issuer on the Completion Date. The Senior Secured Notes Issuer is directly held by the Senior Notes Issuer which in turn is held by TopCo. In the future, we will report our financial results at the Senior Notes Issuer level on a consolidated basis. The first annual consolidated financial statements for the Senior Notes Issuer will be available in respect of the financial year ending September 30, 2015.

The acquisition will be accounted for using the purchase method of accounting under IFRS, which will affect the comparability of the Senior Notes Issuer's consolidated financial statements with the financial statements contained in this offering memorandum.

Under IFRS 3 "Business Combinations," the cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued by the acquirer, including the fair value of any asset or liability incurred and the equity interests issued by the acquirer, including the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair market values at the acquisition date. The excess of the consideration transferred over the fair value if the acquirer's share of the identifiable net assets acquired is recorded as goodwill. Since the Acquisition has not been consummated as of the date of this offering memorandum, we have not identified the fair value of assets acquired and liabilities to be assumed at the date of the Acquisition. In accordance with IFRS, we have up to 12 months from the Completion Date to finalize the allocation of the purchase price.

Some financial information in this offering memorandum has been rounded and, as a result, the figures shown as totals in this offering memorandum may vary slightly from the exact arithmetic aggregation of the figures that precede them.

Other Financial Measures

Certain parts of this offering memorandum contain non-IFRS measures and ratios, including EBITDA, Adjusted EBITDA, Pro Forma Adjusted EBITDA, Adjusted Sales and leverage and coverage ratios, that are not required by, or presented in accordance with, IFRS. We believe that these measures are useful indicators of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. Because all companies do not calculate these measures on a consistent basis, our presentation of these measures may not be comparable to measures under the same or similar names used by other companies. Accordingly, undue reliance should not be placed on these measures in this offering memorandum. In particular, EBITDA, Adjusted EBITDA, Pro Forma Adjusted EBITDA and Adjusted Sales are not measures of our financial performance or liquidity under IFRS and should not be considered as an alternative to (a) sales, (b) net profit/(loss) for the period as a measure of our operating performance, (c) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (d) any other measures of performance under IFRS.

Pro Forma Financial Information

We present in this offering memorandum certain financial information on a pro forma basis to give pro forma effect to the Transactions and to present the effects of the Nocibé Acquisition. See "*Summary Historical Consolidated/Combined and Unaudited Pro Forma Financial Information*," "*Capitalization*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*" For a description of the pro forma effect of the Nocibé Acquisition, see "*Unaudited Pro Forma Financial Information.*" The pro forma consolidated income statement with respect to the Nocibé Acquisition has been prepared as though the Nocibé Acquisition had occurred on October 1, 2013. The pro forma financial information has been prepared for illustrative purposes only and does not represent what our actual results would have been had the Nocibé Acquisition occurred on October 1, 2013; nor does it purport to project our indebtedness or interest expense at any future date. The pro forma financial information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the EU Prospectus Directive or any generally accepted accounting standards.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

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

Symbol used	Lawful currency of
"EUR", "€" or "Euro"	the Eurozone, including the Federal Republic of Germany
"USD" or "U.S. dollar" or "$"	the United States of America
"CHF" or "Swiss franc"	Switzerland
"PLN" or "Polish zloty"	the Republic of Poland
"HUF" or "Hungarian forint"	Hungary
"TRY" or "Turkish lira"	Turkey
"CZK" or "Czech crown"	the Czech Republic
"LTL" or "Lithuanian litas"	Lithuania until December 31, 2014. As of January 1, 2015, Lithuania adopted the Euro as its legal currency.
"LVL" or "Latvian lats"	Latvia until December 31, 2013. As of January 1, 2014, Latvia adopted the Euro as its legal currency.
"RON" or "Romanian leu"	Romania
"HRK" or "Croatian kuna"	Croatia
"BGN" or "Bulgarian lev"	Bulgaria

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

The Bloomberg Composite Rate of the euro on June 25, 2015 was $1.1203 per €1.00.

	U.S. Dollars per €1.00			
Year	Period end	Average[1]	High	Low
2010	1.3387	1.3266	1.4513	1.1923
2011	1.2959	1.3924	1.4830	1.2907
2012	1.3192	1.2860	1.3458	1.2061
2013	1.3743	1.3285	1.3804	1.2780
2014	1.2098	1.3285	1.3932	1.2098

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

The table below sets forth period end, average, high and low exchange rates of U.S. dollars per euro for each month indicated and for the period from June 1, 2015 through June 25, 2015.

	U.S. Dollars per €1.00			
Year	Period end	Average[1]	High	Low
December, 2014	1.2098	1.2307	1.2511	1.2098
January, 2015	1.1289	1.1630	1.2103	1.1205
February, 2015	1.1196	1.1351	1.1481	1.1196
March, 2015	1.0731	1.0844	1.1196	1.0497
April, 2015	1.1224	1.0818	1.1224	1.0567
May, 2015	1.0987	1.1157	1.1451	1.0872

	U.S. Dollars per €1.00			
Year	Period end	Average[1]	High	Low
June 1 through June 25, 2015	1.1203	1.1243	1.1359	1.0927

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

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

SUMMARY

The following summary contains basic information about us and this offering and highlights information appearing elsewhere in this offering memorandum. This summary is not complete and does not contain all the information that you should consider before investing in the Notes. For a more complete understanding of this offering, we encourage you to read this entire offering memorandum carefully, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and the notes to those financial statements contained elsewhere in this offering memorandum.

Overview

We are the leading European specialist retailer of selective beauty and personal care products, with total pro forma sales of €2,494.3 million, pro forma earnings before interest, tax, depreciation and amortization ("EBITDA") of €173.8 million and pro forma Adjusted EBITDA of €256.0 million in the financial year 2013/2014, in each case on a pro forma basis after giving effect to our acquisition of the Nocibé Group (as defined below). The vast majority of our sales are generated within the selective beauty distribution channel, which requires the formal approval of a supplier to carry a selective product, as opposed to the mass market channel. As of the date of this offering memorandum, we operate in 19 European countries with over 1,700 stores (including franchised stores) and have e-commerce operations in 15 countries.

Since being taken private in the financial year 2012/2013, Douglas has been transformed from a predominantly German diversified retail conglomerate into a leading pan-European selective beauty retailer. Our former non-beauty operating retail businesses were either sold to a third party or transferred to subsidiaries of Seller 1. Substantial operational improvement initiatives have been implemented over the past two years, particularly in the financial year 2013/2014 under a largely new management team, to further enhance our business model and position it for continued profitable growth going forward. In June 2014, we acquired Groupe Nocibé SAS, France, together with its direct and indirect subsidiaries and associated companies (the "Nocibé Group"), a leading beauty retailer in France to further strengthen our market position in France and as the leading specialist retailer of selective beauty and personal care products in Europe.

Competitive Strengths

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

Market Leader in European Selective Beauty Market

We are the leading European specialist retailer of selective beauty and personal care products (based on 2013 sales). In Germany, with an estimated market volume of €2.44 billion in 2013, we are the market leader in the selective beauty market in terms of sales, with respect to both stationary and e-commerce business. In France, with an estimated market volume of €3.05 billion in 2013, we established the No.2 position, extending to stationary and e-commerce business alike, through the strategic acquisition of the Nocibé Group, becoming the selective beauty retailer with the largest store network in the country. We also hold leading market positions (top 1-3) in all of our other core markets (which include the Netherlands, Italy, Poland and Austria) and believe that we have strong positions in most of our other markets.

Focus on Attractive Market Segment to Benefit from Strong Industry Economics

We focus on the selective beauty market, an attractive sub-segment of the broader beauty and personal care market. The total selective beauty market in Europe totaled €15.6 billion in 2013 and has shown strong resilience even in a challenging economic environment. In Europe's two largest economies, Germany and France, which are also our two largest markets and which together accounted for 71% of our pro forma sales in the financial year 2013/2014 after giving effect to our acquisition of the Nocibé Group, the selective beauty market has historically grown at a stronger rate than the larger mass market for beauty and personal care products (comprising beauty and hygiene categories) with respective CAGRs of 5.0% and 1.4% in Germany and respective CAGRs of 3.1% and 1.2% in France in each case for the 2009-2013 period. According to the OC&C Report, in the coming years, the selective beauty market segment is expected to continue to outgrow the mass beauty and personal care market in many European countries. For example, according to the OC&C Report, in Germany, the selective beauty market is expected to grow at a CAGR of 4.9% in the 2013-2019 period, which compares to 1.5% for the mass market for beauty and personal care products in the same period, while in France the selective beauty market is expected to grow at a CAGR of 2.0% for the 2013-2019 period, while the mass market is expected to grow at a CAGR of only 1.2% CAGR in the same period.

Attractive and Broad Product Assortment makes Douglas one of Europe's Favorite Retailers for Beauty and Personal Care Products

We are Europe's leading specialist retailer for selective beauty and personal care products with an assortment of up to 35,000 different articles or stock keeping units ("SKUs") as of March 31, 2015 (based on our German online shop) across a wide range of price points. We have a highly attractive and balanced product portfolio, with fragrances contributing more than half, color cosmetics and skin care approximately one fifth each and other products only a small portion to our total consolidated sales in the first half of 2014/2015. Our broad assortment range, which we believe to be one of the largest in the industry, complemented by our service offering, make us a trusted destination for customers of premium beauty care products. We complement our broad assortment range of selective products with attractive exclusive and private label products which allow for differentiation *vis-à-vis* key competitors and act as an additional margin driver. Thus, we consider exclusive and particularly private label products to be key growth contributors, which, especially in the case of private label, have higher gross margins than third party beauty products. As a consequence, in the last two years, we have put a strong focus on significantly expanding our exclusive and private label expertise.

Unique, Modern and Well-invested Store Network in Prime Locations makes Douglas a "Must-have" Distribution Platform for all Major Brand Suppliers

In our view, we operate a unique store network across Europe comprising 1,559 well-invested directly operated stores as of March 31, 2015 in prime locations—mostly in prime high-street locations as well as in shopping malls—which, combined with our modern design and prestigious store appearance, make Douglas, in our view, a "must-have" distribution platform for all major brand suppliers. In our key markets of Germany and France, our stores have nationwide coverage. In Germany, we have an extensive store portfolio of 436 stores (as of March 31, 2015 all stores are directly operated) in prime locations. In France, we have a nationwide store network with approximately twice as many stores as the market leader Sephora. Our modular store concept allows for unique flexibility to adapt store sizes, assortment breadth, store layout and visual merchandising and enables us to successfully operate with smaller and medium sized stores in smaller towns where we may have less competition from operators focusing on larger stores.

Strong Multi-Channel Operations with E-commerce Leadership Positions Across Key Markets in Europe

We see ourselves as a leading multi-channel retail trendsetter with high integration of our online and mobile interfaces with our stationary operations (physical stores). We believe that we can provide a highly integrated offering across channels and that we have implemented state-of-the-art cross-channel services and customer relationship management. We consider this a competitive advantage, in particular vis-à-vis pharmacies, drugstores and smaller market participants that do not have the same multi-channel competency. We consider an attractive, easy to use multi-channel approach as particularly important in the beauty retail sector since customers increasingly purchase online to save time, money and effort, but at the same time most of them wish to see, feel, smell and test many beauty products in person. Also, store experience and friendly customer advice are parts of a shopping experience which we consider to be difficult to reproduce for a pure-play online retailer. We believe that our e-commerce operations are a key contributor to our growth and in the twelve-month period ended March 31, 2015 our centrally managed online shops (*i.e.*, our online shops in Germany, France – including, for the first half of 2014/2015, e-commerce sales of €22.4 million from the Nocibé Business –, the Netherlands, Austria, Poland, Italy and Switzerland) contributed sales of €229.3 million, or 9.4% of total sales. In Germany, we are the leader in the online market for selective beauty products, with a market share of approximately 51% in the calendar year 2013, based on net e-commerce sales. In France, we held the second position in the online selective beauty segment (approximately 25%, based on 2013 e-commerce sales, aggregated for the Nocibé and the Douglas e-commerce platform, which at the time operated separately). Our French e-commerce activities are now consolidated under the Nocibé brand.

Proven and Resilient Business Model with a Strong Financial Track Record, Superior Cash Generation and Focus on Expansion

We have shown a strong financial track record for the last three financial years and the first half of 2014/2015 in terms of sales growth, further margin expansion and cash generation. In addition, for our fast growing e-commerce business, we continued implementing operational excellence initiatives, introduced new online service offerings and accelerated the pan-European roll-out of e-commerce operations. As a result of these measures, our sales growth rate has significantly improved in the financial year 2013/2014 and particularly in the first half of 2014/2015. Our like-for-like growth rate increased from 1.6% in the financial year 2013/2014 to 3.9% in the first half of 2014/2015. This was driven both by an improvement of our stationary as well as our e-commerce business like-for-like growth rate, with our e-commerce operations benefitting from strong market momentum and our competitive position in the European online selective beauty market. In the first half of 2014/2015, our sales growth rate was positive across all of our four regional segments, with particularly strong growth in our regional segments of Germany and Eastern Europe (both increasing sales by 5.4% compared to the first half of 2013/2014). Our South-Western Europe segment returned to positive growth following a challenging period, with positive momentum being driven by significant actions undertaken in recent years. Furthermore, since being taken private in the financial year 2012/2013, we have implemented a wide range of efficiency enhancing measures, such as the centralization of functions such as pricing, procurement, category management and assortment planning as well as streamlining of overhead functions and realizing personnel efficiencies across our German and South-Western Europe store portfolios. As a result, on a pro forma basis, our Adjusted EBITDA totaled €256.0 million and our Adjusted EBITDA-margin increased to 10.3% in the financial year 2013/2014. This positive margin trend has accelerated in the first half of 2014/2015, with many of the strategic and operational measures successfully implemented in the financial year 2013/2014 now starting to have positive financial effects in all of our four regional segments. When adjusted to exclude effects from the Nocibé Business, our Adjusted EBITDA in the first half of 2014/2015 increased by €27.2 million, or 25.9% as compared to the first half of 2013/2014. As a result, our Adjusted EBITDA margin improved to 11.2% for the twelve-month period ended March 31, 2015, representing a margin increase of 0.9%-point over a half year period.

In addition, as a result of our continuous efforts to further enhance our operational excellence, we also improved our cash conversion (defined as the difference of Adjusted EBITDA and capital expenditures divided by Adjusted EBITDA, in each case for the respective time period) from 62.9% in the financial year 2011/2012 to 75.0% in the financial year 2012/2013, and 75.6% in the financial year 2013/2014 (all figures on a combined basis). In the twelve-month period ended March 31, 2015 our cash conversion improved further to 75.9%.

Experienced and Committed Management Team Ready to take Douglas to the Next Level

We have an experienced, international executive management team with more than 50 years of combined experience in the beauty retail industry, including CEO Dr. Henning Kreke who is a member of the founder family and our management team and has been CEO since 2001, and CFO Dr. Dennis Schulze who previously worked at the Carlyle Group for 14 years and joined Douglas in 2013. Since being taken private in the financial year 2012/2013, our management team, also including Nicholas Denissen as the responsible managing director for our e-commerce activities, Claudia Reinery, who joined Douglas in 2013, as the responsible managing director for Germany and Switzerland, Isabelle Parize, president of Nocibé since 2011 and also the responsible managing director for Italy, Spain and Portugal, and Jules Abbenhuis, as the responsible managing director for 12 of our other international markets, transformed Douglas from a predominantly German diversified retail conglomerate into a leading pan-European selective beauty retailer.

Strategy

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

Extend Leadership in Channel Excellence and Front-run the Omni-Channel Opportunity

We intend to continuously expand our leading position in multi-channel excellence and exploit the industry's omni-channel opportunity. This includes driving excellence in each channel as well as strengthening cross-channel capabilities and customer relationship management. To this end, we aim to further enhance our store design and introduce a series of activating elements, such as highlight areas to promote innovations or seasonal promotions, to drive customer visit frequency, average ticket sizes and conversion rates, and leverage our new standardized store design to achieve a more homogeneous look and feel across our stores. Another focus lies on enhancing the service experience for our customers along all customer touch points as a key differentiating factor as compared to our competitors. To further improve our operational excellence, we plan to further strengthen best practice sharing across countries and channels. Within the e-commerce channel, an important goal is to further optimize our e-commerce platform to improve customer attraction, and in particular conversion and retention rates, for example through the implementation of new features and selected new services.

Further Strengthen Market Leadership by Expanding Footprint in Existing and New Markets in Europe

While we mainly focused on the optimization of our store portfolio in the past financial years, with only limited organic growth from new store openings, we now plan to increasingly focus on the expansion of our footprint, both from taking advantage of key expansion opportunities in existing markets and through the expansion into new markets. In particular, it is our strategic goal to reach or further strengthen No.1 or No.2 market positions in all of our core markets in which we operate. To this end, we plan to execute a multi-format expansion strategy, including the continued store roll-out, the implementation of new retail concepts (*e.g.,* shop-in-shop concepts) as well as selected small-scale acquisitions. A particular focus in relation to our intended further expansion is on Germany, France and Poland, where a white spot analysis confirmed strong expansion potential. In addition, we continue to consider selected acquisitions of franchisees, particularly in France. Still, we strive to maintain discipline in our growth strategy and review our store portfolio on an on-going basis. Furthermore, we have identified additional attractive markets where we determined there are promising roll-out and consolidation opportunities either due to market size or market dynamics. This includes the intended expansion of our store network and building of critical scale in Spain, but also further expansion in fast-growing markets such as Romania, Hungary, the Czech Republic, Croatia and Turkey. In addition, we intend to enter the selective beauty market in Sweden, building on the recently launched Norwegian joint venture model.

Further Systematize and Centralize the Business Model and Drive Operational Excellence

We have begun, in particular since the taking private of the Group in the financial year 2012/2013, to successfully systematize and further centralize well selected key functions such as procurement and marketing and intend to continue and accelerate this process. This has been a key driver for the recent margin improvements, but we believe that further upside remains.

In Germany, we focus on further transforming our formerly rather decentralized business model into an effective, centrally-steered organization ready for future growth. In France, we aim to leverage on Nocibé's already highly systematized operating model and, as part of the continued integration effort, bring the store productivity of our former Douglas stores up to Nocibé level. We believe that this focused approach will act as a blueprint for the continuous improvement of operational excellence in all other countries in which we operate in order to realize the significant potential from the migration from a decentralized to a systemized scalable business model. Another important goal is to further centralize specific marketing and customer relationship management activities either on a regional or pan-European level.

Lead Sector Innovation and Exploit Private Label Upside

As a European market leader in selective beauty retailing, another important part of our strategy is to lead the selective beauty retail sector in product and service innovations and also to exploit the significant upside of a comprehensive private label product portfolio. We intend to further systematize our trend-scouting process with the goal of reliably identifying the latest beauty and personal care related trends as well as the most attractive product innovations, and thereby methodically eliminate any remaining "white spots" in our assortment in our core categories (fragrances, color cosmetics and skin care). Also, we intend to grow our sales by introducing new and complimentary product sub-categories beyond the traditional fragrance, color cosmetics and skin care products (*e.g.,* the "Professional Beauty" category which includes *inter alia* electrical skin cleaning brushes). To improve our gross margin and to further differentiate ourselves *vis-à-vis* competitors, in addition to our offering of exclusive products, we aim to expand our private label offering as one of the most important pillars of our strategy.

THE TRANSACTIONS

The Acquisition

On June 1, 2015, the Senior Secured Notes Issuer, an entity beneficially owned by CVC Funds, entered into the Acquisition Agreement with the Sellers to acquire all the issued and outstanding capital stock of the Target from Seller 1 and certain shareholder loans granted by Seller 2 to a wholly-owned subsidiary of the Target (the "Acquisition"). The consummation of the Acquisition pursuant to the Acquisition Agreement is subject to regulatory approvals as set out therein. If regulatory approval is not obtained on or prior to November 18, 2015, or the actions to be undertaken at the scheduled date of consummation of the transaction are not conducted (and not remedied within 5 business days and the other party is not in breach of the Acquisition Agreement), the Acquisition Agreement may be terminated by either party in case of non-fulfillment of closing conditions and by the non-breaching party in case of non-performance of closing actions. In connection with the Acquisition, the Founder Co-Investors will reinvest a significant part of its current (indirect) equity interest. For the purpose of such reinvestment, Seller 1 has assigned, subject to a notification that all closing conditions have been fulfilled, a portion of the purchase price to the investment vehicle controlled by the founders ("Lobelia"). Lobelia has undertaken that Lobelia (or another investment vehicle controlled by the owner family to which such portion of the purchase price might be assigned) further assigns this purchase price portion on the scheduled closing date to Kirk Beauty Investments S.A. ("LuxCo2"), an indirect shareholder of the Senior Secured Notes Issuer, against issue of shares and other debt instruments in LuxCo2 subject to the notification on fulfillment of the closing conditions and the CVC Funds providing simultaneously their equity commitment to the Senior Secured Notes Issuer. As of the closing date, we expect the owner family to hold indirectly approximately 15.7% equity interest in the Senior Secured Notes Issuer.

The Senior Secured Notes Issuer, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated and existing under the laws of Germany, is a wholly owned subsidiary of the Senior Notes Issuer, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated and existing under the laws of Germany. The Senior Notes Issuer, in turn, is a wholly owned subsidiary of Kirk Beauty Two GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated and existing under the laws of Germany ("TopCo"). TopCo, in turn, is a wholly owned subsidiary of Kirk Beauty International S.A. ("LuxCo3"), a public limited company (*société anonyme*) incorporated and existing under the laws of Luxembourg. LuxCo3, in turn, is a wholly owned subsidiary of LuxCo2, a public limited company (*société anonyme*) incorporated and existing under the laws of Luxembourg. LuxCo2, in turn, is a wholly owned subsidiary of Kirk Beauty S.à.r.l., a limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg ("LuxCo1"). Each of LuxCo1, LuxCo2, LuxCo3, TopCo, the Senior Notes Issuer and the Senior Secured Notes Issuer were formed or acquired to facilitate the Transactions (as defined below).

The Financing

The purchase price for the Acquisition (including the repayment of the Existing Facilities and estimated transaction fees and expenses) is expected to be €2,983.0 million. The Acquisition will be financed as follows (collectively, the "Financing"):

- €1,113.0 million indirect cash contribution by CVC and a rollover investment by the Founder Co-Investors (collectively, the "Equity Contribution");
- the Senior Secured Notes Issuer will issue the Senior Secured Notes in the aggregate principal amount of €300.0 million;
- the Senior Notes Issuer will issue the Senior Notes in the aggregate principal amount of €335.0 million;
- the Senior Secured Notes Issuer will utilize a tranche under the Term Loan B Facility under the Senior Secured Credit Facilities Agreement in the aggregate principal amount of €1,220.0 million; and
- the Senior Secured Notes Issuer will draw €15.0 million under the new €200.0 million Revolving Credit Facility under the Senior Secured Credit Facilities Agreement.

See "*—Sources and Uses of Funds for the Transactions.*"

The proceeds from the financing described above will be used to:

- fund the consideration payable for the capital stock of the Target purchased in the Acquisition and repay all amounts outstanding under the Existing Facilities; and

- pay the fees and expenses in connection with the Acquisition and the Financing, including estimated fees and expenses to be incurred in connection with the Offerings.

Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering of the Senior Secured Notes into the Senior Secured Notes Escrow Account in the name of the Senior Secured Notes Issuer and the gross proceeds from the Offering of the Senior Notes into the Senior Notes Escrow Account in the name of the Senior Notes Issuer. The Senior Secured Notes Escrow Account will be controlled by, and pledged on a first-priority basis in favor of, the Senior Secured Notes Trustee on behalf of the holders of the Senior Secured Notes, and the Senior Notes Escrow Account will be controlled by, and pledged on a first-priority basis in favor of, the Senior Notes Trustee on behalf of the holders of the Senior Notes. The release of escrow proceeds is subject to the satisfaction of certain conditions, including the consummation of the Acquisition. If the Acquisition is not consummated on or prior to November 26, 2015, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the relevant Issue Date to the date of special mandatory redemption. See "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

We refer to the Acquisition and the Financing collectively as the "Transactions." See *"Use of Proceeds," "Capitalization," "Description of Certain Financing Arrangements," "Description of the Senior Secured Notes"* and *"Description of the Senior Notes."*

Sources and Uses of Funds for the Transactions

The expected estimated sources and uses of the funds necessary to consummate the Transactions (including the Acquisition) are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimates of fees and expenses and the actual Completion Date.

(€ in millions)

Sources of Funds	Amount	Uses of Funds	Amount
Term Loan B Facility[1]	1,220.0	Total cash consideration for the Acquisition and repayment of Existing Facilities[4]	2,868.5
Revolving Credit Facility[2]	15.0	Estimated Transaction Costs[5]	114.5
Senior Secured Notes offered hereby	300.0		
Senior Notes offered hereby	335.0		
Equity contributions[3]	1,113.0		
Total Sources	2,983.0	**Total Uses**	2,983.0

[1] On or prior to the Completion Date, the Senior Secured Notes Issuer will enter into a Senior Secured Credit Facilities Agreement which provides for up to €1,420.0 million of committed borrowings, including a €1,220.0 million Term Loan B Facility. See "*Description of Certain Financing Arrangements*."

[2] On or prior to the Completion Date, the Senior Secured Notes Issuer will enter into a Senior Secured Credit Facilities Agreement which provides for up to €1,420.0 million of committed borrowings, including a €200.0 million Revolving Credit Facility. As of the Completion Date, we expect to draw €15.0 million under the new €200.0 million Revolving Credit Facility and the amount of the Revolving Credit Facility available for borrowings will also be reduced by €10.2 million of outstanding letters of credit.

[3] Represents the indirect cash contribution by CVC of approximately €938.0 million and the rollover investment by the Founder Co-Investors of approximately €175.0 million. The cash contribution to equity will be contributed through intermediate holding companies to the Issuers.

[4] Represents the sum of (i) the cash consideration to be paid for the capital stock of the Target, (ii) the aggregate principal amount of and accrued interest as of March 31, 2015 on the Existing Facilities, and (iii) the termination value of certain swap agreements as of such date, less €286.5 million of Target cash used in the repayment of the Existing Facilities. Actual amounts required on the Completion Date may vary due to factors such as different amounts of accrued interest and possible break costs with respect to the Existing Facilities and different termination values of the terminated swap agreements. We may decide not to terminate our existing swap agreements.

[5] Estimated fees and expenses associated with the Acquisition and the Financing, including commitment, placement (including by way of original issue discount), financial and M&A advisory fees and other transaction costs and professional fees. Transaction costs remain under discussion and review.

Recent Developments

The following information relating to our current performance is derived from our internal management accounts for the months of April and May 2014 and 2015. The estimates below for the eight months ended May 31, 2014 and 2015 were derived by adding our sales and Adjusted EBITDA for the two months ended May 31, 2014 and 2015, from such internal management accounts, to the sales and Adjusted EBITDA for the six months ended March 31, 2014 and 2015 as shown in our Unaudited Interim Condensed Financial Statements included elsewhere in this Offering Memorandum. These estimates have been prepared by management and have not been audited, reviewed or verified by our auditors and you should not place undue reliance on them. Our sales for the eight months ended May 31, 2014 do not include the results of the Nocibé Group, which we only acquired with effect from July 1, 2014. To provide an indication of the aggregate of our and the Nocibé Group's sales for the eight months ended May 31, 2014, we have added sales for the Nocibé Group for this period to our sales for the eight months ended May 31, 2014. This financial data for the Nocibé Group has been derived from the management accounts of the Nocibé Group for the period, which have not been prepared in accordance with IFRS, were prepared by the former Nocibé management and have not been audited, reviewed or verified by our auditors. Such aggregate sales number does not represent pro forma financial information and has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the EU Prospectus Directive or any generally accepted accounting standards.

Based on preliminary management accounts, we estimate that for the eight months ended on May 31, 2015, our sales, based on our management accounts aggregated with our interim financial statements, increased by approximately 30% compared to sales for the eight months ended May 31, 2014. This increase was primarily driven by the growth of our business in France as a result of the first-time inclusion of the Nocibé Group following the Nocibé Acquisition, which became effective July 1, 2014. Compared to the aggregate of our sales and the sales of the Nocibé Group in the eight-month period ended May 31, 2014, our sales for the eight-month period ended May 31, 2015 were 3.5%-3.7% higher. This increase in sales was primarily driven by like-for-like sales growth of our stationary business in Germany and Eastern Europe as well as the growth of our e-commerce sales. We estimate that our Adjusted EBITDA margin for the eight months ended May 31, 2015 will be approximately 11.7%-11.9%. Our actual results for the eight-month period ended May 31, 2015 may differ from these preliminary estimates and expectations and remain subject to change. See "*Disclosure Regarding Forward-Looking Statements*" and "*Risk Factors*" for a discussion of certain of the factors that could affect our future performance and results of operations.

The Issuers

The Senior Secured Notes Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated on January 16, 2015, under the laws of Germany. The Senior Secured Notes Issuer has conducted no operations or other material activities since its incorporation. The Senior Secured Notes Issuer is registered with the commercial registry of Cologne under the number HRB 83445. The Senior Secured Notes Issuer's principal business address is Im Zollhafen 24, 50678 Cologne, Germany. Its telephone number is +49 69 975 835 23.

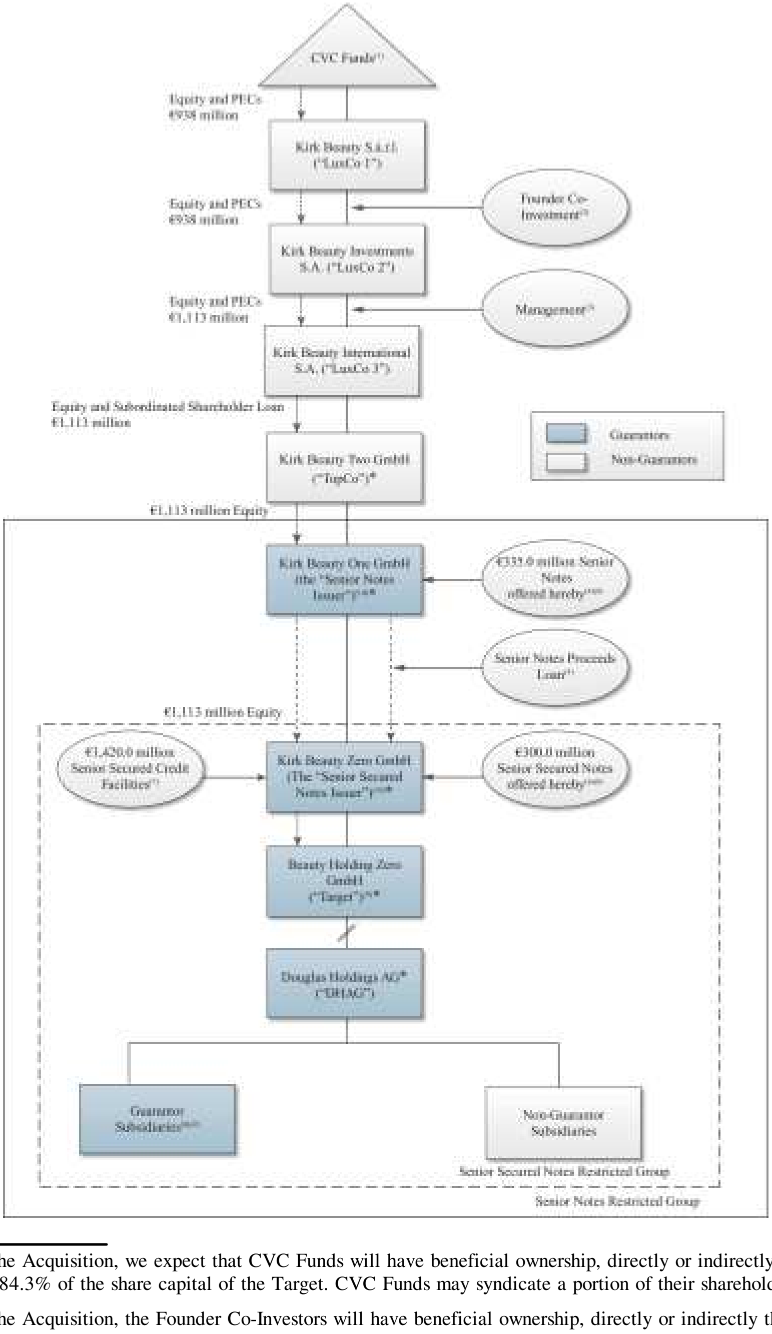
The Senior Notes Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated on April 10, 2015, under the laws of Germany. The Senior Notes Issuer has conducted no operations or other material activities since its incorporation. The Senior Notes Issuer is registered with the commercial registry of Cologne under the number HRB 84201. The Senior Notes Issuer's principal business address is Im Zollhafen 24, 50678 Cologne, Germany. Its telephone number is +49 69 975 835 23.

Our Principal Shareholder

CVC is a leading international private equity and advisory firm. Founded in 1981, CVC today has a network of 22 offices throughout Europe, Asia and the US. To date, CVC has secured commitments of over USD 79bn in funds and has completed over 300 investments in a wide range of industries and countries across the world, with an aggregate transaction value of USD 120bn. CVC Funds currently have investments in more than 50 companies worldwide, which generate over USD 130bn in revenues and employ approximately 400,000 people. CVC's local knowledge, relevant sector expertise and extensive contacts underpin a 34 year proven track record of investment success. In particular, CVC possesses significant experience in the selective beauty and retail sector, including successful investments in Matas and Debenhams.

Corporate and Financing Structure

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


CVC Funds(1)
Equity and PECs €938 million
Kirk Beauty S.à.r.l. ("LuxCo 1")
Equity and PECs €938 million
Founder Co-Investment(2)
Kirk Beauty Investments S.A. ("LuxCo 2")
Equity and PECs €1,113 million
Management(3)
Kirk Beauty International S.A. ("LuxCo 3")
Equity and Subordinated Shareholder Loan €1,113 million
Guarantors
Non-Guarantors
Kirk Beauty Two GmbH ("TopCo")*
€1,113 million Equity
Kirk Beauty One GmbH (the "Senior Notes Issuer")*
€335.0 million Senior Notes offered hereby
Senior Notes Proceeds Loan
€1,113 million Equity
€1,420.0 million Senior Secured Credit Facilities
Kirk Beauty Zero GmbH (The "Senior Secured Notes Issuer")*
€300.0 million Senior Secured Notes offered hereby
Beauty Holding Zero GmbH ("Target")*
Douglas Holdings AG* ("DHAG")
Guarantor Subsidiaries
Non-Guarantor Subsidiaries
Senior Secured Notes Restricted Group
Senior Notes Restricted Group

(1) Following consummation of the Acquisition, we expect that CVC Funds will have beneficial ownership, directly or indirectly through intermediate holding companies, of approximately 84.3% of the share capital of the Target. CVC Funds may syndicate a portion of their shareholding to third-party investors.

(2) Following consummation of the Acquisition, the Founder Co-Investors will have beneficial ownership, directly or indirectly through intermediate holding companies, of approximately 15.7% of the share capital of the Target. The Founder Co-Investors may syndicate a portion of their shareholding to third-party investors.

(3) Following consummation of the Acquisition, certain employees and members of management will be offered to invest in a management participation program on customary terms and conditions. See "*Certain Relationships and Related Party Transactions.*"

(4) On the Issue Date, the Senior Notes will be senior obligations of the Senior Notes Issuer, secured by (i) a first-priority pledge over the escrow account to which the gross proceeds of the offering of the Senior Notes will be deposited on the Issue Date and the rights of the Senior Notes Issuer under the relevant Shortfall Agreement; (ii) a first-priority pledge over all issued capital stock of the Senior Notes Issuer and any intercompany receivables owed by the Senior Notes Issuer

to TopCo; and (iii) a second-priority pledge over all issued capital stock of the Senior Secured Notes Issuer and any intercompany receivables owed by the Senior Secured Notes Issuer to the Senior Notes Issuer.

(5) On the Completion Date, the Senior Notes Issuer will loan the proceeds of the Senior Notes to the Senior Secured Notes Issuer via the Senior Notes Proceeds Loan, having terms described under "*Description of the Senior Notes—The Senior Notes Proceeds Loan.*" The claims under the Senior Notes Proceeds Loan, will be pledged, on a first-priority basis, to secure the Senior Secured Notes, and on a second-priority basis, the Senior Notes.

(6) On the Issue Date, the Senior Secured Notes will be senior obligations of the Senior Secured Notes Issuer, secured by (i) a first-priority pledge over the escrow account to which the gross proceeds of the offering of the Senior Secured Notes will be deposited on the Issue Date and the rights of the Senior Secured Notes Issuer under the relevant Shortfall Agreement; (ii) a first-priority pledge over all issued capital stock and bank accounts of the Senior Secured Notes Issuer; (iii) a first-priority pledge over intercompany loan receivables owed by the Senior Secured Notes Issuer to the Senior Notes Issuer; (iv) a first-priority pledge over receivables of the Senior Secured Notes Issuer under certain hedging agreements (if any); and (v) a first-priority assignment of the rights of the Senior Secured Notes Issuer under the Acquisition Documents. On the Completion Date, the Senior Secured Notes will be secured by a first-priority pledge over all issued capital stock of the Target and intercompany loan receivables owed by a member of the Target group to the Senior Secured Notes Issuer acquired under the Acquisition Agreement. In addition, after the Completion Date and subject to any grace period for granting such security under the Senior Secured Credit Facilities, the Senior Secured Notes will be secured by a first-priority security interest in additional collateral (constituting issued capital stock, bank accounts and intercompany loan receivables) granted by the Target and certain of the Target's subsidiaries that will also secure the Senior Secured Credit Facilities other than security provided by subsidiaries of the Target incorporated in France, which will only secure the Senior Secured Credit Facilities. See "*Description of the Senior Secured Notes—Security.*" The Senior Secured Notes will benefit from a loss sharing agreement with the lenders under the Senior Secured Credit Facility Agreement whereby payments may be required to be made among the holders of the Senior Secured Notes and the lenders under the Senior Secured Credit Facility Agreement in order to ensure that losses are borne proportionately by the holders of the Senior Secured Notes and the lender under the Senior Secured Credit Facility Agreement based on the exposure of all such creditors on an enforcement date. See *"Description of Certain Financing Arrangements—Intercreditor Agreement—Equalization of the Senior Secured Creditors."*

(7) On or prior to the Completion Date, the Senior Secured Notes Issuer will enter into the Senior Secured Credit Facilities Agreement, which provides for up to €1,420.0 million of committed borrowings, including a €200.0 million Revolving Credit Facility. Within 90 days of the Completion Date, Target and certain of its subsidiaries will become guarantors under the Senior Secured Credit Facilities. See "*Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement*" for further information. The Senior Secured Credit Facilities will be senior obligations of the Senior Secured Notes Issuer and upon the closing of the Acquisition will be guaranteed on a senior basis by the Senior Secured Notes Guarantors. After completion of the Acquisition, the Senior Secured Credit Facilities will be secured by the same collateral that secures the Senior Secured Notes, as well as certain additional collateral not able to be pledged to secure the Senior Secured Notes. We may elect to have certain of our German, Dutch and French subsidiaries directly borrow under the Term Loan B Facility for the purpose of refinancing their existing indebtedness.

(8) The Senior Secured Notes will be senior obligations of the Senior Secured Notes Issuer and, as of the Issue Date, will be guaranteed on a senior basis by the Senior Notes Issuer. After release of the proceeds of each series of Notes on the Completion Date and subject to any grace period for granting guarantees in respect of the Senior Secured Credit Facilities, the Senior Secured Notes will also be guaranteed on a senior basis by the Target and certain of the Target's subsidiaries that will also guarantee the Senior Secured Credit Facilities other than subsidiaries of the Target incorporated in France, which will only guarantee the Senior Secured Credit Facilities. The Senior Notes will be senior obligations of the Senior Notes Issuer, and, as of the Issue Date, will be guaranteed on a senior subordinated basis by the Senior Secured Notes Issuer. After the Completion Date and subject to any grace period for granting guarantees in respect of the Senior Secured Credit Facilities, the Senior Notes will also be guaranteed on a senior subordinated basis by the Target and certain of the Target's subsidiaries that will also guarantee the Senior Secured Credit Facilities and the Senior Secured Notes other than subsidiaries of the Target incorporated in France, which will only guarantee the Senior Secured Credit Facilities. The guarantees of the Senior Secured Notes and the Senior Notes will be subject to certain limitations under applicable law, as described under "*Risk Factors—Risks Related to Our Structure—Each Note Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Notes Guarantees and Security Interests.*"

(9) As of and for the twelve months ended March 31, 2015, the Original Subsidiary Guarantors accounted for 55.8% (approximately €1,461.4 million) of the consolidated total assets, 57.6% of the consolidated sales and 63.8% (approximately €180.2 million) of the consolidated Adjusted EBITDA of the Group (such consolidated sales and consolidated Adjusted EBITDA include the Nocibé Group for the nine months since July 1, 2014, the effective date of the Nocibé Acquisition).

(10) The Issuers have no independent business operations and only limited assets. On the Completion Date, they will directly or indirectly acquire the shares in Target, which is also a holding company.

(*) Certain of the Target's subsidiaries have entered into certain profit and loss pooling agreements (*Gewinnabführungsverträge*) and domination agreements *(Beherrschungsverträge*), which will, subject to our engaging in certain mergers we are considering after the Completion Date, remain in place after the Completion Date. In addition, TopCo and the Issuers intend to enter into additional profit and loss pooling agreements following the Completion Date to create a consolidated tax group including TopCo and the Issuers. Pursuant to such profit and loss pooling agreements, the dominated entity (*beherrschtes Unternehmen*) must generally transfer its entire profits to the dominating entity (*herrschendes Unternehmen*) which in turn must compensate the dominated entity (*beherrschtes Unternehmen*) for any annual balance sheet loss. For a description of the envisaged post-Completion Date transactions and the profit and loss pooling and domination agreements to be entered into see "*The Transactions—Post-Closing Reorganization*" and "*Certain Relationships and Related Party Transactions.*"

THE OFFERING

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

Issuers:	
Senior Secured Notes Issuer	Kirk Beauty Zero GmbH.
Senior Notes Issuer	Kirk Beauty One GmbH.
Notes Offered:	
Senior Secured Notes	€300,000,000 aggregate principal amount of Senior Secured Notes due 2022.
Senior Notes	€335,000,000 aggregate principal amount of Senior Notes due 2023.
Issue Date	On or about July 10, 2015.
Issue Price:	
Senior Secured Notes	100%, plus accrued and unpaid interest from the Issue Date.
Senior Notes	100%, plus accrued and unpaid interest from the Issue Date.
Maturity Date:	
Senior Secured Notes	July 15, 2022.
Senior Notes	July 15, 2023.
Interest Rate:	
Senior Secured Notes	6.25% per annum.
Senior Notes	8.75% per annum.
Interest Payment Dates	Interest on the Notes is payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2016. Interest on the Notes will accrue from the Issue Date.
Form and Denomination	The Issuers 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:

Senior Secured Notes

The Senior Secured Notes will:

- be general senior obligations of the Senior Secured Notes Issuer, secured as set forth under "*—Security;*"
- rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Secured Notes Issuer that is not subordinated to the Senior Secured Notes (including obligations under the Senior Secured Credit Facilities Agreement);

- rank senior in right of payment to any existing and future indebtedness of the Senior Secured Notes Issuer that is expressly subordinated to the Senior Secured Notes, including the Senior Secured Notes Issuer's guarantee of the Senior Notes;
- be effectively subordinated to any existing or future indebtedness of the Senior Secured Notes Issuer and its subsidiaries that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness; and
- be structurally subordinated to any existing or future indebtedness of the subsidiaries of the Senior Secured Notes Issuer that are not Guarantors including their obligations to trade creditors.

Senior Notes

The Senior Notes will:

- be general senior obligations of the Senior Notes Issuer, secured as set forth under "—*Security*;"
- rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Notes Issuer that is not subordinated to the Senior Notes (including the Senior Notes Issuer's guarantee of the Senior Secured Notes and the Senior Notes Issuer's guarantee of the Senior Secured Credit Facilities Agreement);
- rank senior in right of payment to any future indebtedness of the Senior Notes Issuer that is expressly subordinated to the Senior Notes;
- be effectively subordinated to any existing and future indebtedness of the Senior Notes Issuer and its subsidiaries that is secured by liens senior to the liens securing the Senior Notes or property and assets that do not secure the Senior Notes on an equal basis, 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 the Senior Notes Issuer that do not guarantee the Senior Notes, including their obligations to trade creditors.

The Senior Notes will be subject to the terms of the Intercreditor Agreement, including, subject to certain exceptions, payment blockage, standstill and turnover provisions. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Senior Notes—Security*."

Note Guarantees:

Senior Secured Notes

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

After the Completion Date, the Senior Secured Notes will be guaranteed on a senior basis by the Senior Notes Issuer and, subject to any grace periods for granting guarantees in respect of the Senior Secured Credit Facilities, the Target and certain of the Target's subsidiaries that will also guarantee the Senior Secured Credit Facilities (the "Senior Secured Note Guarantees") other than subsidiaries of the Target incorporated in France, which will only guarantee the Senior Secured Credit Facilities (the "Senior Secured Note Guarantees").

Senior Notes

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

After the Completion Date, the Senior Notes will be guaranteed on a senior subordinated basis by the Senior Secured Notes Issuer and, subject to any grace periods for granting guarantees in respect of the Senior Secured Credit Facilities, the Target and certain of the Target's subsidiaries that will also guarantee the Senior Secured Credit Facilities (the "Senior Note Guarantees"), other than subsidiaries of the Target incorporated in France, which will only guarantee the Senior Secured Credit Facilities.

Ranking of the Note Guarantees:

Senior Secured Notes

Each Senior Secured Note Guarantee will be a senior obligation of the relevant Guarantor, and

- rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Secured Note Guarantors that is not subordinated to the Senior Secured Note Guarantees, including obligations under the Senior Secured Credit Facilities and the obligations of the Senior Notes Issuer under the Senior Notes;

- rank senior in right of payment to any existing and future indebtedness of the Senior Secured Note Guarantors that is expressly subordinated to their Senior Secured Note Guarantees, including the Senior Note Guarantees;

- rank effectively senior to any existing and future unsecured indebtedness of the Senior Secured Note Guarantors, to the extent of the value of the collateral that is available to satisfy the obligations under the Senior Secured Note Guarantees;

- be effectively subordinated to any existing or future indebtedness of the Senior Secured Notes Issuer and its subsidiaries that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness; and

- rank effectively senior to any existing and future indebtedness of the Senior Secured Note Guarantors secured on a basis junior to the Senior Secured Notes, including the Senior Notes with respect to the Senior Notes Shared Collateral, to the extent of the value of the Senior Secured Notes Collateral that is available to satisfy the obligations under the Senior Secured Note Guarantees.

The Senior Secured Note Guarantees will be subject to the terms of the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

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

Senior Notes

Each Senior Note Guarantee will be a senior subordinated obligation of the relevant Guarantor, and

- be subordinated in right of payment to any existing and future indebtedness of the Senior Note Guarantors that is senior to the Senior Note Guarantees, including obligations under the Senior Secured Credit Facilities, the Senior Secured Notes, certain hedging obligations and certain other future indebtedness;
- rank *pari passu* in right of payment with any existing and future senior subordinated indebtedness of the Senior Note Guarantors;
- rank senior in right of payment to all existing and future indebtedness of the Senior Note Guarantors that is expressly subordinated to the Senior Note Guarantees; and
- be effectively subordinated to any existing or future indebtedness of the Senior Note Guarantors that is secured by liens senior to the liens securing the Senior Note Guarantees or property and assets that do not secure the Senior Note Guarantees on an equal basis.

The Senior Note Guarantees will be subject to the terms of the Intercreditor Agreement, including, subject to certain exceptions, payment blockage, standstill and turnover provisions. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

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

As of March 31, 2015, after giving pro forma effect to the Transactions, the Senior Notes Issuer and its consolidated subsidiaries would have had €1,870.0 million principal amount of indebtedness, of which €300.0 million is represented by the Senior Secured Notes and €335.0 is represented by the Senior Notes. This includes €15.0 million we currently anticipate drawing under the €200.0 million Revolving Credit Facility on the Completion Date. As of and for the twelve months ended March 31, 2015, the Original Subsidiary Guarantors accounted for 55.8% (approximately €1,461.4 million) of the consolidated total assets, 57.6% of the consolidated sales and 63.8% (approximately €180.2 million) of the consolidated Adjusted EBITDA of the Group (such consolidated sales and consolidated Adjusted EBITDA include the Nocibé Group for the nine months since July 1, 2014, the effective date of the Nocibé Acquisition).

Security:

Senior Secured Notes

On the Issue Date, the Senior Secured Notes will be secured by the following (the "Senior Secured Notes Issue Date Collateral"): (i) a first-priority pledge over the escrow account to which the gross proceeds of the offering of the Senior Secured Notes will be deposited on the Issue Date and the rights of the Senior Secured Notes Issuer under the relevant Shortfall Agreement; (ii) a first-priority pledge over all issued capital stock and bank accounts of the Senior Secured Notes Issuer; (iii) a first-priority pledge over intercompany loan receivables owed by the Senior Secured Notes Issuer to the Senior Notes Issuer; (iv) a first-priority pledge over receivables of the Senior Secured Notes Issuer under certain hedging agreements (if any); and (v) a first-priority assignment of the rights of the Senior Secured Notes Issuer under the Acquisition Documents.

On the Completion Date, the Senior Secured Notes will be secured by a first-priority pledge over all issued capital stock of the Target and intercompany loan receivables owed by a member of the Target group to the Senior Secured Notes Issuer acquired under the Acquisition Agreement. In addition, after the Completion Date and subject to any grace period for granting such security under the Senior Secured Credit Facilities, the Senior Secured Notes will be secured by a first-priority security interest in additional collateral (constituting issued capital stock, bank accounts and intercompany loan receivables) granted by the Target and certain of the Target's subsidiaries that will also secure the Senior Secured Credit Facilities, other than security provided by subsidiaries of the Target incorporated in France, which will only secure the Senior Secured Credit Facilities.

Senior Notes

On the Issue Date, the Senior Notes will be secured by the following (the "Senior Notes Issue Date Collateral"): (i) a first-priority pledge over the escrow account to which the gross proceeds of the offering of the Senior Notes will be deposited on the Issue Date and the rights of the Senior Notes Issuer under the relevant Shortfall Agreement; (ii) a first-priority pledge over all issued capital stock of the Senior Notes Issuer and any intercompany receivables owed by the Senior Notes Issuer to TopCo (the Collateral described in clauses (i) and (ii) being the "Senior Notes Only Collateral"); and (iii) a second-priority pledge over all issued capital stock of the Senior Secured Notes Issuer and any intercompany receivables owed by the Senior Secured Notes Issuer to the Senior Notes Issuer.

Escrow of Proceeds; Special Mandatory Redemption

Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the offering of the Senior Secured Notes into the Senior Secured Notes Escrow Account and the gross proceeds from the offering of the Senior Notes into the Senior Notes Escrow Account, in each case with the escrow agent. Each Escrow Account will be controlled by, and pledged on a first-priority basis in favor of, the applicable Trustee in its relevant capacity on behalf of the holders of the relevant Notes. Upon delivery to the applicable Trustee in its relevant capacity and the escrow agent of an officer's certificate stating that the conditions to the release of the proceeds from escrow are satisfied, the Senior Secured Notes escrowed funds will be released to the Senior Secured Notes Issuer and the Senior Notes escrowed funds will be released to the Senior Notes Issuer and utilized as described in "*The Transactions*," "*Use of Proceeds*," "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*," and "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*." The release of escrow proceeds will be subject to the satisfaction of certain conditions, including the consummation of the Acquisition. The consummation of the Acquisition pursuant to the Acquisition Agreement is subject to the satisfaction of certain conditions, including regulatory approval.

In the event that (a) the Completion Date does not take place on or prior to November 26, 2015, (b) CVC Funds have announced their intention to abandon the Acquisition or the Sellers have announced that they have decided to sell the Target or any of its direct or indirect parent entities or significant subsidiaries to an entity other than the CVC Funds or one or more of its affiliates, (c) the Issuer notifies the Trustee and the Escrow

Agent that in its reasonable judgment the Acquisition will not be completed by November 26, 2015, (d) the Acquisition Agreement terminates at any time prior to November 26, 2015, (e) CVC Funds cease to beneficially own and control a majority of the issued and outstanding capital stock of the Senior Secured Notes Issuer and the Senior Notes Issuer, or (f) certain insolvency defaults or events of default occur on or prior to November 26, 2015, each of the Senior Secured Notes and the Senior Notes will be subject to a special mandatory redemption. The special mandatory redemption price will, in each case, be a price equal to 100% of the aggregate issue price of the relevant Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of special mandatory redemption. The relevant escrow funds would be applied to pay for any such special mandatory redemption. One or more CVC Funds will be required to fund the accrued and unpaid interest and additional amounts, if any, payable to holders of the relevant Notes in the event of a special mandatory redemption, pursuant to the Shortfall Agreements. See "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*," "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*," and "*Risk Factors—Risks Related to the Transactions—If the conditions to the escrow are not satisfied, the Issuers will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*."

Use of Proceeds

The Issuers intend to use the net proceeds from the Offerings (equal to the gross proceeds from the Offerings after deducting the Initial Purchasers' commissions and certain estimated expenses to be incurred in connection with the Offerings, including legal, accounting and other professional fees), together with the proceeds from the contribution of equity, borrowings under the Term Loan B Facility and the Revolving Credit Facility under the Senior Secured Credit Facilities to fund (i) the consideration to be paid for the capital stock of the Target purchased in the Acquisition and the repayment of Existing Facilities, and (ii) the estimated fees and expenses incurred in connection with the Acquisition (other than the expenses estimated to be incurred in connection with the Offerings described above), including commitment, placement, financial advisory and other transaction costs and professional fees.

Optional Redemption:

Senior Secured Notes

The Senior Secured Notes Issuer may redeem all or part of the Senior Secured Notes at any time on or after July 15, 2018 at the redemption prices described under "*Description of the Senior Secured Notes—Optional Redemption*."

At any time prior to July 15, 2018, the Senior Secured Notes Issuer may redeem all or part of the Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium, as described under "*Description of the Senior Secured Notes—Optional Redemption*."

At any time prior to July 15, 2018, the Senior Secured Notes Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Secured Notes, using the net proceeds from certain equity offerings at a redemption price equal to 106.250% of the principal amount of the Senior Secured Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; provided that at least 60% of the original aggregate principal amount of the Senior Secured Notes remains outstanding after the redemption. See "*Description of the*

Senior Secured Notes—Optional Redemption."

Senior Notes

The Senior Notes Issuer may redeem all or part of the Senior Notes at any time on or after July 15, 2018 at the redemption prices described under "*Description of the Senior Notes—Optional Redemption.*"

At any time prior to July 15, 2018, the Senior Notes Issuer may redeem all or part of the Senior Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium, as described under "*Description of the Senior Notes—Optional Redemption.*"

At any time prior to July 15, 2018, the Senior Notes Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Notes, using the net proceeds from certain equity offerings at a redemption price equal to 108.750% of the principal amount of the Senior Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; provided that at least 60% of the original aggregate principal amount of the Senior Notes remains outstanding after the redemption. See "*Description of the Senior Notes—Optional Redemption.*"

Additional Amounts; Tax Redemption

Any payments made by or on behalf of the relevant Issuer, any future guarantor or applicable paying agent with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the relevant Issuer or applicable future guarantor or paying agent is required by law to withhold or deduct such taxes with respect to a payment on any Note, the relevant Issuer or such future guarantor will pay the additional amounts necessary so that the net amount received after such withholding is not less than the amount that would have been received in the absence of the withholding. See "*Description of the Senior Secured Notes—Withholding Taxes*" and "*Description of the Senior Notes—Withholding Taxes.*"

Subject to and as set forth in "*Description of the Senior Secured Notes—Withholding Taxes*" and "*Description of the Senior Notes—Withholding Taxes*," the relevant Issuer will not be liable to pay any additional amounts to holders of the Notes in certain circumstances.

If certain changes in the law of any relevant taxing jurisdiction become effective after the issuance of the Notes that would impose withholding taxes or other deductions on the payments on the Senior Secured Notes or the Senior Notes, and would require the Senior Secured Notes Issuer or the Senior Notes Issuer to pay Additional Amounts (as defined in "*Description of the Senior Secured Notes—Withholding Taxes*" and "*Description of the Senior Notes—Withholding Taxes*"), the Senior Secured Notes Issuer or the Senior Notes Issuer, respectively, may redeem the Senior Secured Notes or the Senior Notes, respectively, in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See "*Description of the Senior Secured Notes—Redemption for Taxation Reasons*" and "*Description of the Senior Notes—Redemption for Taxation Reasons.*"

Change of Control

Upon the occurrence of certain events constituting a change of control, the holders of the Notes will have the right to require the applicable Issuer to offer to repurchase the Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. See "*Description of the Senior*

Secured Notes—Change of Control" and "*Description of the Senior Notes—Change of Control.*"

Certain Covenants

The Indentures will limit, among other things, the ability of the Senior Secured Notes Issuer and the Senior Notes Issuer, respectively and their respective restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of the restricted subsidiaries to pay dividends;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the Notes.

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

Each of the covenants in the Indentures will be subject to significant exceptions and qualifications. See "*Description of the Senior Secured Notes—Certain Covenants*" and "*Description of the Senior Notes—Certain Covenants.*"

Transfer Restrictions

The Notes have not been, and will not be, registered under U.S. federal or state or any foreign securities laws and are subject to restrictions on resale. See "*Notice to Investors.*" We are under no obligation to, nor do we intend to, register the Notes in the United States.

Absence of a Public Market for the Notes

The Notes will be new securities for which there will be no established trading market. Accordingly, we cannot assure you as to the development or liquidity of any market for the Notes. Furthermore, the Notes will not have registration rights under the Securities Act.

Risk Factors

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

Listing

We have applied to list the Notes on the Official List of the Irish Stock Exchange and to admit the Notes for trading on the Global Exchange Market thereof.

Governing Law	The Notes and the Indentures will be governed by New York law. The Intercreditor Agreement, the Senior Secured Credit Facilities Agreement and the Escrow Agreement will be governed by English law. The security documents will be governed by English, German, Dutch or Polish law, as applicable.
Senior Secured Notes Trustee	Deutsche Trustee Company Limited.
Senior Notes Trustee	Deutsche Trustee Company Limited.
Security Agent	Deutsche Bank AG, London Branch.
Principal Paying Agent	Deutsche Bank AG, London Branch.
Transfer Agent	Deutsche Bank Luxembourg S.A.
Registrar	Deutsche Bank Luxembourg S.A.
Escrow Agent	Deutsche Bank AG, London Branch.
Listing Agent	Deutsche Bank Luxembourg S.A.

SUMMARY HISTORICAL CONSOLIDATED/COMBINED AND UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

The following selected financial and business information is based on or has been derived from (i) Beauty Holding Zero GmbH's unaudited interim condensed consolidated financial statements prepared by the Company as of and for the six-month period ended March 31, 2015 ("H1 2014/2015" or "first half of 2014/2015") including comparative figures as of and for the six-month period ended March 31, 2014 ("H1 2013/2014" or "first half of 2013/2014") in accordance with IFRS applicable to interim financial reporting (IAS 34), as adopted by the European Union (the "Unaudited Interim Condensed Consolidated Financial Statements"), (ii) the audited combined financial statements of Douglas Holding AG as of and for the financial year 2013/2014 (including comparative figures for the financial year 2012/2013 and the financial year ended September 30, 2012, also referred to herein as "financial year 2011/2012") in accordance with IFRS, as adopted by the European Union, taking into account the basis of preparation as described in the notes thereto (the "Audited Combined Financial Statements"), (iii) the audited consolidated financial statements of Groupe Nocibé SAS prepared in accordance with IFRS, as adopted by the European Union, as of and for the short financial year ended September 30, 2014 (with comparative figures as of and for the financial years ended December 31, 2013 and December 31, 2012) (the "Nocibé Consolidated Financial Statements") and (iv) the unaudited pro forma income statement of the Company for the financial year 2013/2014 prepared in accordance with Annex II to the EU Regulation No 809/2004, as amended, and (v) our accounting records or our management reporting.

In addition, included elsewhere in this offering memorandum are the audited consolidated financial statements of Beauty Holding Zero GmbH (the "Audited Consolidated Financial Statements" and together with the Unaudited Interim Condensed Consolidated Financial Statements, the "Consolidated Financial Statements"). For the financial year 2012/2013, our Audited Consolidated Financial Statements cover our operative business only for the ten-month period December 1, 2012 to September 30, 2013. Until the dates of its deconsolidation, the Audited Consolidated Financial Statements still include the Non-Acquired Business. However, in our Audited Consolidated Financial Statements for the financial year 2013/2014, the Non-Acquired Business was accounted for in a condensed form in accordance with IFRS 5 — "Non-current Assets Held for Sale and Discontinued Operations". Due to the reclassification of the Non-Acquired Business in accordance with IFRS 5 in the financial year 2013/2014, the comparative figures for the financial year 2012/2013 regarding the income statements and the statements of cash flows (but not the statements of financial position) in our Audited Consolidated Financial Statements for the financial year 2013/2014 were adjusted in accordance with IFRS 5 and only include the Non-Acquired Business in a condensed form, whereas, regarding the statements of financial position, they still fully account for the Non-Acquired Business. Our Audited Consolidated Financial Statements for the financial year 2013/2014 only include the Nocibé Business for the three-month period from July 1, 2014 until September 30, 2014. The information contained in our Audited Consolidated Financial Statements for the financial years 2013/2014 and 2012/2013 is not comparable due to the fact that (i) the Company acquired an indirect majority interest in Douglas Holding AG only in December 2012 so that, as a consequence, the consolidated income statements and statements of cash flows for 2012/2013 only accounted for the Douglas Group from December 1, 2012 and not for the entire financial year 2012/2013; (ii) in our Audited Consolidated Financial Statements for the financial year 2013/2014, the Non-Acquired Business was accounted for in a condensed form in accordance with IFRS 5 (whereby the Confectionery Business was deconsolidated on April 30, 2014), while, in our Audited Consolidated Financial Statements for the financial year 2012/2013 such Non-Acquired Business was fully consolidated; and (iii) we, the Douglas Group, acquired the Nocibé Group in June 2014 leading to significant extraordinary effects to certain line items of our consolidated income statements, statements of financial position and statements of cash flows for 2013/2014. The financial statements, including the financials for the twelve-month period ended March 31, 2015, include consolidated financial information of both Guarantor and non-Guarantor subsidiaries.

RBS RoeverBroennerSusat GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, with registered seat in Hamburg, Germany, through its Cologne office, Aachener Straße 75, Cologne, Germany ("RBS") has audited the Audited Consolidated Financial Statements (as defined below) and the Audited Combined Financial Statements and issued in each case an unqualified auditor's report thereon. On June 1, 2015 RoeverBroennerSusat GmbH & Co. KG changed its name to Roever Broenner Susat Mazars GmbH & Co. KG. The Nocibé Consolidated Financial Statements were jointly audited by Groupe Nocibé SAS's statutory auditors, Constantin Associés (a member of Deloitte Touche Tohmatsu Limited) and PricewaterhouseCoopers Audit, who issued an unqualified auditor's report thereon as included in this offering memorandum.

The following summary financial and business information (i) if marked "audited", is taken either from our Audited Consolidated Financial Statements or from our Audited Combined Financial Statements and (ii) if marked "unaudited", is not taken from our Audited Consolidated Financial Statements or our Audited Combined Financial Statements, but rather from either our Unaudited Interim Condensed Consolidated Financial Statements, the Nocibé Consolidated Financial Statements, the Unaudited Pro Forma Financial Information or accounting records or our management reporting.

We have a complex financial history. At the time of the First Douglas Acquisition, the Group consisted of five operating businesses, including the Douglas Perfumeries Business, the Confectionery Business, the Books Business, the Jewelry Business and the Fashion Business. Since taking the Group private in the financial year 2012/2013, the Confectionery Business, the Books Business, the Jewelry Business and the Fashion Business have been sold and transferred either to a third party or to companies controlled by the Sellers and, thus, have been fully deconsolidated. In addition, with effect for accounting purposes as of July 1, 2014, the Group acquired Groupe Nocibé SAS, a leading perfumeries chain in France (such transaction is herein referred to as the "Nocibé Acquisition"; Group Nocibé SAS, together with its direct and indirect subsidiaries and associated companies, the "Nocibé Group" and the business of the Nocibé Group, the "Nocibé Business").

The tables below present summary selected financial information from our income statements, balance sheets and our statements of cash flows, as well as key performance indicators of the group for the financial year ended September 30, 2012 and for the further periods indicated. The columns in the tables below show, from right to left, the following:

- *financial years 2011/2012 and 2012/2013*: on a combined basis, only the Douglas Perfumeries Business, excluding the Non-Acquired Business and also excluding the Nocibé Business, which had not yet been part of the Group during these financial years;
- *financial year 2013/2014*:
  - regarding data from our income statements, on a combined basis, the Douglas Perfumeries Business, as well as, however only for the period from July 1, 2014 until September 30, 2014, the Nocibé Business (as the Nocibé Business had not been part of the Group prior to this period);
  - regarding data from our income statements, on a pro forma basis, the Douglas Perfumeries Business, as well as the Nocibé Business (on the hypothetical assumption that the Nocibé Group had been acquired with effect as of October 1, 2013). Therefore, income statement information for the financial year 2013/2014 reflects the hypothetical Douglas Perfumeries Business including the Nocibé Business for the entire financial year. The Non-Acquired Business is only included in the line item "earnings from discontinued operations," so that all financial information down to "earnings from continued operations" are only reflecting the business in its current structure; and
  - regarding data from our cash flow statements, on a combined basis, the Douglas Perfumeries Business, as well as, however only for the period from July 1, 2014 until September 30, 2014, the Nocibé Business (as the Nocibé Business had not yet been part of the group prior to this period), and excluding the Non-Acquired Business. The significantly increased net cash flow from investing activities related primarily to the acquisition of the Nocibé Business, with financing of such transaction substantially impacting our net cash flow from financing activities;
- *first half of financial year 2013/2014*: on a consolidated basis, the Douglas Perfumeries Business, but excluding the Nocibé Business, which had not yet been part of the Group during this period. The Non-Acquired Business is included, however, only as discontinued operations; thus, regarding data from our income statements, the Non-Acquired Business is only included in the line item "earnings from discontinued operations;"
- *first half of financial year 2014/2015*: on a consolidated basis, the Douglas Perfumeries Busienss, as well as the Nocibé Business for the entire period. Whereas the Confectionery Business had already been sold and transferred to a third party and deconsolidated in the course of the financial year 2013/2014, the Books Business, the Jewelry Business and the Fashion Business were sold and transferred and, thus, deconsolidated on the first day of this period (as first booking entry on October 1, 2014). Thus, regarding data from our income statements, the line item "earnings from discontinued operations" primarily includes the gains from the sales and transfers of the remaining Non-Acquired Businesses.

Regarding data from our cash flow statements, the Non-Acquired Business did not impact any of these positions in the first half of financial year 2014/2015, as the sales and transfers were technically effected through a reduction of shareholder loans, so that there was no cash payment; and

- *twelve-month period ended March 31, 2015*: regarding data from our income statements, on a consolidated basis, the Douglas Perfumeries Business, as well as, however only for the period from July 1, 2014 until March 31, 2015, the Nocibé Business (as the Nocibé Business had not yet been part of the Group prior to this period). The Non-Acquired Business is only included in the line item "earnings from discontinued operations." Note that the twelve-month period ended March 31, 2015 included the Easter holidays business of the calendar year 2014 as well as 2015.

Due to the factors described above, when comparing financial information used in this offering memorandum corresponding to the different sets of financial statements and the different periods, investors should take into account the material differences resulting from the First Douglas Acquisition and the subsequent refinancing, the Separation of the Non-Acquired Business and the Nocibé Acquisition, as well as the resulting changes regarding the composition of the Douglas Group. Because of such effects, the financial information as presented in the different sets of financial statements included in this offering memorandum may not be fully comparable.

The Issuers are holding companies formed for the purpose of facilitating the Acquisition and are not expected to engage in any activities other than those related to their formation, the Acquisition and the financing related to the Acquisition. The Issuers' only material assets and liabilities are currently and are expected in the future to be their interest in the issued and outstanding shares of their respective subsidiaries and their outstanding indebtedness and intercompany balances incurred in connection with the Transactions. We do not present in this offering memorandum any financial information or financial statements of the Issuers for the periods presented, other than certain limited financial data presented at the Senior Notes Issuer or Senior Secured Notes Issuer level on a consolidated basis as adjusted to reflect the Transactions. The Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements included in this offering memorandum are that of Beauty Holding Zero GmbH and its consolidated subsidiaries. The Audited Combined Financial Statements included in this offering memorandum are that of Douglas Holding AG, an indirect subsidiary of Beauty Holding Zero GmbH, and its subsidiaries.

As part of the Transactions, the entire share capital of Beauty Holding Zero GmbH will be transferred to the Senior Secured Notes Issuer on the Completion Date. The Senior Secured Notes Issuer is directly held by the Senior Notes Issuer which in turn is held by TopCo. In the future, we will report our financial results at the Senior Notes Issuer level on a consolidated basis. The first annual consolidated financial statements for the Senior Notes Issuer will be available in respect of the financial year ended September 30, 2015.

We include certain financial information as at and for the twelve months ended March 31, 2015 on an as adjusted basis to give pro forma effect to the Transactions and the applicable of the proceeds therefrom, including combined financial data as adjusted to reflect the effect of the Transactions on our indebtedness as if the Transactions had occurred on March 31, 2015 and our interest expense as if the Transactions occurred on April 1, 2014. The pro forma financial information as at and for the twelve months ended March 31, 2015 has been prepared for illustrative purposes only and does not represent what our indebtedness or interest expense would have been had the Transactions occurred on March 31, 2015 or April 1, 2014, respectively; nor does it purport to project our indebtedness or interest expense at any future date. The pro forma financial information as at and for the twelve months ended March 31, 2015 has not been prepared in accordance with IFRS. Neither the assumptions underlying the pro forma adjustments nor the resulting pro form financial information as at and for the twelve months ended March 31, 2015 have been audited or reviewed in accordance with any generally accepted accounting standards.

Summary Financial Information from Our Consolidated / Combined Income Statements

The following table shows summary data from our consolidated income statements, as well as our combined income statements for the periods indicated:

Summary data from our consolidated / combined income statements (in €million)	Twelve-month period ended March 31,	Six-month period ended March 31,		Financial year ended September 30,		
	2015[1]	2015[2]	2014[3]	2014[4]	2013[5]	2012[5]
	(consolidated, unaudited)			(combined, audited)		
Sales	**2,440.1**	**1,454.9**	**1,108.1**	**2,093.3**	**1,979.1**	**1,938.7**
Cost of raw materials, consumables and supplies and merchandise	-1,284.8	-787.1	-577.7	-1,075.5	-1,004.1	-971.9
Gross profit from retail business	**1,155.3**	**667.8**	**530.4**	**1,017.8**	**975.0**	**966.8**
Other operating income	210.4	117.1	90.5	183.7	191.5	176.0
Personnel expenses	-511.8	-279.7	-238.6	-470.7	-442.1	-438.0
Other operating expenses	-678.0	-364.4	-292.9	-604.1	-560.2	-535.2
Income from other investments	0	0	0.1	0.1	0.1	0.1
EBITDA[6]	**175.9**	**140.8**	**89.5**	**126.8**	**164.3**	**169.7**
Amortization/depreciation	-82.0	-42.3	-34.4	-64.3	-73.8	-117.9
thereof impairment losses[7]	*-2.5*	*-1.1*	*-0.1*	*-1.8*	*-10.4*	*-48.5*
EBIT[8]	**93.9**	**98.5**	**55.1**	**62.5**	**90.5**	**51.8**
Financial income	4.6	0.8	4.4	55.0	8.0	8.3
Financial expenses	-117.0	-48.6	-52.1	-84.8	-28.3	-7.8
Financial result	-112.4	-47.8	-47.7	-29.8	-20.3	0.5
Earnings before taxes (EBT)	**-18.5**	**50.7**	**7.4**	**32.7**	**70.2**	**52.3**
Income taxes	-26.5	-24.5	-5.1	-13.5	-30.1	-39.3
Earnings from continued operations[9]	-45.0	26.2	2.3	—	—	—
Earnings from discontinued operations[10]	91.5	143.2	31.8	—	—	—
Net profit for the period	**46.5**	**169.4**	**34.1**	**19.2**	**40.1**	**13.0**
Profit (loss) attributable to non-controlling interests	-0.4	-0.3	-0.2	-0.3	-0.2	-0.1
Profit (loss) attributable to the Group shareholders	**46.1**	**169.1**	**33.9**	**18.9**	**39.9**	**12.9**

[1] Data is calculated by adding the relevant figure for the first half of 2014/2015 based on our Unaudited Interim Condensed Consolidated Financial Statements to the relevant figure for the financial year 2013/2014 based on our Audited Consolidated Financial Statements and subtracting the relevant figure for the first half of 2013/2014 based on our Unaudited Interim Condensed Consolidated Financial Statements; data includes the Nocibé Business for the period from July 1, 2014 until March 31, 2015, as well as, in each case accounted for in accordance with IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations", the Confectionery Business until April 30, 2014 and the Books Business, the Jewelry Business and the Fashion Business until October 1, 2014. Please note that the twelve-month period ended March 31, 2015 included the Easter holidays business of the calendar year 2014 as well as the calendar year 2015.

[2] Data including the Nocibé Business for the entire period and excluding the Fashion Business, the Confectionery Business, the Books Business and the Jewelry Business (together, the "Non-Acquired Business") (whereby the Books Business, the Jewelry Business and the Fashion Business which were accounted for in accordance with IFRS 5 were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date).

[3] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group) and presenting the Non-Acquired Business in a condensed form as dedicated line item "Earnings from discontinued operations" in accordance with IFRS 5.

[4] Data including the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, from July 1, 2014 to September 30, 2014, and excluding the Non-Acquired Business.

[5] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business.

[6] EBITDA (calculated as sales less cost of raw materials, consumables and supplies and merchandise plus other operating income less personnel expenses less other operating expenses and plus income from other investments) is not defined as a measure under IFRS. Therefore, EBITDA should be viewed as supplemental but not as a substitute for data from the combined or consolidated income statements, statements of financial position or cash flow statements determined in accordance with IFRS. Since not all companies define EBITDA in the same way, EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. EBITDA as shown in the table above is unadjusted.

[7] Impairment losses related to impairment tests in cash generating units and are triggered by ongoing negative contribution and intended store closures. Individual stationary stores each represent a cash generating unit.

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

[9] Earnings from continued operations relate to the Acquired Business.

[10] Earnings from discontinued operations relate to the Non-Acquired Business in its combination from time to time.

Summary Financial Information from Our Consolidated / Combined Statements of Financial Position

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

Summary data from our consolidated / combined statements of financial position (in €million)	As of March 31,	As of October 1,	As of September 30,	As of September 30,		
	2015[1]	2014[1,2]	2014[3]	2014[4]	2013[5]	2012[5]
	(consolidated, unaudited)		(consolidated, audited)	(combined, audited)		
Non-current assets	**1,568.3**	**1,562.6**	**1,562.6**	**840.1**	**393.2**	**424.9**
thereof intangible assets	1,268.9	1,258.1	1,258.1	528.6	60.6	68.3
thereof property, plant and equipment / tangible assets	252.1	250.5	250.5	245.6	231.4	254.4
thereof tax receivables	3.7	3.7	3.7	3.7	6.4	6.4
thereof financial assets	3.4	9.5	9.5	19.5	65.1	66.9
thereof shares in associated companies	0	0	0	—	—	—
thereof deferred tax assets	40.2	40.8	40.8	42.7	29.7	28.9
Current assets	**1,050.3**	**940.5**	**940.5**	**966.0**	**734.1**	**729.6**
thereof inventories	555.7	542.6	542.6	542.6	401.5	410.2
thereof trade accounts receivable	64.8	39.3	39.3	39.2	38.1	43.3
thereof tax receivables	37.6	26.4	26.4	25.3	42.8	21.6
thereof financial assets	78.8	90.8	90.8	118.8	121.8	203.6
thereof other assets	26.9	22.6	22.6	22.6	16.6	18.4
thereof cash and cash equivalents	286.5	218.8	218.8	217.5	113.3	32.5
Assets held for sale	**0.2**	**1.7**	**603.0**	**1.7**	**0**	**0**
Total assets	**2,618.8**	**2,504.8**	**3,106.1**	**1,807.8**	**1,127.3**	**1,154.5**
Equity[6]	**486.4**	**460.3**	**316.3**	**72.7**	**433.5**	**558.4**
thereof net assets of Douglas Group[7]	—	—	—	88.7	444.5	561.5
thereof other components of equity attributable to Douglas Group[8]	—	—	—	-16.6	-11.4	-6.7
thereof non-controlling interests	0.2	0.3	0.3	0.6	0.4	3.6
thereof capital stock / share capital	0	0	0	—	—	—
thereof additional paid-in capital / share premium	639.7	639.7	639.7	—	—	—
thereof retained earnings / reserves	-153.5	-179.7	-323.7	—	—	—
Non-current liabilities	**1,504.5**	**1,498.2**	**1,957.6**	**1,196.8**	**262.6**	**68.5**
thereof pension provisions	32.9	32.8	32.8	32.8	28.7	27.3
thereof other non-current provisions	16.0	16.1	16.1	16.6	16.4	15.8
thereof financial liabilities[9]	1,217.7	1,200.4	1,659.8	1,065.6	197.5	18.9
thereof other liabilities	0.8	0.8	0.8	0.9	1.1	1.4
thereof deferred tax liabilities	237.1	248.1	248.1	80.9	18.9	5.1
Current liabilities	**627.9**	**546.3**	**546.3**	**538.3**	**431.2**	**527.6**
thereof current provisions	127.8	117.5	117.5	117.0	86.6	77.2
thereof trade accounts payable	236.5	207.1	207.1	207.1	147.3	136.4
thereof tax liabilities	71.3	39.7	39.7	30.2	47.3	33.0
thereof financial liabilities[9]	39.4	46.0	46.0	48.2	34.1	173.3
thereof other liabilities	152.9	136.0	136.0	135.8	115.9	107.7
Liabilities related to assets held for sale	**0**	**0**	**285.9**	**—**	**—**	**—**
Total equity and liabilities	**2,618.8**	**2,504.8**	**3,106.1**	**1,807.8**	**1,127.3**	**1,154.5**

[1] Data including the Nocibé Business and excluding the Non-Acquired Business.

[2] Data including the Nocibé Business and excluding the Non-Acquired Business, *i.e.*, shown after separation / deconsolidation of the Books Business, the Jewelry Business and the Fashion Business (which were accounted for in accordance with IFRS 5 and were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date).

[3] Data including the Nocibé Business, as well as the Books Business, the Jewelry Business and the Fashion Business (which were accounted for in accordance with IFRS 5).

[4] Data including the Nocibé Business from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, July 1, 2014 to September 30, 2014, and excluding the Non-Acquired Business.

[5] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business.

[6] Due to the preparation of the Audited Combined Financial Statements of the Douglas Group for the financial years 2013/2014, 2012/2013 and 2011/2012, the Douglas Group's equity for these periods is presented on a combined group structure and contains "Net assets attributable to the shareholders of the Douglas Group" deducted by other comprehensive income components and "Other components of equity attributable to the shareholders of the Douglas Group".

[7] "Net assets of the shareholders of the Douglas Group" are defined as the remainder of assets and liabilities as of the balance sheet date.

[8] "Other components of equity attributable to Douglas Group" are defined as other comprehensive income in accordance with IFRS.

[9] Financial Liabilities include our existing senior secured borrowings, existing mezzanine facility, existing shareholder loans in the amount of €140.5 million (including capitalized and accrued interest), put options of non-controlling interests and other non-interest bearing financial liabilities such as social security and payroll liabilities. The shareholder loans will be acquired by the Senior Secured Notes Issuer as part of the Acquisition. See "*Summary—The Transactions—The Acquisition.*"

Summary Financial Information from Our Consolidated / Combined Statements of Cash Flows

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

Summary data from our consolidated / combined statements of cash flows (in €million)	Six-month period ended March 31,		Financial year ended September 30,		
	2015[1]	2014[2]	2014[3]	2013[4]	2012[4]
	(consolidated, unaudited)		(combined, audited)		
Net cash flow from operating activities	**169.6**	**113.7**	**137.3**	**176.7**	**70.5**
Net cash flow from investing activities	**-121.9**	**-30.0**	**-195.4**	**-38.8**	**-61.9**
Net cash flow from financing activities	**-44.9**	**-39.1**	**162.4**	**-56.9**	**-5.2**
Net change in cash and cash equivalents	2.8	44.6	104.3	81.0	3.4
Net change in cash and cash equivalents due to currency translation	0.2	-0.1	-0.1	-0.2	0.1
Cash and cash equivalents at the beginning of the period	**283.5**	**226.3**	**113.3**	**32.5**	**29.0**
Cash and cash equivalents at end of the period	**286.5**	**270.8**	**217.5**	**113.3**	**32.5**

[1] Data including the Nocibé Business for the entire period and excluding the Non-Acquired Business (whereby the Books Business, the Jewelry Business and the Fashion Business which were accounted for in accordance with IFRS 5 were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date).

[2] Data including the Non-Acquired Business (which was accounted for in accordance with IFRS 5) and excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group).

[3] Data including the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, from July 1, 2014, to September 30, 2014, and excluding the Non-Acquired Business.

[4] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business.

Summary Selected Other Key and Segmental Financial Data of Our Group

The following table shows summary consolidated and combined other key and segmental financial data of our Group as of the balance sheet date / for the periods indicated:

Summary selected consolidated / combined other key and segmental financial data (in €million, unless otherwise indicated)	**As of / for the twelve-month period ended March 31,**	**As of / for the six-month period ended March 31,**		**As of / for the financial year ended September 30,**		
	2015[1]	**2015**[2]	**2014**[3]	**2014**[4]	**2013**[5]	**2012**[5]
	(consolidated, unaudited)			**(combined, audited—unless otherwise indicated)**		
Sales	**2,440.1**	**1,454.9**	**1,108.1**	**2,093.3**	**1,979.1**	**1,938.7**
Net sales growth (in %) (unaudited)[6]	—	—	—	5.8	2.1	—
E-commerce sales (unaudited)[7]	229.3	145.3	96.0	180.0	145.1	105.9
E-commerce sales (in % of total sales) (unaudited)[7]	9.4	10.0	8.7	8.6	7.3	5.5
Sales share from exclusive/private label products (in %) (unaudited)	—	20.4	16.7	16.8	15.3	13.5
Sales shares from third party brand products (in %) (unaudited)	—	79.6	83.3	83.2	84.7	86.5
Like-for-like sales growth (in %) (unaudited)[8]	—	3.9	0.5	1.6	-0.2	1.4
Like-for-like sales growth (stationary) (in %) (unaudited)[9]	—	1.5	-1.6	-0.4	-2.6	-1.0
Like-for-like sales growth (e-commerce) (in %) (unaudited)[10]	—	28.0	—	24.1	37.0	53.9
Adjusted EBITDA[11,12]	**272.8**	**179.7**	**105.2**	**199.5**	**180.7**	**173.2**
Adjusted EBITDA margin (in % of sales)[11,12]	11.2	12.4	9.5	9.5	9.1	8.9
Inventories[13]	—	555.7	701.8	542.6	401.5	410.2
Capital expenditures[14]	65.8	34.1	17.1	48.6	45.1	64.3
Free cash flow[15]	**4.2**	**47.7**	**83.7**	**-58.1**	**137.9**	**8.6**
Adjusted EBITDA minus capital expenditures (unaudited)[16]	**207.0**	**145.6**	**88.1**	**150.9**	**135.6**	**108.9**
Cash conversion (in %) (unaudited)[17]	**75.9**	**81.0**	**83.7**	**75.6**	**75.0**	**62.9**
Selected financial data by segment:[18]						
Germany						
Sales (net)[19]	**1,133.9**	**644.3**	**611.2**	**1,100.8**	**1,079.2**	**1,055.2**
Intersegment Sales	18.1	10.3	8.9	16.7	14.7	14.8
Sales	**1,152.0**	**654.6**	**620.1**	**1,117.5**	**1,093.9**	**1,070.0**
EBITDA[11]	**116.1**	**77.4**	**51.0**	**91.9**	**108.5**	**109.7**
Adjusted EBITDA[11,12]	**151.0**	**84.4**	**65.2**	**133.0**	**124.5**	**111.7**
Inventories[13]	—	212.4	193.7	196.7	181.6	180.7
Capital expenditures[14]	31.5	17.5	9.0	22.7	25.4	39.6
France						
Sales (net)[19]	**575.2**	**403.6**	**103.2**	**274.9**	**178.1**	**154.5**
Intersegment Sales	7.7	7.7	0.3	0.3	0	0
Sales	**582.9**	**411.3**	**103.5**	**275.2**	**178.1**	**154.5**
EBITDA[11]	**7.7**	**28.9**	**6.6**	**-14.6**	**8.7**	**8.2**
Adjusted EBITDA[11,12]	**66.9**	**58.9**	**6.8**	**14.8**	**8.8**	**8.2**
Inventories[13]	—	144.0	36.6	154.7	34.1	33.3
Capital expenditures[14]	17.5	9.8	0.4	8.2	3.8	5.9
South-western Europe						
Sales (net)[19]	**496.0**	**276.5**	**269.9**	**489.3**	**507.0**	**523.6**
Intersegment Sales	0	0	0	0	0	0
Sales	**496.0**	**276.5**	**269.9**	**489.3**	**507.0**	**523.6**
EBITDA[11]	**33.7**	**20.9**	**19.8**	**32.6**	**33.3**	**39.2**
Adjusted EBITDA[11,12]	**36.7**	**22.9**	**21.2**	**35.0**	**33.5**	**40.7**
Inventories[13]	—	125.2	130.0	121.0	119.8	128.4
Capital expenditures[14]	10.5	3.8	4.3	11.0	9.2	12.2
Eastern Europe						
Sales (net)[19]	**235.0**	**130.5**	**123.8**	**228.3**	**214.8**	**205.4**
Intersegment Sales	0	0	0	0	0	0
Sales	**235.0**	**130.5**	**123.8**	**228.3**	**214.8**	**205.4**
EBITDA[11]	**18.4**	**13.6**	**12.1**	**16.9**	**13.8**	**12.6**
Adjusted EBITDA[11,12]	**18.2**	**13.5**	**12.0**	**16.7**	**13.9**	**12.6**
Inventories[13]	—	74.1	73.4	70.2	66.0	67.8
Capital expenditures[14]	6.3	3.0	3.4	6.7	6.7	6.6

[1] Data, (i) when based on our Consolidated Financial Statements, is calculated by adding the relevant figure for the first half of 2014/2015 based on our Unaudited Interim Condensed Consolidated Financial Statements to the relevant figure for the financial year 2013/2014 based on our Audited Consolidated Financial Statements and subtracting the relevant figure for the first half of 2013/2014 based on our Unaudited Interim Condensed Consolidated Financial Statements, and (ii) when not based on our Consolidated Financial Statements is calculated by adding the relevant figure for the first half of 2014/2015 to the

relevant figure for the financial year 2013/2014 and subtracting the relevant figure for the first half of 2013/2014, in each case based on our accounting records or our management reporting. Data includes in both cases the Nocibé Business for the period from July 1, 2014 until March 31, 2015, as well as, in each case accounted for in accordance with IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations", the Confectionery Business until April 30, 2014 and the Books Business, the Jewelry Business and the Fashion Business until October 1, 2014. The twelve-month period ended March 31, 2015 included the Easter holidays business of the calendar year 2014 as well as the calendar year 2015.

2 Data including the Nocibé Business for the entire period and excluding the Non-Acquired Business (whereby the Books Business, the Jewelry Business and the Fashion Business which were accounted for in accordance with IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations" were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date).

3 Data including the Non-Acquired Business (which was accounted for in accordance with IFRS 5) and excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group).

4 Data including the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, from July 1, 2014, to September 30, 2014, and excluding the Non-Acquired Business.

5 Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business.

6 Net sales growth (in %) is defined as the difference between the sales in the period indicated and the sales in the comparable previous period divided by the sales in said comparable previous period.

7 E-commerce sales are defined as the sum of all invoiced sales relating to products and services by customer orders via websites, internet websites designed to be accessed via mobile or "smart" telephones (so-called "m" sites) or tablets (so-called "t" sites), or "apps" (applications designed to optimize internet usage with respect to a specific task using a mobile or "smart" telephone) and, for Germany, telephone orders after cancellations and backorders, as well as rebates, discounts and returns, disregarding any stock transfer from e-commerce to stationary business. E-commerce sales as shown in this table only relate to those of our online shops which are centrally managed, including our online shops operated in Germany, France (including, for the first half of 2014/2015, e-commerce sales in the amount of €22.4 million from the Nocibé Business), the Netherlands, Austria, Poland, Italy and Switzerland.

8 Like-for-like sales growth (in %) consists of sales growth (excluding the Nocibé Business, *i.e.*, only relating to the Douglas Perfumeries Business) from like-for-like stores calculated for the period indicated, shown as a percentage change from the corresponding previous period, and includes e-commerce sales growth, shown as a percentage change. A store is defined as like-for-like when it has been open for at least one entire financial year as of the lock-in date. The lock-in date for the like-for-like stores' portfolio for the first half of 2014/2015 and 2013/2014, as well as the financial years 2013/2014, 2012/2013 and 2011/2012 is the first day of the relevant period.

9 Like-for-like sales growth (stationary) (in %) consists of sales (excluding the Nocibé Business, *i.e.*, only relating to the Douglas Perfumeries Business) from like-for-like stores (as defined above) calculated for the period indicated, shown as a percentage change from the corresponding previous period.

10 Like-for-like sales growth (e-commerce) (in %) reflects our e-commerce sales growth, calculated for the period indicated, shown as a percentage change from the corresponding previous period.

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

12 Adjusted EBITDA comprises reported EBITDA, adjusted for exceptional items. Exceptional items related to (i) consulting fees, in the financial year 2012/2013 in connection with the First Douglas Acquisition, including consulting fees in relation to the squeeze-out in May 2013 and the delisting in August 2013, as well as, in the financial year 2013/2014 in connection with the Nocibé Acquisition, the Separation of the Non-Acquired Business and the implementation of certain efficiency measures, (ii) restructuring costs, primarily relating to the implementation of certain efficiency measures with a view to further optimizing our overhead costs and severance payments, (iii) effects from purchase price allocation ("PPA") related, in the financial year 2013/2014, to the Nocibé Acquisition and (iv) other exceptional items including, in the financial year 2013/2014, one-off inventory revaluations, synergy bonuses for Nocibé's management, property tax payments related to a corporate restructuring, as well as rent increases in Austria against which we have entered an objection. Exceptional items in the first half of 2014/2015 related to (i) PPA effects in connection with the Nocibé Acquisition, (ii) consulting fees mainly in connection with the Company in sale process and the Nocibé Acquisition as well as consulting fees in connection with the acquisition of Clin d'Oeil and the sales and transfers of the Books Business, the Jewelry Business and the Fashion Business effective as of October 1, 2014, (iii) restructuring costs from the recognition of a provision with respect to certain legal disputes and severance payments and (iv) other exceptional items which mainly related to rent increases in Austria against which we have entered an objection. In the first half of 2014/2015, the Austrian Supreme Court found that the taking private of the Douglas Group constituted a change of control within the means of the Austrian Act on Tenancy Law (*Mietrechtsgesetz*) and rejected the argument that the act violates the freedom of establishment (*Niederlassungsfreiheit*) and the freedom of movement of capital (*Kapitalverkehrsfreiheit*) under the European Union Treaty. As a result, rent increases in the amount of €1.3 million which were adjusted in the financial year 2013/2014 as extraordinary effects, must be classified from now on as recurring effects and consequently may not be adjusted from the financial year 2014/2015 onwards which has been reflected in our Unconsolidated Financial Statements for the first half of 2014/2015. We believe that Adjusted EBITDA is a useful performance measure. However, Adjusted EBITDA is not defined as a measure under IFRS. Therefore, Adjusted EBITDA should be viewed as supplemental but not as a substitute for data from the combined or consolidated income statements, statements of financial position or cash flow statements determined in accordance with IFRS. Since not all companies define Adjusted EBITDA in the same way, Adjusted EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. The following table shows for each period a reconciliation of our reported EBITDA to our Adjusted EBITDA, both on a Group as well as on a segmental level:

Reconciliation of reported EBITDA to Adjusted EBITDA (in €million)	**Twelve-month period ended March 31,**	**Six-month period ended March 31,**		**Financial year ended September 30,**		
	2015	**2015**	**2014**	**2014**	**2013**	**2012**
	(consolidated, unaudited)			**(combined, unaudited—unless otherwise stated)**		
EBITDA (as reported)	**175.9**	**140.8**	**89.5**	**126.8***	**164.3***	**169.7***
One-offs / adjustment	96.9	38.9	15.7	72.7*	16.4*	3.5*
thereof: consulting fees	37.8	6.0	5.5	37.2	8.8	2.0
thereof: restructuring costs	18.6	5.4	6.1	19.3	4.9	1.5
thereof: PPA	32.4	24.3	0	8.1	0	0
thereof: other	8.1	3.2	4.1	8.0	2.5	0

Reconciliation of reported EBITDA to Adjusted EBITDA (in €million)	Twelve-month period ended March 31,	Six-month period ended March 31,		Financial year ended September 30,		
	2015	2015	2014	2014	2013	2012
	(consolidated, unaudited)			(combined, unaudited—unless otherwise stated)		
Adjusted EBITDA	**272.8**	**179.7**	**105.2**	**199.5***	**180.7***	**173.2***
Reconciliation by segment:						
Germany						
EBITDA (as reported)	**116.1**	**77.4**	**51.0**	**91.9***	**108.5***	**109.7***
One-offs / adjustment	34.9	7.0	14.2	41.1*	16.0*	2.0*
Adjusted EBITDA	**151.0**	**84.4**	**65.2**	**133.0***	**124.5***	**111.7***
France						
EBITDA (as reported)	**7.7**	**28.9**	**6.6**	**-14.6***	**8.7***	**8.2***
One-offs / adjustment	59.2	30.0	0.2	29.4*	0.1*	0*
Adjusted EBITDA	**66.9**	**58.9**	**6.8**	**14.8***	**8.8***	**8.2***
South-western Europe						
EBITDA (as reported)	**33.7**	**20.9**	**19.8**	**32.6***	**33.3***	**39.2***
One-offs / adjustment	3.0	2.0	1.4	2.4*	0.2*	1.5*
Adjusted EBITDA	**36.7**	**22.9**	**21.2**	**35.0***	**33.5***	**40.7***
Eastern Europe						
EBITDA (as reported)	**18.4**	**13.6**	**12.1**	**16.9***	**13.8***	**12.6***
One-offs / adjustment	-0.2	-0.1	-0.1	-0.2*	0.1*	0*
Adjusted EBITDA	**18.2**	**13.5**	**12.0**	**16.7***	**13.9***	**12.6***

* Audited.

13 Inventories comprise finished goods and merchandise, raw materials, consumables and supplies, as well as advances to suppliers for merchandise.

14 Capital expenditures relate to additions made to intangible assets (primarily relating to acquired and internally generated software) and property, plant and equipment (mainly regarding the opening and acquisition of new stores and investments in the design and re-design of existing stores).

15 Free cash flow is defined as sum of net cash flow from operating activities and net cash flow from investing activities.

16 Adjusted EBITDA minus capital expenditures corresponds to the difference of Adjusted EBITDA and capital expenditures, in each case for the period indicated.

17 Cash conversion is defined as the difference of Adjusted EBITDA and capital expenditures divided by Adjusted EBITDA, in each case in the period indicated.

18 The segment reporting of the Group prepared in conformity with the provisions of IFRS 8 reflects the internal management and reporting structure, which is based on geographical regions. For the purposes of segment reporting, the individual countries in which Douglas operates are allocated to the regions of Germany (including as of October 30, 2014, Norway), France (including Monaco), South-western Europe (including Austria, Italy, the Netherlands, Portugal, Spain and Switzerland) and Eastern Europe (including Bulgaria, Croatia, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania and Turkey). Service and regional holding entities are allocated to the respective segments based on their place of business.

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

Summary Selected Operating Data of Our Group

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

Summary selected other key operating data	As of / for the six-month period ended March 31,		As of / for the financial year ended September 30,		
	2015[1]	2014[2]	2014[3]	2013[4]	2012[4]
	(consolidated, unaudited)		(combined, unaudited)		
Retail store development:					
Total floor space (in thousand m², as of balance sheet date)	358.3	—	349.0	279.3	284.8
thereof in our segment Germany	124.3	—	123.6	123.4	123.6
thereof in our segment France	93.1	—	85.1	17.9	17.9
thereof in our segment South-western Europe	83.4	—	84.0	83.7	86.5
thereof in our segment Eastern Europe	57.6	—	56.3	54.3	56.7

Summary selected other key operating data	As of / for the six-month period ended March 31,		As of / for the financial year ended September 30,		
	2015[1]	2014[2]	2014[3]	2013[4]	2012[4]
	(consolidated, unaudited)		(combined, unaudited)		
Average sales per m^2 (in €thousand)[5]	4.2	—	7.5[14]	7.5	7.5
Number of stores (owned) as of the balance sheet date[6]	1,559	1,160	1,532	1,157	1,188
Store openings[7]	*13*	*21*	*30*	*22*	*39*
Store acquisitions[8]	*48*	*0*	*373*	*0*	*0*
Store closings[9]	*34*	*18*	*28*	*53*	*16*
Net change in stores (owned)	27	3	375	-31	23
E-commerce development:					
Active customers (in million)[10,11]	1.9	1.4	2.3	1.9	1.4
Site visits (in million)[10,12]	70.2	55.4	102.6	80.6	51.6
Fulfillment costs (in % of e-commerce sales)[10,13]	12.8	14.1	13.5	14.5	15.8

[1] Data including the Nocibé Business for the entire period and excluding the Non-Acquired Business (whereby the Books Business, the Jewelry Business and the Fashion Business which were accounted for in accordance with IFRS 5 were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date). For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements*".

[2] Data including the Non-Acquired Business (which was accounted for in accordance with IFRS 5) and excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group). For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Unaudited Interim Condensed Consolidated Financial Statements*".

[3] Data including the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, from July 1, 2014, to September 30, 2014, and excluding the Non-Acquired Business. For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements".*

[4] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business. For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

[5] Average sales per m^2 (in €thousand) is calculated as our gross sales from our stationary stores (including sales from the sale of products, from services and tax-exempt sales) for the indicated period divided by the weighted average square meters (weighted by reference to the number of months during the referenced period such retail store was held by Douglas) of our stationary stores.

[6] Number of stores (owned) represents directly operated stores only, but not franchised stores.

[7] Store openings comprise those directly operated stationary stores which generated sales for the first time in the period indicated.

[8] Store acquisitions comprise those directly operated stationary stores which were acquired from a third party in the period indicated.

[9] Store closures comprise those directly operated stationary stores which were closed and no longer generated sales in the period indicated.

[10] E-commerce data as shown in this table only relates to those of our online shops which are centrally managed, including our online shops operated in Germany, France (including, for the first half of 2014/2015, e-commerce sales in the amount of €22.4 million from the Nocibé Business), the Netherlands, Austria, Poland, Italy and Switzerland.

[11] Active customers are defined as the sum of all customers placing at least one e-commerce order in the period indicated for which an invoice has been issued, whereby a customer ordering multiple times under a guest account will be counted as multiple customers.

[12] We calculate site visits as the number of series of page requests from the same device and source (either via websites, internet websites designed to be accessed via mobile or "smart" telephones (so-called "m" sites) or tablets (so-called "t" sites), or "apps" (applications designed to optimize internet usage with respect to a specific task using a mobile or "smart" telephone) in the respective period as recorded via the analytics tool Webtrekk. A visit is considered ended when no requests have been recorded in more than 30 minutes.

[13] We define fulfillment costs as the sum of cost of freight, packaging material cost and storage cost, related to e-commerce sales, each attributable to our online shops which are centrally managed, including our online shops operated in Germany, France, the Netherlands, Austria, Poland, Italy and Switzerland, excluding costs and e-commerce sales attributable to the Nocibé Business.

[14] Data for Douglas Perfumeries Business only, *i.e.*, excluding effects from Nocibé Business.

Summary Unaudited Pro Forma Financial Information

In order to present the effects of the Nocibé Acquisition as if it had been acquired as of October 1, 2013, Unaudited Pro Forma Financial Information has been prepared and is included in this offering memorandum. The Unaudited Pro Forma Financial Information is based on the hypothetical assumption that the Nocibé Acquisition had occurred on October 1, 2013, and, therefore, reflects (i) the income statement situation of the hypothetical Douglas Group including the Nocibé Business for the entire period and excluding the Non-Acquired Business which was accounted for in a condensed form under the separate line item "earnings from discontinued operations" in accordance with IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations" for the entire period, (ii) the respective effects of the application of purchase accounting for the full financial year 2013/2014 and certain other pro forma effects primarily relating to the financing of Nocibé Group and the transaction costs of the Nocibé Acquisition, in each case for the full financial year 2013/2014.

The following selected pro forma financial information is based on our unaudited pro forma consolidated financial information which was prepared in accordance with Annex II to the EU Regulation No 809/2004, as amended.

Our unaudited pro forma consolidated financial information has been prepared for illustrative purposes only. Because of its nature, our unaudited pro forma consolidated financial information addresses a hypothetical situation and, therefore, does not represent our actual results of operations. It is not necessarily indicative of the results of operations that would have occurred during the period presented had the pro forma adjustments actually taken place as of the dates specified, nor is it necessarily indicative of future results of operations, financial position or cash flows.

The following table shows our pro forma consolidated income statement for the period indicated:

	Historical financial information				
	Consolidated income statement of our Group	**Proportional income statement of the Nocibé Group**	**Total**	**Pro forma adjustments**	**Pro forma consolidated income statement**
Pro forma consolidated income statement (in €million)	**for the financial year 2013/2014**	**for the period from October 1, 2013 to June 30, 2014[1]**	**(unaudited)**		**for the financial year 2013/2014**
Sales	**2,093.3**	**401.0**	**2,494.3**	—	**2,494.3**
Cost of raw materials, consumables and supplies and merchandise	-1,075.4	-223.9	-1,299.3	-24.3	-1,323.6
Gross profit from retail business	**1,017.9**	**177.1**	**1,195.0**	-24.3	**1,170.7**
Other operating income	183.8	24.5	208.3	—	208.3
Personnel expenses	-470.7	-67.7	-538.4	—	-538.4
Other operating expenses	-606.5	-79.0	-685.5	18.6	-666.9
Income from other investments	0.1	0	0.1	—	0.1
EBITDA	**124.6**	**54.9**	**179.5**	**-5.7**	**173.8**
Amortization/depreciation	-74.1	-10.9	-85.0	-0.3	-85.3
EBIT	**50.5**	**44.0**	**94.5**	**-6.0**	**88.5**
Financial income	8.2	3.8	12.0	—	12.0
Financial expenses	-120.5	-49.7	-170.2	5.3	-164.9
Financial result	-112.3	-45.9	-158.2	5.3	-152.9
Earnings before taxes (EBT)	**-61.8**	**-1.9**	**-63.7**	**-0.7**	**-64.4**
Income taxes	-7.1	-1.4	-8.5	4.6	-3.9
Earnings from continued operations	-68.9	-3.3	-72.2	3.9	-68.3
Earnings from discontinued operations	-19.9	0	-19.9	—	-19.9
Net profit for the year	**-88.8**	**-3.3**	**-92.1**	**3.9**	**-88.2**
Profit (loss) attributable to the Group shareholders	**-89.1**	**-3.3**	**-92.4**	**3.9**	**-88.5**
Profit attributable to non-controlling interests	0.3	0	0.3	—	0.3

[1] Due to different financial years in the past the historical financial information of Nocibé Group is not comparable to the financial year period of the Company from October 1, 2013 to September 30, 2014, a comparable financial history of Nocibé Group was derived by applying the following steps: (i) the 3-month period from October 1, 2013 to December 31, 2013, prepared on the basis of French-GAAP, was derived as the difference of the audited consolidated income statement of Nocibé Group, prepared on the basis of French-GAAP, for the period from January 1, to December 31, 2013 and the reviewed consolidated income statement of Nocibé Group, prepared on the basis of French-GAAP, for the period from January 1, 2013 to September 30, 2013; the 3-month period, prepared on the basis of French-GAAP, was adjusted by applying the IFRS-adjustments derived from the audited consolidated financial income statement of Nocibé Group, prepared on the basis of IFRS, for the period from January 1, to December 31, 2013, appropriately; (ii) the 6-month period from January 1, 2014 to June 30, 2014, was derived as the difference of the audited consolidated income statement of Nocibé Group, prepared on the basis of IFRS, for the short financial year from January 1, 2014 to September 30, 2014 and the reviewed reporting package of Nocibé Group, as reported to the Company since the acquisition, for the 3-month period from July 1, 2014 to September 30, 2014; (iii) the 9-month period of Nocibé Group, from September 30, 2013 to June 30, 2014, prepared on the basis of IFRS, was derived by adding the 3- month period of step (i) to the 6-month period of step (ii).

Other Financial and Pro Forma Data

(in €million, unless otherwise stated)	Twelve months ended March 31,	Six months ended March 31,		Financial year ended September 30,		
	2015	2015	2014	2014	2013	2012
	(consolidated, unaudited)			(combined)		
EBITDA[1][2]	175.9	140.8	89.5	126.8	164.3	169.7
Adjusted EBITDA[1][3]	272.8	179.7	105.2	199.5	180.7	173.2
Pro Forma Adjusted EBITDA[1][4]	311.9					
Adjusted Sales[5]	2,569.0					
Capital Expenditures[6]	65.8	34.1	17.1	48.6	45.1	64.3
Cash Conversion (in %)[7]	75.9	81.0	83.7	75.6	75.0	62.9
Pro forma total senior secured indebtedness[1][8]	1,535.0					
Pro forma total indebtedness[1][9]	1,870.0					
Pro forma Interest Expense[1][10]	124.3					
Ratio of pro forma total senior secured indebtedness to Pro Forma Adjusted EBITDA[1]	4.9x					
Ratio of pro forma total indebtedness to Pro Forma Adjusted EBITDA[1]	6.0x					
Ratio of Pro Forma Adjusted EBITDA to pro forma interest expense[1]	2.5x					

[1] This measure is not a defined financial indicator under IFRS. It should be noted in this context that not all companies calculate the items that are not defined under IFRS in the same manner, and that consequently the measures reported are not necessarily comparable with similarly detailed measures employed by other companies. See "*Presentation of Financial Information.*"

[2] EBITDA represents income before interest, taxes, depreciation and amortization.

[3] Adjusted EBITDA comprises reported EBITDA, adjusted for exceptional items. For the twelve months ended March 31, 2015, exceptional items related to (i) consulting fees in connection with the sale process of the Company, the Nocibé Acquisition, the Separation of the Non-Acquired Business, the acquisition of Clin d'Oeil and the implementation of certain efficiency measures, (ii) restructuring costs, (iii) effects from PPA related to the Nocibé Acquisition and (iv) other exceptional items including one-off inventory revaluations, synergy bonuses for Nocibé's management, property tax payments related to a corporate restructuring, and rent increases in Austria. See footnote 12 under "*—Summary Selected Other Key and Segmental Financial Data of Our Group*" and "*Selected Consolidated and Combined Financial Information*" for further discussion of Adjusted EBITDA.

[4] Below is a reconciliation calculation from Adjusted EBITDA for the twelve months ended March 31, 2015 to Pro Forma Adjusted EBITDA for the twelve months ended March 31, 2015.

(in €million, unless otherwise stated)	Twelve months ended March 31,
	2015 (consolidated, unaudited)
Adjusted EBITDA	**272.8**
Credit Card Fees[a]	9.5
Nocibé Adjusted EBITDA add-back [b]	13.5
Slotting Fees[c]	(1.6)
Run Rate Impacts[d]	17.7
Pro Forma Adjusted EBITDA	**311.9**

[a] Represents the reclassification of credit card fees, comprising commissions, handling charges and financing costs. Credit card fees had historically not been reported in EBITDA or Adjusted EBITDA for covenant reporting purposes in connection with financing arrangements. The reclassification excludes the interest portion of credit card fees, which have already been included in EBITDA and Adjusted EBITDA. The amount includes €5.2 million of credit card fees from October 1, 2014 to March 31, 2015.

[b] EBITDA and Adjusted EBITDA only reflect the results of the Nocibé Group from July 1, 2014, the effective date for accounting purposes of the Nocibé Acquisition. The adjustment represents the French GAAP Adjusted EBITDA of the Nocibé Group for April 1, 2014 to June 30, 2014 in order to show the full effect of the Group Adjusted EBITDA, including the Nocibé Business, for the twelve months ended March 31, 2015.

[c] Represents the reclassification under IFRS of the adjustment for the accounting of slotting fees received by the Nocibé Group. Under IFRS, slotting fees are shown as a deduction from inventory as opposed to French GAAP where they are credited as income.

[d] Run Rate Impacts represent the adjustment required to show the full twelve-month impact of management changes implemented for which the effects are yet to be realized. Such impacts included (i) €4.7 million from mergers and acquisitions, including the acquisition of Clin d'Oeil in February 2015 and five Himmer stores in December 2014, partially offset by the impact of the disposal of certain Clin d'Oeil stores to comply with French and EU competition law, (ii) €5.8 million relating to synergies from the Nocibé Acquisition such as a higher gross margin for Nocibé which benefitted from the Group's increased purchasing power and other cost saving programs initiated by management, (iii) €2.2 million from personnel restructuring, including as a result of the termination of 270 full-time equivalent employees at our stores and the termination of 97 full-time equivalent employees who

performed overhead functions, in each case during the second half of financial year 2013/2014, (iv) information technology and other overhead cost saving programs of €3.4 million and (v) €1.7 million relating to inventory valuation consolidation entries.

(5) Sales for the twelve months ended March 31, 2015, only accounts for the sales of the Nocibé Group for the nine months from July 1, 2014 (the effective date of the Nocibé Acquisition for accounting purposes) to March 31, 2015. Adjusted Sales for the twelve months ended March 31, 2015 is the sum of sales for the Nocibé Group for the three month period of April 1, 2014 to June 30, 2014 to the consolidated sales of the Group for the twelve months ended March 31, 2015 and run rate effects.

(6) Capital expenditures relate to additions made to intangible assets (primarily relating to acquired and internally generated software) and property, plant and equipment (mainly regarding the opening and acquisition of new stores and investments in the design and re-design of existing stores).

(7) Cash conversion is defined as the difference of Adjusted EBITDA and capital expenditures divided by Adjusted EBITDA, in each case in the period indicated.

(8) We define pro forma total senior secured indebtedness as total senior secured indebtedness after giving pro forma effect to the Transactions as if the Transactions had occurred on March 31, 2015 and includes €1,220.0 million under the Term Loan B Facility, €15.0 million anticipated drawings under the Revolving Credit Facility on the Completion Date and €300.0 million represented by the Senior Secured Notes.

(9) We define pro forma total indebtedness as total indebtedness after giving pro forma effect to the Transactions as if the Transactions had occurred on March 31, 2015 and includes €1,220.0 million under the Term Loan B Facility, €15.0 million anticipated drawings under the Revolving Credit Facility on the Completion Date, €300.0 million represented by the Senior Secured Notes and €335.0 million represented by the Senior Notes.

(10) We define pro forma interest expense as total interest expense after giving pro forma effect to the Transactions as if the Transactions had occurred on April 1, 2014. Pro forma interest expense includes interest on the total pro forma total indebtedness as if such debt (including the €15.0 million drawing under the Revolving Credit Facility) had been outstanding for the entire period. The pro forma interest expense calculation is based on an assumed EURIBOR/LIBOR rate of 1.0% per annum for the Term Loan B Facility and 0.0% per annum for the Revolving Credit Facility for the entire period and includes the commitment fee for the undrawn portion of the Revolving Credit Facility. Pro forma interest expense has been presented for illustrative purposes only and does not purport to be what our interest expense would have actually been had the 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 risks. Before purchasing the Notes, you should consider carefully the specific risk factors set forth below, as well as the other information contained in this offering memorandum. Any of the risks described below could have a material adverse impact on our business, prospects, results of operations and financial condition and could therefore have a negative effect on the trading price of the Notes and our ability to pay all or part of the interest or principal on the Notes. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this offering memorandum. See "Disclosure Regarding Forward-Looking Statements."

Risks Relating to Our Market Environment and Business

We are exposed to changes in general economic and political conditions, in particular in Germany and France.

We are exposed to changes in the economic conditions in the markets in which we operate, in particular Germany and France where we derive the majority of our sales, accounting for 44.3% and 27.7%, respectively, of sales in the first half of 2014/2015, and in our other core markets, which include the Netherlands, Italy, Poland and Austria. These economic conditions include levels of employment, inflation or deflation, real disposable income, interest rates, taxation, currency exchange rates, the availability of consumer credit, levels of consumer debt, consumer confidence, consumer perception of economic conditions and related willingness or ability to spend, all of which are beyond our control.

Since 2008, the macroeconomic environment has been marked by the global financial and economic crisis and the European sovereign debt crisis. The crises affected consumer confidence and, accordingly, consumer spending in the European selective beauty market, mainly in Southern Europe and in particular Spain where we had to implement a store closure and restructuring program in response to the negative economic environment of recent years. Future negative economic developments in the global economy, the Eurozone or the countries in which we operate could have an adverse impact on the European selective beauty market in general or in the countries in which we operate and, as a result, consumers may change their purchasing habits and buy more affordable products than those on offer in the selective beauty market, which could have a material adverse effect on our business, results of operations and financial position.

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

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

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

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

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

The internet, including the dissemination of information via social media, is becoming increasingly important and is changing the role of stationary retail. As a result, we are currently re-evaluating our offerings and the way we communicate with our customers. For example, footfall in the stationary retail business has been decreasing in recent years due to changes in shopping behavior. In particular, there has been a diversion of sales from stationary stores due to continuous increases in the proportion of sales through e-commerce channels. If we fail to adapt our offerings and the way we communicate with our customers to meet such trends then this could have a material adverse effect on our business, results of operations and financial position.

E-commerce enables consumers to quickly compare different online suppliers and their prices and increases the risk that we may lose sales to other e-commerce retailers. In addition, we may continue to be faced with the relatively high fixed costs relating to the leases of our stationary stores in prime locations, while achieving a lower level of sales from our stationary business due to increased e-commerce purchases by consumers. We may be unable to compensate any such reduced stationary sales with our e-commerce sales.

If we misjudge either the demand for the products and services, or our customers' purchasing habits and preferences, we may be faced with lower sales and excess inventories. As a result, we may be required to increase our promotional activities or mark down the price of unsold inventories and as a result face reduced liquidity levels and higher working capital requirements.

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

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

We experience substantial seasonal fluctuations in our sales. Our most important sales period is the six-week period leading to Christmas and over the New Year. Other sales periods that are important to us are those around Valentine's Day, Easter and Mother's Day. The uplift in sales around our most important trading periods is often followed by a period of price markdowns.

Any decrease in sales during peak selling periods, in particular during the Christmas season, could have a material adverse effect on our business and results of operations for a particular financial year. For example, unusually adverse weather conditions, a significant interruption in the supply of products (whether attributable to suppliers, the supply chain or logistics or other product delivery problems), or a sharp decline in consumer traffic in our store network during peak seasons, could materially affect sales during the relevant financial year.

Seasonal fluctuations also impact our working capital, liquidity levels and inventory. We incur additional expenses in the preparation for the increased demand we typically expect leading up to, and around, the Christmas season and other peak selling periods and must carry a significant amount of inventory before such periods, which is also reflected in our liquidity (with a certain time lag due to the payment terms that we have agreed with our suppliers).

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

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

We operate in the competitive European beauty and personal care market, and, within this market, we focus on the selective beauty distribution channel. We compete primarily with other specialist retailers with stationary stores or e-commerce activities, including perfumery chains, independent perfumeries, the perfumery departments of selected (typically high-end) department stores, retailers selling products under their own labels, duty-free shops, pharmacies and para-pharmacies (which increasingly focus on skin care and natural cosmetics) as well as drugstores and hypermarkets.

In addition, while many of these competitors currently compete with us only in certain segments of the beauty and personal care market, they may extend their offerings to compete with us more broadly in the future. In particular, drugstores, which currently mostly offer mass beauty and personal care products, could increase their range of selective products.

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

Such consolidation could also give our competitors increased negotiating leverage with suppliers and greater marketing resources, allowing them to compete more effectively with us. We also face the risk of new competitors offering cheaper imitations of original fragrances or focusing on the entry price sales directed at younger age groups, thus attracting some of our existing or potential customers. For example, until the end of 2013, we had been the leading selective beauty retailer in the Netherlands, when a competitor acquired another participant in the Dutch selective beauty market and thus became the largest player in that country and also engaged in discount pricing to acquire further market share.

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

In addition, we face the risk of increased competition from the so-called "grey market," *i.e.,* the sale of selective beauty products through channels other than the official channels explicitly allowed by the manufacturers. For example, selective products that are sold more cheaply in emerging or developing markets are reimported into established markets at lower prices. These products are typically offered at discounted prices that can be substantially lower than those of the selective distributors and could increasingly undermine the selective distribution channel on which our business model is based. These products can appear first in online/mobile searches for a particular product, for example through online price comparison tools. We also face increased competition from grey market products for our stationary business, in particular in Austria, Spain and Poland and in other countries especially when drugstores and discounters expand their selective offerings and source selective products from the grey market. These types of offerings sometimes also extend to counterfeit products.

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

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

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

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

Primarily in France under the Nocibé brand, but also in other countries, we have stores that operate through franchisees. The level of control over our franchisees is limited. Our franchisees in France typically have their own purchase processes and contracts with suppliers and, except for some private label and in some cases, exclusive products, we do not typically sell any products to them. Franchisees may not have the business acumen or financial resources necessary to successfully operate stores in a manner consistent with our standards and may not hire and train qualified store managers and other personnel. Our brand image and reputation may suffer materially and our sales could decline if our franchisees do not operate according to external or internal standards or do not operate successfully. Disputes with franchisees could also damage our brand reputation and/or our relationships with the broader franchisee group.

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

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

We depend on our suppliers to obtain a sufficient amount and variety of quality selective and exclusive products.

We depend entirely upon third parties for the supply of the products that we sell. For example, in the financial year 2013/2014, in Germany, we sourced our products (including our exclusive products) from approximately 400 different suppliers, including domestic and international distributors and wholesalers. However, in that financial year, approximately two-thirds of purchasing volume, on a combined basis, related to products sourced from our top ten suppliers, and more than one-third of purchasing volume related to products sourced from our top three suppliers.

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

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

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

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

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

A portion of our sales relate to our private label products, which we acquire from over 50 suppliers mainly in Germany, France, Italy and Asia. These suppliers generally also manufacture products for our competitors and their suppliers. Our agreements with the manufacturers of our private label products, which set forth the production and delivery of private label products, are typically based on an order-by-order concept for each private label product or product line rather than long-term supply agreements and may typically be terminated with six-months' notice. In case an agreement with a private label product manufacturer is terminated, there can be no assurance that we will find other manufacturers that will be able to produce comparable replacement products for us at competitive prices or at all. In addition, we typically do not own the recipes to these products, and it cannot be excluded that the manufacturers may sell the same products to other retailers, which may offer them under a different brand and packaging. If those products were sold by other retailers under a different brand and packaging at a lower price, it could reduce our sales of the relevant products, which could have a material adverse effect on our business, results of operations and financial condition.

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

As we are the "responsible person" for our private label products within the context of the applicable European regulations on product safety applicable to cosmetics, any quality defect could lead (on the basis of EU law or similar applicable national laws) to substantial customer claims, administrative or criminal proceedings, penalties or similar. We could also face damage to our own brands' reputation.

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

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

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

In addition to our stationary sales, we also sell products via our e-commerce platform, and our success is, among other factors, dependent on our ability to maintain attractive online shops, continue to expand our online and mobile presence, generate e-commerce traffic and convert this traffic into sales.

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

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

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

Besides other (online) measures, we use e-mail to promote our products or marketing messages. The delivery of such e-mails and messages may fail or be delayed for technical reasons, customers may not take note of them or they may be marked as "spam" or "junk." Actions by third parties to block, impose restrictions on or charge for the delivery of e-mails or other messages, as well as legal or regulatory changes limiting our right to send such messages or imposing additional requirements on us in connection with them, could impair our ability to communicate with our customers using e-mail or other means. In addition, certain customers may be dissatisfied when exposed to too many advertising campaigns or newsletters and to what they may consider to be e-mail or text message "flooding."

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

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

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

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

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

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

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

The operating expenditures to support marketing initiatives may turn out to be higher than estimated and require more management time than planned. There can be no assurance that our assumptions supporting our marketing strategies will prove to be correct and that such expenditures will result in increased sales or increased profitability. In addition, there can be no assurance that expenditures with respect to new concepts and re-branding, or changes and updates to existing concepts, will be met with the expected customer acceptance and lead to the expected results.

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

Furthermore, certain advertising or marketing methods currently used by us may become less effective or legally restricted in the future. In addition, changes to the terms and conditions of social networking services as well as changes to search algorithms of online search engines could limit our promotional capabilities, and there could be a decline in the use of such social networking services by customers and potential customers in the future.

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

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

Part of our growth strategy includes increasing the number of our stationary stores through new store openings, acquisition of smaller competitors and, to some extent, through the expansion of our franchise program. However, we may not be able to implement our growth strategy successfully or at the envisaged pace if we fail to identify and lease attractive store locations on acceptable terms, attract and hire skilled sales staff or implement the required infrastructure. We may also face difficulties in obtaining adequate financing to fund expansion. Consequently, the intended increase of our stationary market share may fail to materialize.

The success of new stores may also be affected by our failure to correctly estimate customer demand for stationary store sales. In addition, the opening of additional franchised stores depends, in part, upon the availability of prospective franchisees who meet our criteria. If we fail to add new stores to our network, this could adversely affect our ability to increase our sales.

In addition, part of our strategy is to grow by entering new geographical markets. For instance, most recently, in October 2014, we opened our first store in Norway through a joint multi-channel franchise co-operation. Entering a new geographical market requires substantial investments and may not lead to the desired results, or occur at the desired pace. Our success in pursuing this strategy will be dependent on various factors including our understanding of the target market, our ability to position ourselves within such new markets, as well as our ability to offer products adapted to local preferences on competitive terms. No assurance can be given that we will be able to successfully penetrate and operate in any new markets on a sustainable and profitable basis.

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

Moreover, we have explored different product offerings beyond our core beauty focus and we plan to continue to develop selected non-core product offerings in the future. There can be no assurance that we will be successful in expanding into areas beyond our core beauty portfolio, that any new product categories will perform as expected, and that the investments incurred in connection with such expansion will be recovered. In addition, our existing or new competitors may also target these segments and may be able to pre-empt some of our expansion plans. Furthermore, our plans to grow our business, among others, through the growth of products sold under our own brands, may result in our taking greater risks on holding stock. If we are left with excess inventory of our private label products, due to such products' failure to meet customers' tastes or preferences or for other reasons, we may not be able to make arrangements with the suppliers of these products to dispose of the excess stock or offset all or part of the costs incurred.

Our selected expansion into service offerings may not be successful due to its substantially different business model, financial parameters and margins. In addition, customers may not accept us as a legitimate point of service. For example, in the past, we installed hair dressing and beauty cabins across a number of stores, testing different store concepts in selected locations. However, many of them were closed down since they did not achieve the expected demand.

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

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

In the past, we have strategically pursued acquisitions and entered into participations in order to expand our footprint and operations. Such activities include both large-scale acquisitions, as well as smaller bolt-on acquisitions across different countries with the aim of strengthening our presence and market position in the respective jurisdictions. For example, we have acquired a number of different individual private perfumeries in Germany, most recently the Himmer perfumeries in December 2014. In France, we acquired 43 perfumeries from Clin d'Oeil, in February 2015, though of these 43 perfumeries, seven perfumeries are required to be divested to comply with national and EU competition law. We have also entered into joint ventures and co-operations.

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

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

For example, our acquisition of Groupe Nocibé SAS, France, together with its direct and indirect subsidiaries and associated companies (the "Nocibé Group") in June 2014 was only approved by the antitrust authorities subject to certain conditions, in particular requiring us to sell certain stores in France. This process is currently on-going. We aim at primarily divesting franchised stores, in order to meet the conditions, however, we have and may need to continue to dispose of certain directly operated stores, which would have a more substantial adverse impact on our profitability than the termination of franchises (which would mostly result in the loss of the respective royalties only). Due to our already large footprint and the concentration of the selective beauty market in Europe, it may become increasingly difficult to meet the requirements of antitrust and competition regulation when pursuing acquisition targets.

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

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

Douglas incurred certain obligations and may face certain risks (subletting risk and non-fulfillment risk with respect to transitional service agreements) in connection with the divestiture of our non-perfumeries business.

We may face certain risks in connection with divestitures, such as the sale and transfer of the Confectionery Business to a third party in 2014 and the sale and transfer of our former operating businesses, the Books Business, the Jewelry Business and the Fashion Business, to separate direct subsidiaries of AI Beauty as of September 30, 2014.

Douglas Group still remains party (as lessee) to a substantial number of lease agreements relating to stores of the Non-Acquired Business ("Non-Acquired Business Lease Agreements"). Sub-lease agreements are in place between Douglas as sub-lessor and the respective Thalia, Appelrath, Christ or Hussel companies operating the respective store as sub-lessee. Such sub-lease agreements mirror to the largest extent possible the terms of the external Non-Acquired Business Lease Agreements. Douglas has further issued, in its capacity as former parent company of the Non-Acquired Business, certain letters of comfort and guarantees in favor of lessors under certain lease agreements entered into by Thalia, Appelrath, Christ and Hussel companies as lessee ("DHAG Parent Securities"). As of March 31, 2015, the present value of the basic rental charge for the Non-Acquired Business was €100.6 million and the aggregate amount of the DHAG Parent Securities was €17.4 million.

The agreements relating to the disposal of the Non-Acquired Businesses provide that the parties thereto shall use commercially reasonable efforts to effect an assumption of the Non-Acquired Business Lease Agreements by the relevant Non-Acquired Business and to obtain any required consent of the relevant lessors and that the respective purchaser is obliged to indemnify Douglas and all of its affiliates from any and all claims, losses, costs, fees, charges or damages resulting from or arising in connection with the Non-Acquired Business Lease Agreements or the DHAG Parent Securities. In addition, the Sellers are obliged to indemnify the Senior Secured Notes Issuer under the Acquisition Agreement from such obligations if they cannot be collected under the respective disposal agreements. This indemnity is subject to certain limitations and risks as described in "*Risk Factors—Risks Related to the Transactions.*" While Douglas has been able to achieve a transfer of Non-Acquired Business Lease Agreements to Non-Acquired Businesses with full release for Douglas in a number of cases and reached agreement on such transfer in many other cases, not all lessors have granted or will grant the required consent for such transfer and release and Douglas will therefore remain responsible for fulfillment of the obligations under the Non-Acquired Business Lease Agreements concerned. If and to the extent the relevant Thalia, Appelrath, Christ and Hussel companies no longer perform (or are no longer able to perform) their obligations under the corresponding sub-lease agreements, Douglas may not be able to sub-lease the premises concerned to third parties at the same economic terms as applicable under the Non-Acquired Business Lease Agreement concerned, which could have a material adverse effect on its business, results of operations and financial condition. Further, Douglas has incurred or will incur certain payment obligations to lessors as compensation for the transfer of Non-Acquired Business Lease Agreements to Non-Acquired Businesses or has granted or will have to grant certain guarantees in favor of lessors in connection with such transfer.

For the Non-Acquired Business, Douglas was and continues to be a party to transitional services agreements between Group companies and the divested companies. In particular, Douglas provides certain transitional services to the divested companies relating to information technology and real estate-related services, including the management of leases, facility management, and co-ordination of store renovation, etc. Douglas intends to gradually reduce the extent of these services and to achieve a phase-out within the next few years. If and to the extent the divested companies no longer perform (or are no longer able to perform) their obligations (in particular their payment obligations) under these transitional services agreements, Douglas will have the risk of suffering a shortfall in revenues which could have a material adverse effect on its business, results of operations and financial condition.

Our reorganization measures may not achieve the expected results.

We have carried out several reorganization measures in the past few years. In 2014, we sold the Non-Acquired Business, which led to the current structure of our Group. As a result of the reorganization, we now focus on our perfumery business.

We have also recently undergone internal restructurings and reorganizations in the recent past. We may carry out further reorganization measures from time to time. Such measures entail costs, may divert management's attention from our daily business and/or strategic business decisions, and may otherwise be disruptive to our business. In addition, there can be no assurance that such reorganization measures may lead to the expected efficiency improvements or cost savings, or be completed within the planned timeframe. Furthermore, any such reorganization process may have a disruptive effect on our work force. Any of these factors could have a material adverse effect on our competitive position, profitability and growth, and thus on our business, results of operations and financial position.

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

On a net basis, our stationary store network grew by 394 stores (excluding franchised stores) between October 1, 2011 and March 31, 2015. We also operate online shops in 15 countries, including several stores that were launched during the past few years, and we also plan to launch additional online shops in the near future. We cannot guarantee that opening or acquiring additional stationary stores or the launch of new online shops will not adversely affect our existing stores' operations or that our strategy of adding new stores to our network will be profitable.

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

In addition, our growth could make it difficult for us to adequately predict the expenditures we will need to make in the future. This growth could also impact the operational flexibility of the supply chain organization and impair our ability to react promptly to changing customer demands and new market trends. If we do not make the necessary capital or other expenditures to accommodate our future growth, we may not be successful in our growth strategy. Continued growth could also strain our ability to maintain reliable service levels for our customers and to develop and improve our internal controls.

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

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

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

Our commercial leases typically provide for an adjustment of the rent due to changes in certain public indices. Such adjustments are intended to counteract inflation risks of long-term contracts. If the relevant indices increase at a higher rate compared to past performances, or if there are adverse changes in terms of calculations relating to such indices, rents linked to these indices will be adjusted at higher levels which could increase our expenses and have a negative impact on our profitability and results of operation which could have a material adverse effect on our business, results of operations and financial position. In addition, many of our lease agreements contain sales-related additional variable lease payments and hence, the ultimate level of our rent will depend on the level of our sales.

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

Sales from stationary stores accounted for approximately 90% of our sales for the financial year 2013/2014. Our stationary stores are typically located in prominent locations within shopping centers and town centers. Our sales at these stores are dependent, to a significant extent, on the volume of customer traffic in such retail destinations and the surrounding areas. This in turn benefits and is dependent on the ability of other retailers in those destinations to generate customer traffic in the vicinity of such stores.

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

The decrease in footfall as a result of these or other factors constitutes a major challenge for the like-for-like growth of our stationary business. The realization of any of these risks could have a material adverse effect on our business, results of operations and financial position.

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

Our profitability depends on our ability to effectively manage operating costs, including the implementation of cost-control programs relating to store leases and operations, cost-effective purchasing programs for the products sold, the optimization of personnel costs, achieving central overhead cost synergies and improving supply chain and inventory management. Our cost structure may be negatively affected by cost increases, in particular those relating to rental, electricity and personnel costs, as well as transportation and logistics costs, among others. In particular with respect to transportation costs, we have experienced such costs increases in a significant manner in recent financial years.

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

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

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

The continuous optimization of our procurement and logistics processes significantly impacts our operational performance. The demands on logistics have continued to rise, especially with the growing e-commerce business and the increasing interlinking of stationary stores and e-commerce platforms.

We run some of our inbound and outbound logistic processes in-house, dealing with logistics from our warehouses to our stores, and also co-operate with a few logistic partners who, for example, run our e-commerce distribution center in Germany, our cross-docking center in Italy, Poland and the Netherlands, and ship our products to our stores and directly to our e-commerce customers. In some of our regional markets, it may be difficult to replace our current logistics providers due to a lack of alternative offerings at comparable prices and/or service quality and we may face higher costs when an existing logistics contract is renewed or replaced. Furthermore, all but one of our main warehouses are leased or operated by third party warehouse service providers, and most of the relevant leases and service agreements will expire within the next two years. If we are unable to renew the respective leases or services agreements, it may be difficult for us to lease suitable alternative locations on favorable terms, and any new leases may involve changes to our logistics organization as well as increases in lease payments and other costs.

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

In addition, the delivery of the products that we sell (both the delivery to our stationary store network as well as to customers who purchased the products via our e-commerce platform) could be delayed or fail due to technical problems, strikes or force majeure, including adverse weather conditions. Furthermore, any major operational disruptions or accidents in our warehouses and centers, and any breakdowns or disruptions of the operations of our suppliers, might significantly impact our ability to distribute products and maintain an adequate product supply chain and in-store inventory. In addition to delivery disruptions, our business could be negatively affected if we receive damaged goods from our suppliers.

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

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

Our success also depends on the continuous and uninterrupted availability and quality of our information technology ("IT") systems and the relevant data. This data includes orders and other customer transactions, to manage inventory, to purchase and ship the products that we sell, and to effectively manage the operations of our stationary stores and e-commerce platform. We also depend on our IT systems to be able to effectively manage our customer relationships. With technological advances, greater networking and an increasing integration of business processes, the need for the permanent availability of our IT systems has become even more critical.

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

The risk of disruption to our IT systems cannot be entirely eliminated. Such disruptions may result from a range of factors, including events beyond our control, such as telecommunication problems, software errors, hardware failures, power outages or damages, user errors, inadequate capacity at IT centers, computer viruses, attacks by hackers or other third parties or other security issues, fire or natural disasters. Any material disruption or slowdown of our IT systems could cause information, including data related to customer orders, to be lost or delayed, and functionalities to be interrupted, both of which could disrupt our ability to market, offer and sell our products, as well as our ability to track, record and analyze the sales of our products, which could negatively impact our operations and result in lost sales, in particular if occurring in one of our peak selling periods. In addition, our business could be adversely affected if changes in technology cause our IT systems to become obsolete or outdated or if our IT systems are inadequate to handle our growth. Any of these factors could have a material adverse effect on our business, results of operation and financial position.

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

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

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

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

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

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

In addition, since the business is labor intensive, maintaining good relationships with our employees, unions and other employee representatives is crucial to our operations. Any deterioration of such relationships in the future or any material work stoppages, strikes or other types of conflicts with labor unions or our employees, such as the work stoppage that the Nocibé Group experienced in 2011, could have a material adverse effect on our business, results of operations and financial position. Occasionally, works councils were established on the operational level and it cannot be excluded that further entities or regions may follow.

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

As of March 31, 2015, we had intangible assets totaling €1,268.9 million. The intangible assets mainly consisted of goodwill, the "Douglas" brand, the "Nocibé" brand and certain leasehold interests and similar rights. The carrying value of our intangible assets may increase further as a result of the purchase price allocation following the completion of the Acquisition. We determine the value of the intangible assets in accordance with applicable accounting principles and distinguish between amortizable intangible assets, such as goodwill, and non-amortizable assets, such as leasehold rights.

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

In performing impairment tests of assets, such as goodwill and other intangible assets, including our main brands, management considers several assumptions and carries out analyses that are based on projections and judgments. Economic downturns, including deteriorating economic conditions in the industries and regional markets in which we operate, as well as legal, regulatory, competitive, contractual and other factors may affect these assumptions and therefore the value of our assets. Recognition of an impairment charge would reduce our reported assets and earnings. For example, in the combined financial statements for the financial year 2012/2013 we recorded impairments on goodwill of €4.8 million relating to our business in Italy. Also, in the combined financial statements for financial year 2011/2012, we recorded high impairments on goodwill of €33.4 million, the largest portion of which related to our business in France primarily due to negative business trends and adjustments to the local business model. In addition, impairments on goodwill regarding our businesses in Croatia, Portugal and the Baltic area in the financial year 2011/2012 were triggered by the same reasons. Furthermore, we recorded impairments on property, plant and equipment in the last three financial years, in each case triggered by on-going negative contribution margins of certain stores and intended store closures. We cannot predict whether further future impairment charges may become necessary.

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

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

We currently offer different payment methods tailored to meet our local customers' payment preferences, both in our stationary stores and online shops including cash, credit or debit card, gift cards, the Douglas card, PayPal, direct deposit, online bank transfer, direct debit and checks. Payments in transit using certain of these payment methods, as well as cash in tills, are taken into account when calculating net leverage ratios pursuant to the indentures governing the Notes as well as other of our financing arrangements.

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

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

In case of repeated fraud events relating to credit card transactions, in addition to the direct losses, we could lose the right to accept credit cards for payments going forward and, potentially, credit and debit card providers could cease payments to us for purchases already made. Under German law, the risk of an invalid transfer instruction by a customer, and thus the risk of abuse, lies generally with the retailer. Therefore, we could become liable for certain fraudulent credit card transactions, which could have a material adverse effect on our business, financial position and results of operations.

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

In the ordinary course of our business, we are exposed to a risk of theft of products in our stationary stores. Products may also be misappropriated during transportation or at our warehouses and logistic centers and those of our logistic partners. In addition, we may experience a misappropriation of funds in our stores or at other levels of our business.

Furthermore, we face the risk that customer data that we collect for marketing purposes may be stolen or misappropriated. In this case, customers may be discouraged from providing us with their data or our marketing or reputation could be negatively affected as a result.

Moreover, we have a customer friendly returns policy and regularly offer gift articles in combination with the purchase of a certain product or brand or, in particular in our online shops, for purchases over a certain amount. It cannot be excluded that, in the future, a growing number of customers may abuse our returns policy and, for example, return products bought from other retailers, or order from us with the sole purpose of retaining the gift articles while returning the purchased products.

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

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

In the last three financial years we generated our sales and purchased merchandise predominately in Euros (more than 90% in the financial year 2013/2014) and to a limited extent also in a number of non-Euro currencies, such as the Polish zloty, the Swiss franc and the Turkish lira. Due to the expansion of our regional footprint, we expect the share of our sales and costs in non-Euro currencies to increase. Exchange rate fluctuations also affect the translated value of balance sheet and income statement positions of our Group companies outside the Eurozone, which are denominated in the relevant national currency, predominantly in Polish zloty, since these positions must be converted into Euro in connection with the preparation of our consolidated financial statements. As a result, exchange losses may arise due to this conversion. As we have not entered into currency hedging contracts, exchange rate fluctuations may have a material adverse effect on our financial position.

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

The historical consolidated, combined and pro forma financial information presented in this offering memorandum may not be comparable and may not be a reliable indicator of our future results.

The Company has a complex financial history. It was incorporated on August 14, 2012 and commenced its operating activities with the indirect acquisition of the Douglas Group only on December 1, 2012. Therefore, for the financial year ended September 30, 2013, our consolidated financial statements cover our operative business only for the ten-month period December 1, 2012 to September 30, 2013. In the financial year 2013/2014, we sold the Non-Acquired Business. Furthermore, with effect for accounting purposes as of July 1, 2014, we acquired all shares in the Nocibé Group, a leading perfumeries chain in France. In order to present the effects of this acquisition, unaudited pro forma financial information has been prepared and is included in this offering memorandum. In addition, so as to provide historical financial information for three full financial years, audited combined financial statements have been prepared and are included in this offering memorandum.

Several factors affect the comparability of the different sets of financial statements included in this offering memorandum. Such factors relate, in particular, to the different scope of entities consolidated or combined in the respective set of financial statements, as well as different effects reflected in those statements relating to the acquisition of the Douglas Group in 2012, the sale of the Non-Acquired Business in 2014, as well as the acquisition of the Nocibé Group in 2014. Because of such factors, the financial information as presented in the different sets of financial statements included in this offering memorandum may also not necessarily reflect what our financial position, results of operations or cash flows would have been absent the aforementioned effects, and may not be indicative of the financial position, results of operations or cash flows that the we will achieve in the future.

Our insurance coverage could prove inadequate.

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

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

If one or more claims exceed a certain aggregate amount in a given calendar year, insurers may increase the insurance premiums or the terms and conditions of our insurance coverage may become less favorable than at present. Our insurance costs may also increase over time in response to any negative development in our claims history or due to material price increases in the insurance market in general. There is no guarantee that we will continue to be able to obtain sufficient insurance coverage at commercially reasonable terms or at all.

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

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

We believe that many of our suppliers have traditionally taken out credit insurance to protect their receivables against the risk of bad debt, insolvency or protracted default of their buyers, including us. Credit levels available to us from our suppliers remain dependent on the general economic environment and our financial position. If there is a significant decrease in the availability of credit insurance to our suppliers, or if an increase in credit levels is administered too slowly or such insurance is withdrawn in its entirety, and if such suppliers are unwilling or unable to take credit risk themselves or find alternative credit sources, they may choose to reduce their credit exposure to us, for example by seeking to change their credit terms *vis-à-vis* our Group. Any such actions could have a material adverse effect on our cash position, lead to an increase in our indebtedness or have a negative impact on our product offerings and, thus, on our sales. This could have a material adverse effect on our business, financial position and results of operations.

Legal, Regulatory and Tax Risks

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

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

In addition, the sale, distribution and marketing of certain products that we sell, in particular, cosmetic products, are highly regulated. For example, with respect to certain of our private label products, certain subsidiaries of our Group act as responsible persons for purposes of the European Cosmetic Products Regulation and may be subject to liability under this regulation. Furthermore, and irrespective of our designation as responsible persons within the meaning of the European Cosmetic Products Regulation, as a retailer we are subject to regulations regarding product safety and product liability under which we are obliged, *inter alia*, to monitor that the products we offer comply with general safety requirements and must adopt the necessary measures to avoid any safety threats, for example, by withdrawing unsafe products from the market, informing customers and recalling products that have already been supplied to customers to avoid being exposed to the risks of liability. For example, in this context, we faced a quality issue in June 2014, when independent testers discovered contaminated/toxic particles in certain "world cup fan" make-up products leading to the subsequent recall of these products and their removal from our stores.

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

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

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

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

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

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

Significant modifications in laws or regulations in countries in which we operate may consequently lead to us incurring higher costs or having to change our business practices. Also, compliance will become more complex and involve higher costs and the increasing risk of noncompliance may give rise to civil liability, administrative orders (including injunctive relief), fines or even criminal charges. For example, a proposed new regulation on data privacy issued by the European Commission in January 2012 (the "General Data Protection Regulation") would introduce substantial changes to the EU data protection regime, involving replacement of the current national data protection laws by a directly applicable EU regulation. If the draft regulation were to become law in its current form, it would impose a substantially higher compliance burden on our business. In addition the regulation would foresee higher maximum level of fines than is currently the case for potential compliance failures. The proposed EU regulation continues to progress through the legislative process and it is not currently possible to assess its full potential impact.

We are exposed to the risk that our data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation, by us or on our behalf. If we or any third party service providers on which we may rely fail to transmit customer information in a secure manner, or if any such loss of personal customer data were otherwise to occur, we could face liability under data protection laws. This could also result in the loss of our customers' goodwill and deter new customers.

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

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

As a significant market participant in the German and other European selective beauty markets, we are subject to antitrust and competition laws and regulations. In connection with the acquisition of the Nocibé Group, the antitrust authorities approved the sale subject to certain remedies, in particular requiring us to sell certain stores in France, which process is currently on-going. We may still be subject to further investigation by competition authorities in the future in relation to these remedies related to the Nocibé Acquisition. In addition, in February 2015 we acquired 43 franchise stores from Clin d'Oeil of which we are required to dispose of seven due to antitrust conditions relating to the acquisition.

Moreover, there can be no assurance that the introduction of new antitrust or competition laws in the jurisdictions that are relevant to our operations or the interpretation or enforcement of existing competition laws will not affect our business and operations in the future or will not restrain us from making future acquisition or expanding our business, in the event we wish to do so in the future.

Furthermore, the use of selective distribution contracts, *i.e.,* contracts that require formal approval of the supplier for the product to be listed, effectively restricts competition by limiting the sale of fragrance products almost exclusively to selective distribution channel retailers, is critical to our current business model. Selective distribution currently benefits from a specific legal framework provided by EU Regulation (No. 330/2010 (EC)). This regulation provides for an exemption from the prohibition of anti-competitive restrictions for selective distribution agreements, *i.e.,* agreements pursuant to which a supplier undertakes to sell only to distributors selected on the basis of specific qualitative and quantitative criteria. On the basis of EU Regulation No. 330/2010, selective distribution agreements are exempted as long as, in particular, the market share of both the supplier and the buyer does not exceed 30% and these agreements do not contain "hard core" restrictions of competition (*e.g.,* resale price maintenance or restrictions of active or passive sales to end-users by the members of the selective distribution network). See "*Business—Regulatory Environment.*"

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

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

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

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

We are currently subject to several pending litigation proceedings including in connection with the adequacy of compensation to minority shareholders in relation to a squeeze-out of the minority shareholders in the Douglas Group, which became effective in July 2013, and proceedings relating to the Nocibé Group's alleged involvement in concerted practices in the determination of resale prices among fine perfume suppliers and retailers in the late 1990s. In addition, we are currently involved in litigation with a supplier, Passion Beauté, France, in relation to alleged acts of wrongful termination and breach of contract of our supply agreement with Passion Beauté. As of March 31, 2015, we have reserved €1.5 million in relation to this dispute. We are also subject to legal proceedings against several Austrian landlords who claimed increased rent as a consequence of the alleged triggering of change of control provisions due to an indirect change of control in Douglas Austria when the Group was taken private in December 2012. Douglas Austria has objected to all of the requested rent increases and has paid the increased rent amounts on a conditional basis (with the exception of one instance where only the original rent has been paid and, as of March 31, 2015, a provision of €945,000 has been made for a potential retroactive rent increase). We have reached out-of-court settlements with two of the landlords while five other cases are currently pending in Austrian courts and in one case we are currently involved in out-of-court negotiations. For more detail on ongoing litigation proceedings, see "*Business—Material Legal Disputes and Administrative Proceedings*."

In addition, the Acquisition may entitle certain Austrian landlords to claim increased rents.

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

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

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

In particular, we own a large portfolio of trademarks, including word trademarks and word/device trademarks used by companies in our Group and by franchisees, domain names, and some design rights. In particular, the trademarks that protect the designation "Douglas" as well as the trademark "Nocibé" are important to us. Furthermore, we use some smaller local (sub-)brands or company symbols to differentiate our offering and address different target groups, for example, Schnitzler (targeting luxury, high-end customers in Düsseldorf, Germany), HELA (targeting more price-sensitive customers mainly in Munich, Germany) and Les Bellista by Nocibé (targeting trendy, younger customers in France and more recently in Germany). With respect to several of the registered trademarks, we have entered into co-existence agreements and prior rights agreements for specific countries or situations. Regarding domain names, in particular "douglas.de", and the top-level domains for other countries, in particular those in which we operate an online shop, play an important role in our business operations. We do not own the recipes or intellectual property rights relating to our private label products, which are manufactured by third parties.

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

If we do not have or cannot obtain or maintain on reasonable terms the ability to use our "Douglas" or "Nocibé" trademarks, or any other significant brand in a particular country, or to use or register "Douglas" for a certain domain name, we could be forced either to incur significant additional expenses to market our products within that country, including the development of a new brand and the creation of new promotional materials and packaging, or to elect not to sell products in that country. Furthermore, the regulations governing domain names and laws protecting marks and similar proprietary rights could change in ways that block or interfere with our ability to use relevant domains or our current brands. In addition, we may not be able to prevent third parties from registering, using or retaining domain names that interfere with our customer communications or infringe or otherwise decrease the value of our trademarks, domain names and other proprietary rights. Regulatory bodies may establish additional generic or country-code top-level domains or may allow modifications of the requirements for registering, holding or using domain names. As a result, we may not be able to register, use or maintain the domain names that utilize the name “Douglas” (or “Nocibé”, currently for France) in all of the countries in which we currently conduct business or intend to conduct business in the future.

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

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

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

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

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

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

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

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

Our tax burden is dependent on certain aspects of the tax laws across several different jurisdictions and their application and interpretation. Changes in tax laws or their interpretation or application or changes in the amount of taxes imposed on companies could increase our future tax burden. As a result of current or future tax audits or other review actions by the relevant financial or tax authorities, our internal tax assessments, including our interpretation and application of tax laws, could be revised and/or additional taxes, including interest and penalty payments or social security payments, could be assessed in relation to future or previous tax assessment periods which could lead to an increase in our tax obligations, either as a result of the relevant tax payment being assessed directly against us or as a result of our becoming liable for the relevant tax as a secondary obligor due to the primary obligor’s (such as, for example, an employee) failure to pay. This may be due to an interpretation or view of laws and/or facts by tax authorities in a manner deviating from our view.

Due to our international focus, we are exposed to tax risks, in particular with regard to transfer pricing rules that apply in several jurisdictions and, in relation to cross border business relationships. Pursuant to such rules, related enterprises are obligated to conduct any inter-company transactions on conditions which would also apply among unrelated third parties concluding comparable agreements (so-called "at arm's length principle") and to provide sufficient documentation thereof, subject to the rules applicable to them in the relevant jurisdiction. The possibility that the tax authorities will challenge our compliance with applicable transfer pricing rules cannot be ruled out. Furthermore, transfer pricing risks may increase in the future as intra-group cross-border business grows, in particular relating to our increasing sales of private label products. Furthermore, changes to the Competitiveness and Employment Tax Credit in France (*Credit d'impôt compétitivité et emploi*, or "CICE"), including changes in the conditions or requirements thereunder or the accounting of tax treatment thereunder, may result in the decrease or elimination of the expected positive impact of the CICE on our results of operations.

The Company as well as the German and other foreign subsidiaries within the Douglas Group are subject to tax audits by the respective tax authorities on a regular basis. The most recent tax audits of the German companies of the Douglas Group comprised the financial years from 2005/2006 to 2008/2009 and were completed in December 2012. No material Nocibé entity has been subject to a tax audit recently. However, Nocibé France Distribution, a subsidiary of Nocibé, is currently subject to a tax audit (started in November 2014) covering the financial years ended on December 31, 2012 and December 31, 2013. With regard to the French Douglas entities, Parfumerie Douglas France was subject to a tax audit in 2011 covering all taxes for the financial years starting on October 1, 2007 and ending on September 30, 2010 and in 2013, Douglas Expansion was subject to a tax audit covering all taxes for the period starting on October 1, 2010 and ending on September 30, 2012. Our Spanish subsidiaries were subject to a tax audit covering all taxes for the financial years starting on October 1, 2008 and ending on September 30, 2010. With respect to the tax audit of our Spanish subsidiaries, the Spanish tax authorities initially fixed additional taxes to be paid and penalties in the amount of €6.3 million and €5.2 million for the financial years ended September 30, 2009 and September 30, 2010, respectively. We have successfully appealed these assessments with only reduced penalties in the aggregate amount of €2.8 million being upheld. We have again appealed against these reduced assessments and have reserved €0.3 million for potential success fees for the tax advisors. However, there is the risk, that the findings will be upheld or even increased.

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

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

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

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

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

We operate in 19 countries, including in certain developing countries with less stable political, legal and regulatory regimes as well as inconsistent enforcement of laws and regulations, and have over 17,000 employees. Moreover, we have limited influence over the day-to-day operations of our franchised stores (primarily in France), as well as our suppliers. This inherently creates a risk that applicable legislation and regulations may be breached. Such behavior could lead to further legal proceedings against us, fines, sanctions, additional tax liability, court orders affecting future conduct, forfeiture of profits, rescission of existing contracts, exclusion from certain businesses, loss of trade licenses or other restrictions, which, in turn, might limit our ability to pursue strategic projects and transactions that may be important for the business and which could have a material adverse effect on our business, financial position and results of operations.

Employees may not act in compliance with applicable statutory provisions (including antitrust regulation, anti-corruption legislation as well as data protection laws) and internal guidelines and we may face the risk that penalties or liabilities may be imposed on us or that our business will be adversely affected as a result of such non-compliance. Thus, our compliance system and monitoring capabilities may not be sufficient to prevent violations of legal provisions and internal guidelines, to identify past violations or prevent damages from fraud or similar crimes in the Group.

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

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

Risks Related to our Financing

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

After Completion of the Financing in connection with the Acquisition, we will be highly leveraged. As at March 31, 2015, after giving effect to the Transactions and the application of the proceeds therefrom, we would have had external borrowings of €1,870.0 million, including €1,220.0 million drawn under the Term Loan B Facility. The terms of each of the Senior Secured Credit Facilities Agreement, Senior Secured Notes Indenture and the Senior Notes Indenture will allow us to incur substantial additional indebtedness, including in respect of committed borrowings of up to €200.0 million under the Revolving Credit Facility of which we expect approximately €25.2 million to be utilized on the Completion Date (including €10.2 million of outstanding letters of credit). See "*Capitalization.*"

The degree to which we will be leveraged following the issuance of the Notes could have important consequences to holders of the Notes in this offering, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research and development or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

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

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

Each of the Senior Secured Notes Indenture and the Senior Notes Indenture will restrict, among other things, our ability to:

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

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

In addition, we will be subject to the affirmative and negative covenants contained in the Senior Secured Credit Facilities Agreement. In particular, the Senior Secured Credit Facilities Agreement requires us to maintain a specified financial ratio if the revolving credit facility thereunder is drawn for more than 40% on a financial quarter end date. Our ability to meet this financial ratio can be affected by events beyond our control, and we cannot assure you that we will meet it. A breach of any of those covenants or restrictions could result in an event of default under our Senior Secured Credit Facilities Agreement. Upon the occurrence of any event of default under our Senior Secured Credit Facilities, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding under the Senior Secured Credit Facilities, together with accrued interest, immediately due and payable. In addition, any default or acceleration under the Senior Secured Credit Facilities could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indentures for the Senior Secured Notes and the Senior Notes. If our creditors, including the creditors under our Senior Secured Credit Facilities Agreement, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Senior Secured Notes or the Senior Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any collateral granted to them to secure repayment of those amounts.

We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise.

Our ability to make principal or interest payments when due on our indebtedness, including the Senior Secured Credit Facilities and our obligations under the Senior Secured Notes and the Senior Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*," many of which are beyond our control. Our Senior Secured Credit Facilities Agreement provides for a term loan facility which will mature in 2022. The Senior Secured Notes also will mature in 2022 and the Senior Notes will mature in 2023. See "*Description of Certain Financing Arrangements*," "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*." At the maturity of these loans, the Senior Secured Notes, the Senior Notes and any other debt which we incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business activities or capital expenditures, sell assets or raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of our Senior Secured Credit Facilities Agreement, the Senior Secured Notes Indenture, the Senior Notes Indenture and any future debt may limit our ability to pursue any of these measures.

Despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.

We may incur substantial additional debt in the future. Any debt that our subsidiaries incur could be structurally senior to the Notes, and other debt could be secured or could mature prior to the Notes. In addition, such debt could be incurred on a basis senior to the guarantees of the Senior Notes. Although the Senior Secured Credit Facilities Agreement and the Indentures will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, the Senior Secured Credit Facilities and the Indentures will not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

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

The loans under our Senior Secured Credit Facilities Agreement bear interest at floating rates of interest per annum equal to LIBOR or EURIBOR, as adjusted periodically, plus a margin. These interest rates could rise significantly in the future. Although we intend to enter into certain interest rate hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will continue to be available on commercially reasonable terms. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

Our interest rate hedging agreements may expose us to credit default risks and potential losses if our counterparties fall into bankruptcy.

We intend to enter into interest rate hedging agreements to hedge a portion of our exposure to fluctuations in interest rates, primarily under the Senior Secured Credit Facilities. Under these agreements, we are exposed to credit risks of our counterparties. If one or more of our counterparties falls into bankruptcy, claims we have under the swap agreements may become worthless. In addition, in the event that we refinance our debt or otherwise terminate hedging agreements, we may be required to make termination payments, which would result in a loss.

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 debt obligations, such as the Notes, that are Euro-denominated.

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility (the "EFSF") and the European Financial Stability Mechanism (the "EFSM") to provide funding to Eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European stability mechanism (the "ESM"), to be activated by mutual agreement and to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries after June 2013. In December 2011, the European Council and each Eurozone country agreed to a package of measures designed to restore confidence and address the continued tensions in financial markets, including (i) bringing forward implementation of the ESM from June 2013 to as soon as Member States representing 90% of the capital commitments to the ESM have ratified the ESM treaty, which occurred on September 27, 2012, and (ii) a new fiscal compact between all 17 Eurozone countries and, subject to parliamentary vote, all other non-Eurozone countries (except the United Kingdom) to put deficit restrictions on Member State budgets, with associated sanctions for those Members States who violate the specified limits. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries (including, most recently, Cyprus and Slovenia) and their ability to meet future financial obligations, the overall stability of the Euro and the suitability of the Euro as a single currency given the diverse economic and political circumstances in individual Member States. These and other concerns could lead to the re-introduction of individual currencies in one or more Member States or, even possibly, the dissolution of the Euro entirely. Should the Euro dissolve entirely, the legal and contractual consequences for holders of euro-dominated obligations and for parties subject to other contractual provisions referencing the Euro such a supply contracts would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues could have adverse consequences for us with respect to our outstanding debt obligations that are Euro-denominated, such as the Notes, and, as we have a substantial amount of debt denominated in Euro, our financial condition may be materially affected.

Furthermore, the Indentures and our Senior Secured Credit Facilities contain or will contain, covenants restricting our and our subsidiaries' corporate activities. See "*—We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.*" 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 Transactions

The Acquisition is subject to significant uncertainties and risks.

On June 1, 2015, the Senior Secured Notes Issuer, an entity beneficially owned by CVC Funds, entered into the Acquisition Agreement with AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. to acquire all the issued and outstanding capital stock of the Target and certain shareholder loans granted by AI Beauty (Luxembourg) Finance S.à r.l. to Beauty Holding One GmbH, a wholly-owned subsidiary of the Target. The consummation of the Acquisition is subject to regulatory approvals. We will not consummate the Acquisition until the clearance process is complete, which may, potentially, take over three months and, in exceptional circumstances, significantly longer. In addition, these regulatory bodies may choose to prevent the Acquisition from taking place. In case not all conditions are fulfilled by November 18, 2015, each party to the Acquisition Agreement can rescind the Acquisition Agreement. Alternatively, either of the regulatory bodies may permit the Acquisition but demand that the Issuers and the Group implement remedies. Accordingly, we may not be permitted to undertake this transaction in a timely fashion, without remedies, or at all. Any such remedies may make the Acquisition less attractive.

Completion of the Acquisition is one of the conditions to release of the proceeds from the Offerings of the Notes from escrow. If the Acquisition is not consummated for any reason on or prior to November 26, 2015 and, as a result, the proceeds from the sale of the Notes to be held in escrow are not released, the Issuers will be required to redeem the Notes pursuant to the terms of the special mandatory redemption provided under the relevant Indenture, and you may not obtain the investment return you expect on the Notes. See "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

The Issuers do not currently control the Target and its subsidiaries and will not control the Target and its subsidiaries until completion of the Acquisition.

The Target and its subsidiaries are currently controlled by AI Beauty & Cy S.C.A., Luxembourg. The Issuers will not obtain control of the Target and its subsidiaries until completion of the Acquisition. We cannot assure you that the business of the Target will be operated during the interim period in the same way that it would be operated under the controls of the Issuers. The information contained in this offering memorandum has been derived from public sources and, in the case of historical information relating to the Target and its subsidiaries, has been provided to us by the Sellers, the Target and its subsidiaries, and we have relied on such information supplied to us in its preparation. Furthermore, the Transactions themselves have required, and will likely continue to require, substantial time and focus from management, which could adversely affect their ability to operate the business. Likewise, other employees may be uncomfortable with the Transactions or feel otherwise affected by it, which could have an impact on work quality and retention.

In addition, prior to the Completion Date, neither the Target nor any of its subsidiaries will be subject to the covenants described in "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*," to be included in the respective Indentures. As such, we cannot assure you that, prior to such date, the Target or any of its subsidiaries will not take an action that would otherwise have been prohibited by the Senior Secured Notes Indenture or the Senior Notes Indenture had those covenants been applicable.

The interests of our shareholders may conflict with the interests of the holders of the Notes and the Shareholders Agreement could impose operating and financial restrictions on our business.

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

If the conditions to the escrow are not satisfied, the Issuers will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes.

The gross proceeds from the Offerings will be held in escrow accounts pending the satisfaction of certain conditions, some of which are outside of our control. If the Acquisition does not occur on or before November 26, 2015 or in the event of certain other events that trigger escrow termination, the Notes will be subject to a special mandatory redemption as described in "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption*" and you may not obtain the return you expect to receive on the Notes.

The escrow funds will be initially limited to the gross proceeds of the Offering of the applicable Notes and will not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date for the Notes to the date of special mandatory redemption. One or more CVC Funds will be required to fund the accrued and unpaid interest and additional amounts, if any, owing to the holders of the relevant Notes, pursuant to the Shortfall Agreements. There can be no assurance that the relevant funds providing such guarantee will have sufficient funds to make these payments.

Your decision to invest in the Notes is made at the time of purchase. Changes in the business or financial condition of the Target, or the terms of the Acquisition or the financing thereof, between the closing of the Offerings and the Completion Date, may have an impact on our creditworthiness, and you will not be able to rescind your decision to invest in the Notes as a result thereof.

Amendments made to the Acquisition Agreement may have adverse consequences for holders of the Notes.

The Acquisition is expected to be consummated in accordance with the terms of the Acquisition Agreement. However, the Acquisition Agreement may be amended and the closing conditions may be waived at any time by the parties thereto, without the consent of holders of the Notes. Furthermore, any amendments made to the Acquisition Agreement may make the Acquisition less attractive. Any amendment made to the Acquisition Agreement may be materially adverse to holders of the Notes, which, in turn, may have an adverse effect on the return you expect to receive on the Notes.

We may not be able to enforce the indemnity AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. have provided to us, and we are exposed to the credit risk of AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l..

In connection with the Acquisition, AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l., as the sellers, have granted certain warranties to us and agreed to compensate us for certain damages arising from breaches of warranties and indemnify us for certain liabilities, in each case subject to certain limitations. Certain funds indirectly invested in AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. have agreed to provide a guarantee for parts of the potential claims against AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. in case they cannot be recovered from them. However, there can be no assurance that we will be able to enforce our potential claims under the warranties or indemnities against AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. or against such funds. Moreover, even if we ultimately succeed in recovering any damages or amounts for which we are held liable by third parties from AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l., we may temporarily be required to bear these losses ourselves. In addition, our ability to enforce our claims under the warranties and indemnities against AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. are dependent on the creditworthiness of AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. at the time we seek to enforce our claims, and there can be no assurances regarding the financial condition of AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. in the future. The same applies also to any claims under the guarantee from the funds. Moreover, the claims for breach of warranties and indemnities from AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. are subject to significant limitations.

The Target may have liabilities that are not known to us.

As part of the Acquisition, the Issuers will assume certain liabilities of the Target, including certain pension liabilities, and have agreed to indemnify the sellers under the Acquisition Agreement for 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 Target. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations. In addition, in certain jurisdictions, obligations of the Target rank senior to the Note Guarantees in a bankruptcy of the relevant Note Guarantor. As we integrate the Target, we may learn additional information about the Target that adversely affects us, such as unknown or contingent liabilities and issues relating to compliance with applicable laws.

The Acquisition will entitle certain third parties to terminate their agreements with the Target as a result of change of control provisions.

The Acquisition will constitute a change of control under certain agreements of the Target with, for example, customers, suppliers and landlords and will entitle these third parties to terminate their agreements with us or, in some cases, request adjustments of the terms of the agreements. In addition, some of our French lease agreements provide for a “pre-emption right” over the going concern upon the occurrence of certain events including the sale of shares. The Acquisition may further entitle certain Austrian landlords to claim increased rents based on the change of control rules in the Austrian Rent Act. We cannot exclude the possibility that some of these third parties may exercise their termination, adjustment or other rights, which could have a material adverse effect on our business, results of operations and financial position following the Acquisition. Moreover, the Acquisition may cause some of our existing customers to conclude they are overly reliant on us as a supplier. In such circumstances, our customers may engage our competitors or facilitate the emergence of new suppliers to diversify their sourcing options. In addition, some of the third parties may use their termination or adjustment rights to renegotiate the terms of the agreements to our detriment.

Risks Related to the Notes

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

The Senior Secured Notes will be secured by the same collateral securing our obligations under our Senior Secured Credit Facilities Agreement and certain hedging obligations, other than security provided by subsidiaries of the Target incorporated in France, which will only secure the Senior Secured Credit Facilities. In addition, any Senior Notes may also share in certain collateral on a second-priority basis. Furthermore, under the terms of the Indenture and Senior Secured Credit Facilities Agreement, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same collateral.

Prior to the Term Loan Refinancing Date

Prior to the date upon which any outstanding term facility indebtedness under the Senior Secured Credit Facilities Agreement is repaid in full and we only have outstanding revolving facility debt (including the Revolving Credit Facility) (the “Term Loan Refinancing Date”) and subject to certain limited exceptions, the Security Agent will act with respect to the collateral only at the direction of a simple majority of more than 50% of our senior secured creditors (including, for this purpose, both drawn and undrawn uncanceled commitments under our Senior Secured Credit Facilities Agreement, debt in respect of certain hedging obligations and debt under the Senior Secured Notes). Upon issuance of the Senior Secured Notes, the lenders under the Senior Secured Credit Facilities Agreement will, together, hold a higher percentage of the total senior secured credit participations than the holders of the Senior Secured Notes. In addition, we will be able to incur significant additional indebtedness and other obligations (including hedging obligations) that may be secured by the same collateral, and, following the incurrence of such additional indebtedness, the holders of the Senior Secured Notes may further be diluted in relation to being able to control enforcement of the collateral.

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

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

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

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

On and After the Term Loan Refinancing Date

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

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

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

In addition, as the Intercreditor Agreement provides that following the Term Loan Refinancing Date the Security Agent may be instructed by the Majority Pari Passu Creditors (which encompasses holders of over 50% of the aggregate credit participation of the Senior Secured Notes and other *pari passu* debt as well as certain hedging liabilities), holders of incremental *pari passu* debt may have a significant influence on the outcome of such instructions under the Intercreditor Agreement and such creditors may have interests that are different from the interest of the holders of the Senior Secured Notes. See "*Description of Certain Financing Transactions—Intercreditor Agreement.*"

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

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

The Indentures and the Intercreditor Agreement will permit, in connection with a complete refinancing of the Senior Secured Credit Facilities, "super priority" debt to be incurred under a credit facility and hedging obligations. Any such super priority credit facility or hedging or cash management obligations would be secured by the same property and assets that secure the Senior Secured Notes. However, the liabilities under such super priority credit facility or hedging or cash management obligations would have priority over amounts received from the sale of the collateral securing the Senior Secured Notes pursuant to an enforcement sale of such collateral. As such, in the event of enforcement of such collateral, you may not be able to recover on the collateral if the then-outstanding liabilities under such super priority credit facility and hedging or cash management obligations are greater than the proceeds realized in such enforcement sale.

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

The Senior Secured Notes and the Senior Secured Note Guarantees will be secured by security interests in the collateral described in this offering memorandum, which collateral also secures the obligations under the Senior Secured Facilities Agreement, certain hedging and cash management obligations and, with respect to certain limited collateral, the Senior Notes (on a second-priority basis). The collateral may also secure additional debt to the extent permitted by the terms of the Senior Secured Credit Facilities Agreement, the Senior Secured Notes Indenture, the Senior Notes Indenture and the Intercreditor Agreement. Your rights to the collateral may be diluted by any increase in the first-priority debt secured by the collateral or a reduction of the collateral securing the Notes.

The value of the collateral and the amount to be received upon an enforcement of such collateral will depend upon many factors, including, among others, the ability to sell the collateral in an orderly sale, economic conditions where operations are located and the availability of buyers. The book value of the collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the collateral may be illiquid and may have no readily ascertainable market value. Similarly, we cannot assure you that there will be a market for the sale of the collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, the share pledges of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. The collateral is located in more than one country, and the multi-jurisdictional nature of any foreclosure on the collateral may limit the realizable value of the collateral. For example, the bankruptcy, insolvency, administrative and other laws of the various jurisdictions may be materially different from, or conflict with, each other, including in the areas of rights of creditors, priority of government and other creditors, ability to obtain post-petition interest and duration of the proceedings.

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

The collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Senior Secured Notes Indenture, the Senior Notes Indenture and the Intercreditor Agreement and accepted by other creditors that have the benefit of priority security interests in the collateral securing the

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

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests in collateral. For example, under German law, the enforcement of a share pledge is subject to certain specific requirements. The Security Agent may also need to obtain the consent of a third party to enforce a security interest in certain jurisdictions. We cannot assure you that the Security Agent will be able to obtain any such consent. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the collateral may decline significantly.

You may be required to pay a "*soulte*" in the event you decide to enforce the pledges over shares of French companies by judicial or contractual foreclosure of the collateral consisting of shares rather than by a sale of such collateral in a public auction.

Security interests governed by French law may only secure payment obligations, may only be enforced following a payment default and may only secure up to the secured amount which is due and remaining unpaid.

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

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

If the value of such pledged assets is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such pledged assets.

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

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

With respect to certain jurisdictions, including Germany, France, Poland and the Netherlands (with respect to the pledge of shares), due to the laws and other jurisprudence governing the creation and perfection of certain security interests and enforceability of such security interests, the collateral will secure a so-called "parallel debt" obligation created under the Intercreditor Agreement in favor of the Security Agent rather than secure the obligations under the Notes directly (a "Parallel Debt"). The parallel debt is in the same amount and payable at the same time as the obligations of the Senior Secured Notes Issuer, the Senior Notes Issuer and the Guarantors under the Notes and the Note Guarantees (the "Principal Obligations"), and any payment in respect of the Principal Obligations will discharge the corresponding parallel debt and any payment in respect of the parallel debt will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Senior Secured Notes Issuers, the Senior Notes Issuer and the Guarantors for the full principal amount of the Notes and the Note Guarantees, the parallel debt construct has not been tested in court in these jurisdictions and we cannot assure you that it will be recognized or that it will eliminate or mitigate the risk of invalidity and unenforceability of the pledge. Therefore, the ability of the Security Agent to enforce the collateral may be restricted.

In respect of the Security Documents governed by French law it should be noted that none of the Parallel Debt and trust mechanism constructs have been generally recognized by French courts and to the extent that the Notes or security interests created under the Parallel Debt and/or trust constructs are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the Guarantees or security interests in the Collateral. In addition, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as beneficiary of the Parallel Debt. There is one published decision of the French Supreme Court (*Cour de cassation*) on Parallel Debt mechanisms (Cass. com. September 13, 2011 no. 10-25533 *Belvédère*) relating to a bond documentation governed by New York law. Such a decision recognized the enforceability in France of certain rights (especially the filing of claims in safeguard proceedings) of a security agent benefiting from a Parallel Debt. In particular, the French Supreme Court upheld the proof of claim of the legal holders of a Parallel Debt claim, considering that it did not contravene French international public policy (*ordre public international*) rules. The ruling was made on the basis that the French debtor was not exposed to double payment or artificial liability as a result of the Parallel Debt mechanism. Although this court decision is generally viewed by legal practitioners and academics as a recognition by French courts of Parallel Debt structures in such circumstances, there can be no assurance that such a structure will be effective in all cases before French courts. Indeed, it should be noted that the legal issue addressed by it is limited to the proof of claims. The French court was not asked to generally uphold French security interests securing a Parallel Debt. It is also fair to say that case law on this matter is scarce and based on a case-by-case analysis. Such a decision should not be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a Parallel Debt claim. There is no certainty that the Parallel Debt construction will eliminate the risk of unenforceability under French law.

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

The concept of "trust" has been recognized by the French Tax Code and the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above (Cass. com. September 13, 2011 no 10-25533 *Belvédère*) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings opened in France. However, while substantial comfort may be derived from the above, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition (the "Trust Convention"), so that the concept of "trust" has not been generally recognized under French law.

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

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

Notes—Security." The Notes will be effectively subordinated to any existing or future indebtedness that is secured by property and assets that do not secure the Notes on an equal basis to the extent of the value of such property and assets.

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

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

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

The security interests in the Shared Collateral securing the Senior Notes and each Senior Note Guarantee will rank behind the first-priority security interests in such collateral in favor of the creditors under the Senior Secured Credit Facilities Agreement, the Senior Secured Notes, any additional senior secured creditors and in favor of institutions with whom we enter into certain hedging and cash management arrangements. The Intercreditor Agreement provides that a common security agent will serve as the Security Agent for the secured parties under the Senior Secured Credit Facilities Agreement, the Senior Secured Notes, the Senior Notes and certain hedging and cash management arrangements and will (subject to certain limited exceptions) act with respect to such collateral only at the direction of the relevant instructing group of creditors under the Senior Secured Credit Facilities Agreement, holders of the Senior Secured Notes and certain hedging counterparties until amounts outstanding under such debt instruments are paid in full and discharged. Until the expiration of a standstill period on enforcement of such security on behalf of holders of the Senior Notes, the creditors under the Senior Secured Credit Facilities Agreement, the Senior Secured Notes and certain hedging counterparties will have (subject to certain limited exceptions) the exclusive right to make all decisions with respect to the exercise of remedies relating to such collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." As a result, the holders of the Senior Notes will not be able to force a sale of such collateral, or otherwise independently pursue the remedies of a secured creditor under the relevant security documents until the expiration of the applicable standstill period for so long as any amounts under our Senior Secured Credit Facilities Agreement, certain of our hedging and cash management arrangements and the Senior Secured Notes remain outstanding. The creditors under our Senior Secured Credit Facilities Agreement, certain hedging and cash management counterparties and the holders of the Senior Secured Notes may have interests that are different from the interests of holders of the Senior Notes, and they may elect to pursue their remedies under the Security Documents at a time when it would be disadvantageous for the holders of the Senior Notes to do so. The holders of the Senior Notes may be required to take certain action in respect of the insolvency and pre-insolvency or similar proceedings on the instructions of an instructing group and/or the security agent in respect of matters relating to the Shared Collateral. This may affect the ability of holders of the Senior Notes to recover under the collateral if the proceeds from the collateral, after having satisfied obligations under our Senior Secured Credit Facilities Agreement, certain of our hedging and cash management arrangements and the Senior Secured Notes, are less than the aggregate amount owed in respect of the Senior Notes. In addition, if the creditors or the agent under our Senior Secured Credit Facilities, certain hedging counterparties or the holders of the Senior Secured Notes cause the sale of the shares of the Senior Secured Notes Issuer or the shares of any of our subsidiaries through an enforcement of their first-priority security interest, in accordance with the terms of the Intercreditor Agreement, the Senior Note Guarantees and the liens over any other assets securing the Senior Notes and each Senior Note Guarantee may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Senior Notes—Security—Release of Liens*."

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

On the Completion Date, the obligations under the Senior Notes and the Senior Note Guarantees will be secured by (i) a first-priority security interest over the "Senior Note Only Collateral" and (ii) a second-priority pledge over the Shared Collateral. First-priority security interests over the Shared Collateral will be granted for the benefit of creditors in respect of Senior Secured Liabilities. Holders of the Senior Notes may not be able to recover on the shares and other Shared Collateral that are also pledged or assigned as security for the Senior Secured liabilities because the creditors in respect thereof will have a prior claim on all proceeds realized from any enforcement of such pledges and other Shared Collateral and any distressed disposal with respect to such collateral, and the holders of the Senior Notes will need to share any remaining proceeds from such enforcement with any other secured creditor ranking *pari passu* with the Senior Notes. If the proceeds realized from the enforcement of such pledges or such sale or sales exceed the Senior Secured Liabilities, any excess amount of such proceeds will be paid to the Senior Notes Trustee on behalf of itself and the holders of the Senior Notes, provided that such proceeds need to be shared with any other secured creditors ranking *pari passu* with the Senior Notes. If there are no excess proceeds, or if the amount of such excess proceeds is less than the aggregate amount of the obligations under the Senior Notes, the holders of Senior Notes will not fully recover (if at all) under such collateral.

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

Pursuant to the Intercreditor Agreement, the Senior Notes Trustee and holders of the Senior Notes will (subject to certain limited exceptions) not be able to force a sale of the collateral securing the Senior Notes or otherwise independently pursue the remedies of a secured creditor under the Security Documents relating to such Collateral for so long as any Senior Secured Liabilities remain outstanding and, if the creditors in respect of the Senior Secured Liabilities enforce their security, they will have priority over the holders of the Senior Notes with respect to the proceeds from this collateral. See "*—The rights of holders of the Senior Notes to enforce remedies with respect to the Shared Collateral are limited as long as any senior secured debt is outstanding.*" As such, holders of the Senior Notes may not be able to recover on the collateral if the claims of the creditors in respect of the Senior Secured Liabilities are greater than the proceeds realized from any enforcement of the collateral. In addition, if the creditors or the agent or the Senior Secured Notes Trustee under the Senior Secured Credit Facilities, any Senior Debt, or the Senior Secured Notes (as applicable) direct the sale of the Senior Secured Notes Issuer's shares through an enforcement of their first-priority security interest in accordance with the Intercreditor Agreement, the second-priority security interest over such shares securing the Senior Notes and the Senior Notes Guarantees may (subject to certain conditions) be automatically released. See "*Description of the Senior Notes—Security—Release of Liens.*"

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

The Senior Note Guarantees will be senior subordinated obligations of the Senior Note Guarantors and will:

- be subordinated in right of payment to all of such Senior Note Guarantors' existing and future senior indebtedness, including any indebtedness under the Senior Secured Credit Facilities Agreement, the Senior Secured Notes and any hedging and cash management obligations in respect thereof;

- rank *pari passu* in right of payment with any existing and future senior subordinated indebtedness of the Senior Note Guarantors;

- rank senior in right of payment to all existing and future indebtedness of the Senior Note Guarantors that is expressly subordinated to the Senior Notes; and

- be effectively subordinated to any existing and future indebtedness of the and Senior Note Guarantors that is secured by property or assets that do not secure the Senior Notes, to the extent of the value of the property or assets securing such indebtedness.

In addition, no enforcement action with respect to the Senior Note Guarantees (or any future guarantee of the Senior Notes, if any) or any shared collateral granted in support of the Senior Notes may be taken unless (subject to certain limited exceptions): (i) any enforcement action has been taken with respect to senior debt (provided the Senior Notes Trustee and holders of the Senior Notes will be limited to taking the same action); (ii) with respect to any enforcement action on a Guarantor, an insolvency event has occurred with respect to such Guarantor (to the extent such event has not occurred solely as a result of any action taken by the Senior Notes Trustee or holders of the Senior Notes); (iii) there is a default on the Senior Notes outstanding after a period of 179 days after the date on which the agent or Senior Secured Notes Trustee with respect to senior debt received written notice of such default; (iv) a default has occurred resulting from a failure to pay principal on the Senior Notes at a maturity or (v) the lenders under the Senior Secured Credit Facilities and holders of the Senior Second Notes have given their consent to the proposed action. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

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

As at March 31, 2015, after giving effect to the offering and the application of the proceeds therefrom, we would have had an aggregate principal amount of outstanding financial liabilities (excluding derivative liabilities) that ranked senior to the Senior Note Guarantees of €1,535.0 million (comprising the Senior Secured Notes, Term Loan B Facility and €15 million of drawings under the Revolving Credit Facility, which we anticipate drawing on the Completion Date) and up to €185 million would have been available for borrowing under the committed and undrawn portion of the Senior Secured Credit Facilities (such amount to be reduced by €10.2 million of outstanding letters of credit). See "*Capitalization*."

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

Claims of our secured creditors will have priority with respect to the assets securing their indebtedness over the claims of our unsecured creditors. Not all the assets that will secure our Senior Secured Credit Facilities and the Senior Secured Notes will secure the Senior Notes, including the pledges of shares of certain of our subsidiaries that guarantee the Notes, certain bank accounts and certain intercompany debt. Accordingly, each Senior Note Guarantee will be effectively subordinated to its obligations with respect to the Senior Secured Credit Facilities Agreement and the Senior Secured Notes and any other indebtedness and obligations of the relevant Senior Note Guarantor that is secured by assets that do not also secure the Senior Notes to the extent of the value of such assets. In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any Senior Note Guarantor that has any such secured obligations, holders of such secured indebtedness will have prior claims to the assets of such Senior Note Guarantor that constitute their collateral. To the extent the assets securing the Senior Notes are not sufficient to repay all amounts owing in respect thereof, subject to the limitations referred to under the caption "*—Risks Related to Our Structure—Each Note Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*," the holders of the Senior Notes will participate ratably with all holders of the unsecured indebtedness of the relevant Senior Note Guarantor (other than indebtedness to which the Senior Note Guarantees have been expressly subordinated), and, potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the relevant Senior Note Guarantor. In the event that any of the indebtedness of the relevant Senior Note Guarantor that is secured by assets that do not also secure the Senior Notes becomes due or the creditors thereunder proceed against the operating assets that secured such indebtedness, the assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the relevant Senior Note Guarantee. As a result, holders of Senior Notes may receive less, ratably, than holders of secured indebtedness of the relevant Senior Note Guarantor.

As at March 31, 2015, after giving effect to the Offering and the application of the proceeds therefrom, we would have had an aggregate principal amount of outstanding financial liabilities (excluding derivative liabilities) that ranked senior to the Senior Note Guarantees of €1,535.0 million (comprising the Senior Secured Notes, Term Loan B Facility and €15 million of drawings under the Revolving Credit Facility, which we anticipate drawing on the Completion Date) and up to €185 million would have been available for additional borrowings under the committed and undrawn portion of the Senior Secured Credit Facilities (such amount to be reduced by €10.2 million of outstanding letters of credit). We will be permitted to borrow substantial additional indebtedness, including senior debt, in the future, under the terms of the Senior Notes Indenture.

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

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

Holders of the Notes may be required to recognize taxable income for U.S. federal income tax purposes on the Notes in a taxable year in excess of cash payments received by them on the Notes.

The Notes may be issued with original issued discount ("OID") for U.S. federal income tax purposes. The Notes will be considered as issued with OID if the stated principal amount of the Notes exceeds the issue price of the Notes by more than a *de minimis* amount. If the Notes are issued with OID, U.S. holders will be required to include the OID in gross income (as ordinary income) generally on a constant yield to maturity basis in advance of the receipt of the cash payment to which such income is attributable regardless of such holders regular method of accounting for U.S. federal income tax purposes. See "*Certain Tax Consequences—U.S. Taxation*" for a further discussion of the tax consideration with respect to the Notes.

Holders of the Notes will not receive additional amounts in respect of any amounts withheld under FATCA.

It is not expected that Sections 1471 through 1474 of the Code or any intergovernmental agreement implementing such provisions of the Code (provisions commonly known as "FATCA") will affect the amount of any payments made under, or in respect of, the Notes by the Issuers, given that (i) the Notes would be "grandfathered" for purposes of FATCA unless materially modified after the date that is six months after the date on which final regulations regarding FATCA withholding on non-US-source payments by non-US entities are published, (ii) the intergovernmental agreement between the United States and Germany implementing FATCA (the "US-German IGA") and the German legislation promulgated thereunder currently do not require German payors to withhold under FATCA, (iii) under the current wording of the US-German IGA it is unclear whether the Issuers would qualify as "financial institutions" which could be required to withhold under FATCA within the meaning of the US-German IGA and (iv) Euroclear and Clearstream, which are expected to be the sole registered holders of global notes in all but remote circumstances, are (and are expected to remain) compliant with FATCA. The Issuers' obligations under the Notes are discharged once they have paid the common depositary or common safekeeper for Euroclear and Clearstream (as registered holder of the Notes) and the Issuers therefore have no responsibility for any amount thereafter transmitted through hands of Euroclear and Clearstream and custodians or intermediaries. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. If, however, any withholding under FATCA were to be required with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

If the Notes are redeemed early, an investor may not be able to reinvest such proceeds in a comparable security.

In the event that the Notes are redeemed early in accordance with "*Description of the Senior Secured Notes—Optional Redemption*" and "*Description of the Senior Notes—Optional Redemption*" and depending on prevailing market conditions at the time, an investor who receives proceeds due to such an early redemption may not be able to reinvest such proceeds in a comparable security at an effective interest rate as high as that carried by 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 either the Senior Secured Notes or the Senior Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application has been made for each of the Senior Secured Notes and the Senior Notes to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange, which is the exchange regulated market of the Irish Stock Exchange, we cannot assure you that either the Senior Secured Notes or the Senior Notes will remain listed and traded. Although no assurance is made as to the liquidity of either the Senior Secured Notes or the Senior Notes as a result of the admission to trading on the Global Exchange Market of the Irish Stock Exchange, the delisting (whether or not for an alternative admission to listing on another stock exchange) of the relevant Notes from the Global Exchange Market of the Irish Stock Exchange may have a material effect on a holder's ability to resell the relevant Notes, as applicable, in the secondary market.

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

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

Unless and until Notes in definitive registered form, or definitive registered notes are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of Notes. The nominee of the common depository for Euroclear and Clearstream will be the sole registered holder of the global notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Notes will be made to Deutsche Bank AG, London Branch as principal paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common 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 relevant Notes, you must rely on the procedures of Euroclear and Clearstream and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the relevant Notes under the relevant Indenture.

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

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

The Notes will not initially benefit from guarantees and/or collateral from the Target and its subsidiaries.

As of the Issue Date, the Notes will be guaranteed by the Issue Date Guarantors and will be secured by the Issue Date Collateral. In connection with the release of the proceeds of the Notes from escrow on the Completion Date and pursuant to the terms of the Indentures, we will be required to take such necessary actions so that, consistent with the Senior Secured Credit Facilities Agreement, on the Completion Date (or, in any case, no later than 90 days after the Completion Date), the Senior Secured Notes will be guaranteed and secured by the Senior Secured Note Guarantees and the Senior Secured Notes Collateral being granted by the Target and its subsidiaries, which will also secure the Senior Secured Credit Facilities Agreement. Simultaneously with the granting of the Senior Secured Note Guarantees, such guarantors will grant subordinated guarantees in favor of the Senior Notes. There can, however, be no assurance that we will be successful in procuring such guarantees and liens within the time period specified.

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

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

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

Each of the Issuers and the Guarantors and their respective subsidiaries are organized outside the United States. The directors and executive officers of the Issuers and the Guarantors are non-residents of the United States and substantially all of their assets are located outside of the United States. Although we and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on these directors and executive officers. In addition, as the assets of the Issuers and the Guarantors and their respective subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuers and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

It may also not be possible for investors to effect service of process within Germany or other countries in which the Guarantors are organized, as the case may be, upon the Senior Secured Notes Issuer, the Senior Notes Issuer or the Guarantors or those persons under the Convention on Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters and the German and other relevant laws implementing such convention if such service were deemed to infringe German sovereignty or security, particularly if such service violated the German Constitution (*Grundgesetz*), or other applicable law. If a judgment is obtained in a U.S. court against the Issuers or any Guarantor or a security provider, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. The noteholders should consult with their advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States. See "*Service of Process and Enforcement of Civil Liabilities.*"

With respect to Guarantors from other jurisdictions, please refer to *"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 relevant Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financing and could adversely affect the value and trading of such Notes.

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

The Notes and the Note Guarantees have not been registered under, and we are not obliged to register the Notes or the Note Guarantees under, the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. See "*Notice to Investors.*" We have not agreed to or otherwise undertaken to register any of the Senior Secured Notes, the Senior Notes or the Note Guarantees, and do not have any intention to do so.

Risks Related to our Structure

Each of the Issuers is dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Note Guarantees.

Each of the Issuers is a company with limited business operations and each Issuer depends upon the receipt of sufficient funds from their subsidiaries to meet its obligations. We intend to provide funds to the Issuers in order to meet the obligations on the Notes through a combination of payments under profit and loss pooling agreements, distributions and intercompany loans. If the payments under profit and loss pooling agreements, distributions and intercompany loans do not lead to sufficient cash payments to the relevant Issuer to make scheduled payments on the Notes, the Issuers' ability to make payments may be limited and depend on factors beyond its control.

Various agreements governing our debt may restrict and, in some cases may actually prohibit, the ability of these subsidiaries to move cash within their restricted group. Applicable tax laws may also subject such payments to further taxation. Applicable law may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests or as loans or as payments under profit and loss pooling agreements, or even prevent such payments. In particular, the ability of the Senior Notes Issuer's and the Senior Secured Notes Issuer's subsidiaries to pay dividends to the Senior Notes Issuer and the Senior Secured Notes Issuer will generally be limited to the amount of distributable reserves available to it. Under German law, all dividends may only be distributed out of current profits and distributable reserves, and, in principle, interim dividend distributions are not allowed under German law. However, it is uncertain under German law whether interim dividends may be allowed in certain circumstances, subject to strict conditions. The subsidiaries of the Issuers that do not guarantee the Notes have no obligation to make payments with respect to either series of the Notes.

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

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

Under various circumstances, the Note Guarantees and the collateral securing the Notes will be released automatically, including, without limitation:

- as described under "*Description of the Senior Secured Notes—Amendments and Waivers*" and "*Description of the Senior Notes—Amendments and Waivers*":
- in the case of collateral, in connection with any sale or other disposition of property or assets constituting collateral (as applicable), if the sale or other disposition does not violate the "*Limitation on Sales of Assets and Subsidiary Stock*" covenant or other applicable provisions under the Senior Secured Notes Indenture or the Senior Notes Indenture, as applicable;
- in certain circumstances in connection with the transfer of the property or assets to a Restricted Subsidiary;
- upon payment in full of principal, interest and all other obligations of the Senior Secured Notes or the Senior Notes or defeasance or discharge of the Senior Secured Notes or Senior Notes, as provided under "*Description of the Senior Secured Notes—Defeasance*," "*Description of the Senior Notes—Defeasance*,"

"*Description of the Senior Secured Notes—Satisfaction and Discharge*" and "*Description of the Senior Notes—Satisfaction and Discharge*"; and

- in accordance with the Intercreditor Agreement.

Unless consented to, the Intercreditor Agreement provides that the Security Agent shall not, in an enforcement scenario, exercise its rights to release the Note Guarantees or security interests in the collateral unless the relevant sale or disposal is made:

- for consideration all or substantially all of which is in the form of cash or marketable securities;
- to the extent there is a release of Note Guarantees or security granted for the benefit of the holders of Senior Secured Notes, concurrently with the discharge or release of the indebtedness of the disposed entities, including the creditors under the Senior Secured Credit Facilities and holders of the Senior Secured Notes; and
- pursuant to a public or private auction or other competitive sale process, pursuant to a process approved or supervised by a court where the court determines value, or if a fairness opinion has been obtained from an internationally recognized investment bank or accounting firm selected by the Security Agent.

The Intercreditor Agreement also provides that if upon any refinancing of certain indebtedness the liabilities in respect of such refinancing indebtedness cannot be secured *pari passu* with the collateral securing the Notes without such collateral being released, the creditors in respect of such refinancing indebtedness shall be granted a second ranking or lesser security interest in the collateral and will be treated under the Intercreditor Agreement (including for the purposes of the enforcement waterfall) as secured by the collateral *pari passu* with the collateral securing the Notes.

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

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

Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims under any intercompany loans and claims by holders of the Notes under the Note Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-Guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to such subsidiary's parent entity. As such, the Senior Secured Notes, the Senior Notes and each Note Guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-Guarantor subsidiaries for the Senior Secured Notes and the Senior Notes. As at and for the twelve months ended March 31, 2015, the sales, Adjusted EBITDA and assets of the non-Guarantors represented 42.4%, 36.2% (approximately €102.1 million) and 44.2% (approximately €1,157.4 million) of the consolidated sales, consolidated Adjusted EBITDA and consolidated total assets of the Group, respectively (such consolidated sales and consolidated Adjusted EBITDA include the Nocibé Group for the nine months since July 1, 2014, the effective date of the Nocibé Acquisition).

Non-Guarantor subsidiaries represented more than 25% of the Group's consolidated total assets and Adjusted EBITDA as at and for the twelve months ended March 31, 2015.

An omission of information request under Rule 3.3.3(c) of the Global Exchange Market Listing Rules was made to the Irish Stock Exchange and has been approved by them. The request related to the omission of individual historical financial information of each of the Guarantors. As non-Guarantor subsidiaries represented more than 25% of the Group's consolidated total assets and Adjusted EBITDA as reflected in the financial statements as at and for the twelve months ended March 31, 2015 included in this offering memorandum, these financial statements may be of limited use in assessing the financial position of the Guarantors.

However, we believe that the financial statements included in this offering memorandum are reflective of the entirety of the total assets, revenues and profits of the Group to enable an investor in the Notes to make an adequate credit

evaluation of the Group and the Guarantors and that adequate information for evaluating the individual Guarantees is contained therein. We believe the omission of individual historical financial information of each of the Guarantors is of limited importance only for the purpose of the offer of Notes and the admission of the Notes to the Official List and to trading on the Global Exchange Market and is not such as will influence the assessment by investors of the financial position and prospects of the Issuers or Guarantors.

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

Under applicable law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the grantor of the security. The liens on the collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these liens.

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

Absent perfection, the holder of the security interest may have difficulty enforcing or be entirely unable to enforce such holder's rights in the collateral in competition with third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same collateral. In addition, generally a debtor may discharge its obligation under a receivable by paying the security provider until, but not after, the debtor receives a notification of the existence of the security interest granted by the security provider in favor of the security taker over the receivable the security provider (as creditor) has against the debtor. Finally, since the ranking of pledges is determined by the date on which they became enforceable against third parties, a security interest created on a later date over the same collateral, but which comes into force for third parties earlier (by way of registration in the appropriate register or by notification) generally has priority.

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

The Senior Secured Note Guarantors will guarantee the payment of the Senior Secured Notes on a senior basis and the Senior Note Guarantors will guarantee the Senior Notes on a senior subordinated basis. Each Note Guarantee will provide the relevant holders of the Notes with a direct claim against the relevant Guarantor. However, each Indenture will provide for general limitation language to the effect that each Note Guarantee and each security interest granted as well as any other obligation, liability or indemnification under a Security Document will be limited to the maximum amount that can be guaranteed or secured by the relevant Guarantor or security provider with respect to the aggregate obligations and exposure of the Guarantor or security provider without rendering the relevant Note Guarantee or security interest voidable or otherwise ineffective or causing personal or criminal liability of the representatives of the Guarantor or security provider under applicable law, and enforcement of each Note Guarantee or Security Document would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

The Original Subsidiary Guarantors will be organized under the laws of Germany, the Netherlands and Poland. Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void the Note Guarantees or the security interest granted under the Security Documents and, if payment had already been made under a Note Guarantee or enforcement proceeds applied under a Security Document, require that the recipient return the payment to the relevant Guarantor or security provider, if the court found that:

- the amount paid or payable under the relevant Note Guarantee or the enforcement proceeds under the relevant Security Document was in excess of the maximum amount permitted under applicable law;

- the relevant Note Guarantee or security interest under a Security Document was incurred with actual intent to hinder, delay or defraud creditors of the Guarantor or security provider or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor or security provider was insolvent when it granted the relevant Note Guarantee or security interest;

- the relevant Note Guarantee was entered into without a legal obligation to do so, is prejudicial to the interests of the other creditors and both the Guarantor and the beneficiary of the relevant Note Guarantee were aware of or should have been aware of the fact that it was still prejudicial to the other creditor;

- the Guarantor or security provider did not receive fair consideration or reasonably equivalent value for the relevant Note Guarantee or security interest and the Guarantor or security provider was: (i) insolvent or rendered insolvent because of the relevant Note Guarantee or security interest; (ii) undercapitalized or became undercapitalized because of the relevant Note Guarantee or Security Document; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity; or

- the relevant Note Guarantees or Security Documents were held to exceed the corporate objects or corporate purposes of the Guarantor or security provider or not to be in the best interests or for the corporate benefit of the Guarantor or security provider.

Specifically, pursuant to mandatory German law, a German stock corporation (*Aktiengesellschaft*) ("AG") and any subsidiary of the AG, whether or not incorporated in Germany, may not grant upstream or cross-stream guarantees and security interests securing liabilities of a direct or indirect parent or sister company of the AG, if the AG is not subject to a domination and profit loss pooling agreement (*Beherrschungs- und Gewinnabführungsvertrag*) as the dominated entity (*beherrschtes Unternehmen*). Douglas Holding AG, the common parent company of all operating subsidiaries of the Target group, is currently subject to such a domination and profit loss pooling agreement.

Under the German Insolvency Code (*Insolvenzordnung*), an insolvency administrator may avoid (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to the opening of formal insolvency proceedings during applicable avoidance periods.

Generally, if transactions, performances or other acts are successfully avoided by the insolvency administrator, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvent estate (*Insolvenzmasse*). The administrator's right to avoid transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings. In particular, an act (*Rechtshandlung*) or a legal transaction (which term includes the granting of a guarantee, the provision of security or the payment of debt) detrimental to the creditors of the debtor may be avoided according to the German Insolvency Code in certain cases.

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

The insolvency laws of Germany and the respective jurisdictions of incorporation of the Guarantors may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.

Germany

The Issuers and certain of their subsidiaries are organized under the laws of Germany, have their registered offices in Germany and substantially all their assets are located in Germany (each a "German Company"). Consequently, any insolvency proceedings with regard to the German Companies are likely to be initiated in Germany and would most likely be governed by the insolvency laws of Germany.

The provisions of German insolvency law differ substantially from U.S. bankruptcy laws, including with respect to priority of creditors' claims, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and hence may be less favorable to holders of the Notes than comparable provisions of U.S. law. Thus, your ability to recover payments due on the Notes may be more limited than would be the case under U.S. bankruptcy laws.

For holders of the Notes, the opening of formal insolvency proceedings against the German Companies subject to the German insolvency regime include the following important consequences:

- unless debtor-in-possession status (*Eigenverwaltung*) is granted by the court upon application by the relevant debtor, the right to administer and to dispose of our assets generally passes to the insolvency administrator (*Insolvenzverwalter*);

- also subject to the granting of debtor-in-possession status (*Eigenverwaltung*), disposals effected by the management of any German Company after the opening of formal insolvency proceedings are generally null and void by operation of law;

- if, during the final month preceding the date of filing for the opening of insolvency proceedings or after that date, a creditor in the insolvency proceedings acquires by way of enforcement a security interest in part of the debtor's assets that would normally form part of the insolvency estate, such security interest becomes null and void by operation of law upon opening of the insolvency proceedings; and

- claims against any German Company may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*).

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

Other Countries

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

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

We may not have the ability to raise the funds necessary to finance an offer to repurchase the Senior Secured Notes and the Senior Notes upon the occurrence of certain events constituting a change of control as required by each Indenture and the change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events.

Upon the occurrence of certain events constituting a "change of control," the Senior Secured Notes Issuer will be required to offer to repurchase all outstanding Senior Secured Notes and the Senior Notes Issuer will be required to offer to repurchase all outstanding Senior Notes, in each case, at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the relevant Issuer to pay the purchase price of the outstanding Senior Secured Notes or the Senior Notes or that the restrictions in our Senior Secured Credit Facilities Agreement, the Intercreditor Agreement or our other than existing contractual obligations would allow us to make such required repurchases. A change of control event may result in an event of default under, or acceleration of, our Senior Secured Credit Facilities Agreement and other indebtedness. The repurchase of the Senior Secured Notes and the Senior 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 either the Senior Secured Notes Issuer and the Senior Notes Issuer to receive cash from their respective subsidiaries to allow them to pay cash to the holders of the Senior Secured Notes or the Senior Notes, respectively, following the occurrence of a change of control, may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when we are prohibited from providing funds to any of the Issuers for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuers will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Senior Secured Notes and the Senior Notes upon occurrence of a change of control event. We cannot assure you that we would be able to obtain such financing.

Any failure by the relevant Issuer to offer to purchase the Senior Secured Notes and the Senior Notes would constitute a default under each of the Senior Secured Notes Indenture and the Senior Notes Indenture, respectively, which would, in turn, constitute a default under the Senior Secured Credit Facilities Agreement and certain other indebtedness. See "*Description of the Senior Secured Notes—Change of Control*" and "*Description of the Senior Notes—Change of Control.*"

The change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the relevant Indenture. Except as described under "*Description of the Senior Secured Notes—Change of Control*" and "*Description of the Senior Notes—Change of Control*," each Indenture will not contain provisions that would require the relevant Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

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

THE TRANSACTIONS

We refer to the Acquisition and the Financing collectively as the "Transactions." See *"Use of Proceeds," "Capitalization," "Description of Certain Financing Arrangements," "Description of the Senior Secured Notes"* and *"Description of the Senior Notes."*

The Acquisition

On June 1, 2015, the Senior Secured Notes Issuer, an entity beneficially owned by CVC Funds, entered into the Acquisition Agreement with the Sellers to acquire all the issued and outstanding capital stock of the Target from Seller 1 and certain shareholder loans granted by Seller 2 to a wholly-owned subsidiary of the Target. The consummation of the Acquisition pursuant to the Acquisition Agreement is subject to regulatory approvals as set out therein. If regulatory approval is not obtained on or prior to November 18, 2015, or the actions to be undertaken at the scheduled date of consummation of the transaction are not conducted (and not remedied within 5 business days and the other party is not in breach of the Acquisition Agreement), the Acquisition Agreement may be terminated by either party in case of non-fullfilment of closing conditions and by the non-breaching party in case of non-performance of closing actions. In connection with the Acquisition, the Founder Co-Investors will reinvest a significant part of its current (indirect) equity interest. For purpose of such reinvestment, Seller 1 has assigned, subject to a notification that all closing conditions have been fulfilled, a portion of the purchase price to Lobelia. Lobelia has undertaken that Lobelia (or another investment vehicle controlled by the owner family to which such portion of the purchase price might be assigned) further assigns this purchase price portion on the scheduled closing date to LuxCo2, an indirect shareholder of the Senior Secured Notes Issuer, against issue of shares and other debt instruments in LuxCo2 subject to the notification on fulfillment of the closing conditions and the CVC Funds providing simultaneously their equity commitment to the Senior Secured Notes Issuer. As of the closing date, we expect the owner family to hold indirectly approximately 15.7% equity interest in the Senior Secured Notes Issuer.

The Senior Secured Notes Issuer, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated and existing under the laws of Germany, is a wholly owned subsidiary of the Senior Notes Issuer, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated and existing under the laws of Germany. The Senior Notes Issuer, in turn, is a wholly owned subsidiary of TopCo, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated and existing under the laws of Germany. TopCo, in turn, is a wholly owned subsidiary of LuxCo3, a public limited company (*société anonyme*) incorporated and existing under the laws of Luxembourg. LuxCo3, in turn, is a wholly owned subsidiary of LuxCo2, a public limited company (*société anonyme*) incorporated and existing under the laws of Luxembourg. LuxCo2, in turn, is a wholly owned subsidiary of LuxCo1, a limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg. Each of LuxCo1, LuxCo2, LuxCo3, TopCo, the Senior Notes Issuer and the Senior Secured Notes Issuer were formed or acquired to facilitate the Transactions (as defined below).

The Financing

The purchase price for the Acquisition (including the repayment of the Existing Facilities and estimated transaction fees and expenses) is expected to be €2,983.0 million. The Acquisition will be financed as follows (collectively, the "Financing"):

- €1,113.0 million indirect cash contribution by CVC and a rollover investment by the Founder Co-Investors (collectively, the "Equity Contribution");
- the Senior Secured Notes Issuer will issue the Senior Secured Notes in the aggregate principal amount of €300.0 million;
- the Senior Notes Issuer will issue the Senior Notes in the aggregate principal amount of €335.0 million;
- the Senior Secured Notes Issuer will utilize a tranche under the Term Loan B Facility under the Senior Secured Credit Facilities Agreement in the aggregate principal amount of €1,220.0 million; and
- the Senior Secured Notes Issuer will draw €15.0 million under the new €200.0 million Revolving Credit Facility.

See "*—Sources and Uses of Funds for the Transactions.*"

The proceeds from the financing described above will be used to:

- fund the consideration payable for the capital stock of the Target purchased in the Acquisition and repay all amounts outstanding under the Existing Facilities; and
- pay the fees and expenses in connection with the Acquisition and the Financing, including estimated fees and expenses to be incurred in connection with the Offerings.

Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering of the Senior Secured Notes into the Senior Secured Notes Escrow Account in the name of the Senior Secured Notes Issuer and the gross proceeds from the Offering of the Senior Notes into the Senior Notes Escrow Account in the name of the Senior Notes Issuer. The Senior Secured Notes Escrow Account will be controlled by, and pledged on a first-priority basis in favor of, the Senior Secured Notes Trustee on behalf of the holders of the Senior Secured Notes, and the Senior Notes Escrow Account will be controlled by, and pledged on a first-priority basis in favor of, the Senior Notes Trustee on behalf of the holders of the Senior Notes. The release of escrow proceeds is subject to the satisfaction of certain conditions, including the consummation of the Acquisition. If the Acquisition is not consummated on or prior to November 26, 2015, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the relevant Issue Date to the date of special mandatory redemption. See "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

Post-Closing Reorganization

After the Completion Date, we are considering merging the Target and/or certain of the Target's subsidiaries with and into the Senior Secured Notes Issuer.

Furthermore, Topco intends to enter as dominating entity (*herrschendes Unternehmen*) into a profit and loss pooling agreement (and potentially a domination agreement) with the Senior Notes Issuer as dominated entity (*beherrschtes Unternehmen*), the Senior Notes Issuer intends to enter as dominating entity (*herrschendes Unternehmen*) into a profit and loss pooling agreement (and potentially a domination agreement) with the Senior Secured Notes Issuer as dominated entity (*beherrschtes Unternehmen*) and the Senior Secured Notes Issuer intends to enter as a dominating entity (*herrschendes Unternehmen*) into a profit and loss pooling agreement (and potentially a domination agreement with the Target (if not merged into the Senior Secured Notes Issuer) as dominated entity (*beherrschtes Unternehmen*)). Pursuant to such profit and loss pooling and domination agreements, the dominated entity (*beherrschtes Unternehmen*) must generally transfer its entire profits to the dominating entity (*herrschendes Unternehmen*) which in turn must compensate the dominated entity (*beherrschtes Unternehmen*) for any of the dominated entity's losses.

In case the mergers of the Target and/or certain of the Target's subsidiaries with and into the Senior Secured Notes Issuer are not implemented, in addition to the profit and loss pooling agreement (and potential domination agreement) between TopCo and the Senior Notes Issuer and between the Senior Notes Issuer and the Senior Secured Notes Issuer, we are also considering entering into profit and loss pooling agreements (and potentially domination agreements) between the Target and its directly held subsidiary (Beauty Holding One GmbH) and between the Senior Secured Notes Issuer und the Target.

As a result of these mergers and/or profit and loss pooling and domination agreements, we intend that TopCo will become the head of the fiscal unity for German corporate income tax and trade tax purposes with Douglas Holding AG and certain of its subsidiaries.

In addition, in connection with the Acquisition, we plan to implement on or after the Completion Date a management equity participation program pursuant to which certain employees and members of management may contribute cash in exchange for equity interests in LuxCo3.

USE OF PROCEEDS

We estimate that the gross proceeds from the offering of the Senior Secured Notes will be €300.0 million and that the gross proceeds from the offering of the Senior Notes will be €335.0 million. Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering of the Senior Secured Notes into the Senior Secured Notes Escrow Account and the gross proceeds from the Offering of the Senior Notes into the Senior Notes Escrow Account, in each case, for the benefit of the holders of the relevant Notes. See "*Description of the Senior Secured Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Description of the Senior Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

To finance the Acquisition, CVC Funds and the Founder Co-Investors will make equity contributions indirectly through intermediate holdings in an aggregate amount of approximately €1,113.0 million to the Senior Secured Notes Issuer. In addition, in connection with the Acquisition, the Senior Secured Notes Issuer will enter into the Senior Secured Credit Facilities Agreement, which provides for a Term Loan B Facility in the amount of €1,220.0 million and a €200.0 million Revolving Credit Facility. See "*Description of Certain Financing Arrangements—Senior Secured Credit Facilities Agreement.*"

The Issuers intend to use the proceeds from the Offerings, together with the proceeds from the contribution of equity and borrowings under the Term Loan B Facility and the Revolving Credit Facility under the Senior Secured Credit Facilities, to fund (i) the cash consideration to be paid for the capital stock of the Target purchased in the Acquisition and the repayment of Existing Facilities and (ii) the estimated fees and expenses incurred in connection with the Acquisition, including commitment, placement, financial advisory fees, swap termination and other transaction costs and professional fees. See "*The Transactions—The Financing.*"

The expected estimated sources and uses of the funds necessary to consummate the Transactions (including the Acquisition) are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimates of fees and expenses and the actual Completion Date.

(€ in millions)

Sources of Funds	Amount	Uses of Funds	Amount
Term Loan B Facility[1]	1,220.0	Total cash consideration for the Acquisition and repayment of Existing Facilities[4]	2,868.5
Revolving Credit Facility[2]	15.0	Transaction Costs[5]	114.5
Senior Secured Notes offered hereby	300.0		
Senior Notes offered hereby	335.0		
Equity contributions[3]	1,113.0		
Total Sources	**2,983.0**	**Total Uses**	**2,983.0**

[1] On or prior to the Completion Date, the Senior Secured Notes Issuer will enter into a Senior Secured Credit Facilities Agreement which provides for up to €1,420.0 million of committed borrowings, including a €1,220.0 million Term Loan B Facility. See "*Description of Certain Financing Arrangements.*"

[2] On or prior to the Completion Date, the Senior Secured Notes Issuer will enter into a Senior Secured Credit Facilities Agreement which provides for up to €1,420.0 million of committed borrowings, including a €200.0 million Revolving Credit Facility. As of the Completion Date, we expect to draw €15.0 million under the new €200.0 million Revolving Credit Facility and the amount of the Revolving Credit Facility available for borrowings will also be reduced by €10.2 million of outstanding letters of credit.

[3] Represents the indirect cash contribution by CVC of approximately €938 million and the rollover investment by the Founder Co-Investors of approximately €175 million. The cash contribution to equity will be contributed through intermediate holding companies to the Issuers.

[4] Represents the sum of (i) the cash consideration to be paid for the capital stock of the Target, (ii) the aggregate principal amount of and accrued interest as of March 31, 2015 on the Existing Facilities, and (iii) the termination value of certain swap agreements as of such date, less €286.5 million of Target cash used in the repayment of the Existing Facilities. Actual amounts required on the Completion Date may vary due to factors such as different amounts of accrued interest and possible break costs with respect to the Existing Facilities and different termination values of the terminated swap agreements. We may decide not to terminate our existing swap agreements.

[5] Estimated fees and expenses associated with the Acquisition and the Financing, including commitment, placement (including by way of original issue discount), financial and M&A advisory fees and other transaction costs and professional fees. Transaction costs remain under discussion and review.

CAPITALIZATION

The following table sets forth, in each case, as at March 31, 2015, the cash and cash equivalents and capitalization of:

- Beauty Holding Zero GmbH and its consolidated subsidiaries on an actual basis; and
- the Senior Notes Issuer on a consolidated basis and as adjusted to give effect to the Transactions. The adjustments are based on available information and contain assumptions made by our management.

You should read this table in conjunction with "*The Transactions*," "*Use of Proceeds,*" "*Selected Consolidated and Combined Financial Information,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations,*" "*Description of Certain Financing Arrangements,*" "*Description of the Senior Secured Notes*," "*Description of the Senior Notes*" and our Audited Financial Statements included elsewhere in this offering memorandum.

	As at March 31, 2015		
(€ million)	Beauty Holding Zero GmbH	Adjustments	Senior Notes Issuer As Adjusted
	(Consolidated, Unaudited)		(Consolidated, Unaudited)
Cash and cash equivalents[1]	286.5	(286.5)	0.0
Long-term indebtedness (including current portion):			
Existing senior secured borrowings[2]	840.7	(840.7)	—
Existing mezzanine facility[3]	231.4	(231.4)	—
Senior Secured Credit Facilities[4]			
Term Loan B Facility[4]	—	1,220.0	1,220.0
Revolving Credit Facility[4], [5]	—	15.0	15.0
Senior Secured Notes offered hereby[4]	—	300.0	300.0
Total secured indebtedness	1,072.1	462.9	1,535.0
Local facilities and overdrafts	6.6	(6.6)	0.0
Senior Notes offered hereby[4]	—	335.0	335.0
Total external financial debt[6]	1,078.7	791.3	1,870.0
Total stockholders' equity	486.4	626.6	1,113.0[7]
Total capitalization[8]	1,565.1	1,417.9	2,983.0

[1] Adjustments to cash and cash equivalents represents repayments of a portion of the Existing Facilities and related fees and expenses and assumes termination of certain swap agreements. The actual amount of Target group cash used may vary and we may decide not to terminate our existing swap agreements.

[2] Represents the book value of the Existing Senior Facilities Agreement including accrued interest; net of capitalized refinancing costs.

[3] Represents the book value of the Existing Mezzanine Facility Agreement including accrued interest; net of capitalized refinancing costs.

[4] Aggregate principal amount.

[5] As of the Completion Date, we expect to draw €15.0 million under the new €200.0 million Revolving Credit Facility and the amount of the Revolving Credit Facility available for borrowings will also be reduced by €10.2 million of outstanding letters of credit.

[6] We define total financial external debt as the sum of total secured indebtedness, local facilities and overdrafts and (on an as adjusted basis) the Senior Notes offered hereby.

[7] The total stockholders equity in the Senior Notes Issuer as adjusted represents the total equity contribution of CVC and the Founder Co-Investors.

[8] We define total capitalization as the sum of total external financial debt and total stockholders' equity.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Basis of Preparation

The following selected pro forma financial information is based on our Unaudited Pro Forma Financial Information included in this offering memorandum. The Unaudited Pro Forma Financial Information was prepared in accordance with Annex II to the EU Regulation No 809/2004, as amended, based on the principles described in the Unaudited Pro Forma Financial Information. It is based on the hypothetical assumption that the Nocibé Acquisition described under "*Material Acquisitions and Divestitures—Acquisition of the Nocibé Group*" had occurred on October 1, 2013, and, therefore, reflects the income statement situation of the hypothetical Douglas Group including the Nocibé Business for the entire period and excluding the Non-Acquired Business for the entire period. In addition, the Unaudited Pro Forma Financial Information reflects the pro forma effects of the following items:

- It is assumed that in connection with the Nocibé Acquisition, total legal, consulting and notary fees amounting to €18.6 million were incurred in the period from October 1, 2012 to September 30, 2013 instead of the period from October 1, 2013 to September 30, 2014. Thus, Nocibé Acquisition-related costs of €15.8 million within other operating expenses, which were part of the EBITDA adjustments presented in the income statement of our Audited Consolidated Financial Statements for the financial year 2013/2014, were eliminated for purposes of the pro forma consolidated income statement as they were assumed to be incurred in the period from October 1, 2012 to September 30, 2013. Additionally, €2.8 million acquisition-related costs in the historical income statement of Nocibé Group for (i) the short financial year ended September 30, 2014 and (ii) the financial year ended December 31, 2013 were eliminated for purposes of the pro forma consolidated income statement as they were assumed to be incurred in the period from October 1, 2012 to September 30, 2013.

- In connection with the Nocibé Acquisition, the respective effects of the application of purchase accounting were reflected for the full financial year 2013/2014.

- In connection with the financing of Nocibé Group, the beginning of the new financing was assumed effective as of October 1, 2013. Furthermore, it is assumed that the financing by Nocibé Group effective as of October 1, 2013 amounted to €275.0 million. The financing of AI Perfume France SAS, Villeneuve d'Ascq, France, ("AIP") was effective as of October 1, 2013 and amounts to €255.0 million.

- Interest expenses for the previously existing financing of Nocibé Group was eliminated for the period October 1, 2013 to September 30, 2014.

- It is assumed that transaction cost for the Nocibé Group loan were accrued and released over the term of the loan. The yearly release of transaction costs amounts to €2.4 million and is presented in financial expense. Furthermore it is assumed that the directly attributable transaction cost of €18.6 million is entirely tax-deductible, resulting in an income tax benefit (taking into account Nocibé Group's statutory tax rate of 34.43%).

- With respect to the impairment of €2.6 million caused by the IFRS 5 classification due to the requirement to sell thirteen stores in order for the Nocibé Acquisition to comply with national and EU competition law, it was assumed that the impairment was incurred prior to the transaction due to the fact that it was a pre-condition of the transaction and thus was not reflected in our Unaudited Pro Forma Financial Information.

These items (including the pro forma effects of the Nocibé Acquisition and the Separation of the Non-Acquired Business) are collectively referred to as the "Nocibé Pro Forma Adjustments". The Nocibé Pro Forma Adjustments are based upon available information and certain assumptions that we consider reasonable.

Our Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only. Because of its nature, our Unaudited Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent our actual results of operations. It is not necessarily indicative of the results of operations that would have occurred during the period presented had the Nocibé Pro Forma Adjustments actually taken place as of the dates specified, nor is it necessarily indicative of future results of operations, financial position or cash flows.

The Unaudited Pro Forma Financial Information is based on our historical Audited Consolidated Financial Statements for the financial year 2013/2014 and, thus, covers a different scope of consolidation as compared to our Audited Combined Financial Statements. Therefore, when comparing our Unaudited Pro Forma Financial Information with our Audited Combined Financial Statements, certain material differences have to be taken into consideration, as described under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability*".

Our historical Audited Consolidated Financial Statements for the financial year 2013/2014 accounted for the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.,* from July 1, 2014 to September 30, 2014. Consequently, the proportional income statement of the Nocibé Group relates to the period from October 1, 2013 to June 30, 2014 in order to account for the Nocibé Business for the full financial year 2013/2014.

Also, the Non-Acquired Business was accounted for in a condensed form in accordance with IFRS 5 (whereby the Confectionery Business was deconsolidated on April 30, 2014) in our historical Audited Consolidated Financial Statements for the financial year 2013/2014. Thus, in general terms, earnings from the discontinued operations were presented separately in a condensed form as an additional line item of the consolidated income statements for the financial year 2013/2014 below earnings from continued operations. The other line items above, only account for the continued operations, *i.e.* no contributions from the Non-Acquired Business were included above the line item "earnings from discontinued operations".

For further information on the preparation of the Unaudited Pro Forma Financial Information, see our Unaudited Pro Forma Financial Information including the accompanying notes, in particular note 3 ("Basis of Preparation"), included in this Offering Memorandum.

Pro Forma Consolidated Income Statement

The following table shows our pro forma consolidated income statement for the period indicated:

	Historical financial information				
	Consolidated income statement of our Group	**Proportional income statement of the Nocibé Group**	**Total**	**Pro forma adjustments[2]**	**Pro forma consolidated income statement**
Pro forma consolidated income statement (in €million)	**for the financial year 2013/2014**	**for the period from October 1, 2013 to June 30, 2014[1]**	**(unaudited)**		**for the financial year 2013/2014**
Sales	**2,093.3**	**401.0**	**2,494.3**	**—**	**2,494.3**
Cost of raw materials, consumables and supplies and merchandise	-1,075.4	-223.9	-1,299.3	-24.3	-1,323.6
Gross profit from retail business	**1,017.9**	**177.1**	**1,195.0**	-24.3	**1,170.7**
Other operating income	183.8	24.5	208.3	—	208.3
Personnel expenses	-470.7	-67.7	-538.4	—	-538.4
Other operating expenses	-606.5	-79.0	-685.5	18.6	-666.9
Income from other investments	0.1	0	0.1	—	0.1
EBITDA	**124.6**	**54.9**	**179.5**	**-5.7**	**173.8**
Amortization/depreciation	-74.1	-10.9	-85.0	-0.3	-85.3
EBIT	**50.5**	**44.0**	**94.5**	**-6.0**	**88.5**
Financial income	8.2	3.8	12.0	—	12.0
Financial expenses	-120.5	-49.7	-170.2	5.3	-164.9
Financial result	-112.3	-45.9	-158.2	5.3	-152.9
Earnings before taxes (EBT)	**-61.8**	**-1.9**	**-63.7**	**-0.7**	**-64.4**
Income taxes	-7.1	-1.4	-8.5	4.6	-3.9
Earnings from continued operations	-68.9	-3.3	-72.2	3.9	-68.3
Earnings from discontinued operations	-19.9	0	-19.9	—	-19.9
Net profit for the year	**-88.8**	**-3.3**	**-92.1**	**3.9**	**-88.2**
Profit (loss) attributable to the Group shareholders	**-89.1**	**-3.3**	**-92.4**	**3.9**	**-88.5**
Profit attributable to non-controlling interests	0.3	0	0.3	—	0.3

[1] Due to different financial years in the past the historical financial information of Nocibé Group is not comparable to the financial year period of the Company from October 1, 2013 to September 30, 2014, a comparable financial history of Nocibé Group was derived by applying the following steps: (i) the 3-month period from October 1, 2013 to December 31, 2013, prepared on the basis of French-GAAP, was derived as the difference of the audited consolidated income statement of Nocibé Group, prepared on the basis of French-GAAP, for the period from January 1, to December 31, 2013 and the reviewed consolidated income statement of Nocibé Group, prepared on the basis of French-GAAP, for the period from January 1, 2013 to September 30, 2013; the 3-month period, prepared on the basis of French-GAAP, was adjusted by applying the IFRS-adjustments derived from the audited consolidated financial income statement of the Nocibé Group, prepared on the basis of IFRS, for the period from January 1, to December 31, 2013, appropriately; (ii) the 6-month period from January 1, 2014 to June 30, 2014, was derived as the difference of the audited consolidated income statement of Nocibé Group, prepared on the basis of IFRS, for the short financial year from January 1, 2014 to September 30, 2014 and the reviewed reporting package of Nocibé Group, as reported to the Company since the acquisition, for the 3-month period from July 1, 2014 to September 30, 2014; (iii) the 9-month period of Nocibé Group, from September 30, 2013 to June 30, 2014, prepared on the basis of IFRS, was derived by adding the 3- month period of step (i) to the 6-month period of step (ii).

[2] For explanation of the pro forma adjustments to the pro forma consolidated income statement, see the table below.

The following table shows the explanation of the pro forma adjustments to the pro forma consolidated income statement for the period indicated:

Explanation of pro forma adjustments (in €million)	**PPA[1]**	**Financing[2]**	**Acquisition costs[3]**	**Total pro forma adjustments for the financial year 2013/2014**
	(unaudited)			
Sales	—	—	—	—
Cost of raw materials, consumables and supplies and merchandise	-24.3	—	—	-24.3
Gross profit from retail business	**-24.3**	**0**	**0**	**-24.3**
Other operating income	—	—	—	—
Personnel expenses	—	—	—	—
Other operating expenses	—	—	18.6	18.6
Income from other investments	—	—	—	—
EBITDA	**-24.3**	**0**	**18.6**	**-5.7**
Amortization/depreciation	-2.9	—	2.6	-0.3
EBIT	**-27.2**	**0**	**21.2**	**-6.0**
Financial income	—	—	—	—
Financial expenses	—	5.3	—	5.3
Financial result	—	5.3	—	5.3
Earnings before taxes (EBT)	**-27.2**	**5.3**	**21.2**	**-0.7**
Income taxes	9.4	-1.8	-3.0	4.6
Earnings from continued operations	-17.8	3.5	18.2	3.9
Earnings from discontinued operations	—	—	—	0
Net profit for the year	**-17.8**	**3.5**	**18.2**	**3.9**
Profit (loss) attributable to the Group shareholders	—	—	—	0
Profit attributable to non-controlling interests	—	—	—	**0**

[1] The fair value adjustments for intangible assets made as a result of the purchase price allocation ("PPA") resulted in additional straight line amortization for identified customer base (€2.6 million based on a useful life of five years) as well as additional straight-line amortization for beneficial tenancy agreements ("droits au bail") (€0.3 million based on a remaining useful life of four years) for the period from October 1, 2013 to September 30, 2014. The fair value adjustment for inventories made as a result of the PPA resulted in additional cost of merchandise in the amount of €24.3 million. This amount plus €8.1 million already recognized in the fourth quarter of the financial year 2013/2014 (and reflected in our Audited Consolidated Financial Statements for the financial year 2013/2014 as part of the EBITDA adjustment) add up to the total PPA adjustment of €32.4 million. The €73.7 million EBITDA-adjustment presented in the segment reporting of our Audited Consolidated Financial Statement for the financial year 2013/2014 comprise the €8.1 million effect of the PPA. The total additional net amortization expense recognized as a result of the PPA amounted to €27.2 million for the period from October 1, 2013 to September 30, 2014. As a result of this pro forma adjustment, income tax benefits in the amount of €9.4 million were recognized in the pro forma consolidated income statement for the period from October 1, 2013 to September 30, 2014, estimated based on the statutory tax rate of Nocibé Group of 34.43%.

[2] The new financing of Nocibé Group was assumed to begin as of October 1, 2013 which resulted in an additional interest expense adjustment of €11.0 million. The interest rate of the new loan is based on the six-month EURIBOR for the first six month and on the three-month EURIBOR for each of the remaining two quarters. The margin for the first six month period was 4.00% p.a., after the six month interest period a margin step down was assumed with a margin of 3.75% p.a. for the remaining two quarters. The margin step-down results from an improved leverage margin which leads to a lower margin as agreed in the loan agreement. Interest expense from the previous financing of Nocibé Group was eliminated for the period October 1, 2013 to September 30, 2014 amounting to €31.4 million. The financing of the acquisition via AIP was financed with a shareholder loan of €255.0 million. The interest rate of the loan is 9.68%. The acquisition related financing was assumed to begin as of October 1, 2013, which resulted in an additional interest expense adjustment of €17.8 million. In addition, financing related fees of €2.7 million, resulting from the redemption of the previous financing as well as the new financing, were eliminated for purposes of the pro forma consolidated income statement as they were assumed to be incurred in the period from October 1, 2012 to September 30, 2013.

[3] Acquisition-related costs of €15.8 million within other operating expenses, which were part of the EBITDA adjustments presented in the income statement of our Audited Consolidated Financial Statement for the financial year 2013/2014, were eliminated for purposes of the pro forma consolidated income statement as they were assumed to be incurred in the period from October 1, 2012 to September 30, 2013. Additionally, €2.8 million acquisition-related costs in the

historical income statement of Nocibé Group for short financial year ended September 30, 2014 were eliminated for purposes of the pro forma consolidated income statement as they were assumed to be incurred in the period from October 1, 2012 to September 30, 2013. This amount was not part of the EBITDA-adjustments in our Audited Consolidated Financial Statements for the financial year 2013/2014. Thirteen stores have been impaired by €2.6 million as a result of the classification as assets held for sale in connection with the requirement of the cartel authority to dispose these assets. The amount is classified as acquisition related costs and eliminated because the amount is assumed to be incurred prior to the reporting period. Furthermore, related income taxes of €3.0 million, calculated based on the statutory tax rate of AIP and Nocibé Group of 34.43% and based on the assumption that 20% of the eliminated acquisition-related costs on level of AIP and 100% on level of Nocibé Group were tax-deductible, were eliminated.

Adjustments to our pro forma EBITDA

EBITDA as contained in our Unaudited Pro Forma Financial Information totaled €173.8 million in the financial year 2013/2014. However, we consider Adjusted EBITDA a key performance indicator relevant for the management of our business. In our Audited Consolidated Financial Statements and Audited Combined Financial Statements, Adjusted EBITDA is defined as reported EBITDA adjusted for exceptional items. Our Adjusted EBITDA for the financial year 2013/14 as derived from the pro forma EBITDA contained in our Unaudited Pro Forma Financial Information totaled €256.0 million. This amount is calculated by adjusting the pro forma EBITDA of €173.8 million for (i) €73.7 million of adjustments as shown in our Audited Consolidated Financial Statements for the financial year 2013/2014 minus €15.8 million of acquisition cost related to the Nocibé Acquisition adjustments (which are included in the €73.7 million adjustments in our Audited Consolidated Financial Statements for the financial year 2013/2014 and also reflected in our Unaudited Pro Forma Financial Information) as well as (ii) €24.3 million additional PPA effects relating to the Nocibé Acquisition which are reflected in our Unaudited Pro Forma Financial Information.

SELECTED CONSOLIDATED AND COMBINED FINANCIAL INFORMATION

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

The following selected financial and business information is based on or has been derived from (i) Beauty Holding Zero GmbH's unaudited interim condensed consolidated financial statements prepared by the Company as of and for the six-month period ended March 31, 2015 ("H1 2014/2015" or "first half of 2014/2015") including comparative figures as of and for the six-month period ended March 31, 2014 ("H1 2013/2014" or "first half of 2013/2014") in accordance with IFRS applicable to interim financial reporting (IAS 34), as adopted by the European Union, including comparative figures for the first half of 2013/2014 (the "Unaudited Interim Condensed Consolidated Financial Statements"), (ii) the audited combined financial statements of Douglas Holding AG as of and for the financial year 2013/2014 (including comparative figures for the financial year 2012/2013 and the financial year ended September 30, 2012, also referred to herein as "financial year 2011/2012") in accordance with IFRS, as adopted by the European Union, taking into account the basis of preparation as described in the notes thereto (the "Audited Combined Financial Statements"), (iii) on the audited consolidated financial statements of Groupe Nocibé SAS prepared in accordance with IFRS, as adopted by the European Union, as of and for the short financial year ended September 30, 2014 (with comparative figures as of and for the financial years ended December 31, 2013 and 2012) (the "Nocibé Consolidated Financial Statements") and (iv) our accounting records or our management reporting. For further information on the preparation, as well as the factors affecting comparability of the various sets of financial statements included in this offering memorandum see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability".

RBS RoeverBroennerSusat GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungs-gesellschaft, with registered seat in Hamburg, Germany, through its Cologne office, Aachener Straße 75, Cologne, Germany ("RBS") has audited the Audited Consolidated Financial Statements and Audited Combined Financial Statements and issued in each case an unqualified auditor's report thereon. On June 1, 2015 RoeverBroennerSusat GmbH & Co. KG changed its name to Roever Broenner Susat Mazars GmbH & Co. KG. The Nocibé Consolidated Financial Statements were jointly audited by Groupe Nocibé SAS's statutory auditors, Constantin Associés (a member of Deloitte Touche Tohmatsu Limited) and PricewaterhouseCoopers Audit, who issued an unqualified auditor's report thereon as included in this offering memorandum.

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

Introductory Note on Financial Information Used in this Offering Memorandum

We have a complex financial history reflected by various sets of financial statements contained in this offering memorandum. The Company was incorporated on August 14, 2012 and, therefore, does not possess any historical financial information prior to this date. The Company commenced its operating activities by indirectly acquiring a 96.17% interest in Douglas Holding AG (which was the holding entity of the Douglas Group prior to the acquisition; such transaction, together with the subsequent squeeze-out carried out in 2013, pursuant to which the Company indirectly acquired the remaining interest in Douglas Holding AG, as well as the delisting carried out in 2013 is herein referred to as the "First Douglas Acquisition").

Prior to the First Douglas Acquisition, the Douglas Group consisted of five operating businesses, namely the Douglas Perfumeries Business, the Confectionery Business, the Books Business, the Jewelry Business and the Fashion Business. After the First Douglas Acquisition, we initiated comprehensive measures for a strategic reorganization and realignment of the Douglas Group with the objective of concentrating our operating activities on our core business relating to fragrances and cosmetics, namely the Douglas Perfumeries Business. The Confectionery Business was sold to a third party with effect as of April 30, 2014, and the Books Business, the Jewelry Business and the Fashion Business were sold to companies controlled by the Company's former sole shareholder, AI Beauty, with effect as of October 1, 2014.

In addition, with effect for accounting purposes as of July 1, 2014, an indirect wholly-owned subsidiary of the Company acquired all shares in Groupe Nocibé SAS, a leading perfumeries chain in France (such transaction is herein referred to as the "Nocibé Acquisition"; Groupe Nocibé SAS, together with its direct and indirect subsidiaries and associated companies, the "Nocibé Group" and the business of the Nocibé Group the "Nocibé Business").

In order to present the effects of the Nocibé Acquisition as if it had been acquired as of October 1, 2013, Unaudited Pro Forma Financial Information has been prepared and is included in this offering memorandum. The Unaudited Pro Forma Financial Information is based on the hypothetical assumption that the Nocibé Acquisition had occurred on October 1, 2013, and, therefore, reflects (i) the income statement situation of the hypothetical Douglas Group including the Nocibé Business for the entire period and excluding the Non-Acquired Business which was accounted for in a condensed form under the separate line item "earnings from discontinued operations" in accordance with IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations" for the entire period, (ii) the respective effects of the application of purchase accounting for the full financial year 2013/2014 and (iii) certain other pro forma effects primarily relating to the financing of Nocibé Group and the transaction costs of the Nocibé Acquisition, in each case for the full financial year 2013/2014. See "*Unaudited Pro Forma Financial Information—Nocibé*."

In order to provide historical financial information for three full financial years 2011/2012 to 2013/2014 on a more comparable basis, Audited Combined Financial Statements have been prepared and are included in this offering memorandum. The purpose of our Audited Combined Financial Statements is to provide historical financial information of the Douglas Perfumeries Business. Our Audited Combined Financial Statements include (i) Douglas Holding AG and all such direct and indirect subsidiaries and associated companies of Douglas Holding AG pertaining to the perfumeries business division (except for the Nocibé Group), as well as certain service entities and intermediate holdings, including two companies of the former Books Business and Fashion Business with no assets or liabilities (together the "Douglas Perfumeries Business") as well as (ii) the Nocibé Group as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.,* from July 1, 2014 to September 30, 2014 ((i) to (ii) together the "Acquired Business"). However, they do not include the Company, Beauty Holding One GmbH or Beauty Holding Two GmbH (the direct and indirect parent companies of Douglas Holding AG) (the Company, Beauty Holding One GmbH and Beauty Holding Two GmbhH, together the "Holding Companies") nor do they include the entities relating to the Non-Acquired Business, other than the two subsidiaries that functioned as intermediate holding entities relating to the Books and Fashion Business. In the financial year 2013/2014, effects from Holding Companies included, in particular, administrative holding costs of €1.5 million, as well as financing costs of €89.7 million. In the financial year 2012/2013, effects from Holding Companies included, in particular, administrative holding costs of €2.7 million, as well as financing costs of €20.7 million relating to a bank loan.

In addition, included elsewhere in this offering memorandum are the audited consolidated financial statements of Beauty Holding Zero GmbH. For the financial year 2012/2013, our Audited Consolidated Financial Statements cover our operative business only for the ten-month period December 1, 2012 to September 30, 2013. Until the dates of its deconsolidation, the Audited Consolidated Financial Statements still include the Non-Acquired Business. However, in our Audited Consolidated Financial Statements for the financial year 2013/2014, the Non-Acquired Business was accounted for in a condensed form in accordance with IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations". Due to the reclassification of the Non-Acquired Business in accordance with IFRS 5 in the financial year 2013/2014, the comparative figures for the financial year 2012/2013 regarding the income statements and the statements of cash flows (but not the statements of financial position) in our Audited Consolidated Financial Statements for the financial year 2013/2014 were adjusted in accordance with IFRS 5 and only include the Non-Acquired Business in a condensed form, whereas, regarding the statements of financial position, they still fully account for the Non-Acquired Business. Our Audited Consolidated Financial Statements for the financial year 2013/2014 only include the Nocibé Business for the three-month period from July 1, 2014 until September 30, 2014. The information contained in our Audited Consolidated Financial Statements for the financial years 2013/2014 and 2012/2013 is not comparable due to the fact that (i) the Company acquired an indirect majority interest in Douglas Holding AG only in December 2012 so that, as a consequence, the consolidated income statements and statements of cash flows for 2012/2013 only accounted for the Douglas Group from December 1, 2012 and not for the entire financial year 2012/2013; (ii) in our Audited Consolidated Financial Statements for the financial year 2013/2014, the Non-Acquired Business was accounted for in a condensed form in accordance with IFRS 5 (whereby the Confectionery Business was deconsolidated on April 30, 2014), while, in our Audited Consolidated Financial Statements for the financial year 2012/2013 such Non-Acquired Business was fully consolidated; and (iii) we, the Douglas Group, acquired the Nocibé Group in June 2014 leading to significant extraordinary effects to certain line items of our consolidated income statements, statements of financial position and statements of cash flows for 2013/2014.

Furthermore, Unaudited Interim Condensed Consolidated Financial Statements for the first half of 2014/2015 are included in this offering memorandum. Whereas the comparative figures for the first half of 2013/2014 still account for the Non-Acquired Business which, in the statements of financial position, was fully consolidated, and, in the income statements and the statements of cash flows, was accounted for in a condensed form in accordance with IFRS 5, the financial information for the first half of 2014/2015 does not include the Confectionery Business (which was sold to a third party with effect as of April 30, 2014 and was deconsolidated accordingly). In addition, the sales and transfers of the Non-Acquired Business (excluding the Confectionery Business which had been sold, transferred and, thus, deconsolidated on April 30, 2014) were accounted as the first booking entry on October 1, 2014 in our Unaudited Interim Condensed Consolidated Financial Statements. Thus, our statement of financial positions after the deconsolidation of the Non-Acquired Business, only reflected the Acquired Business. Also, the income statements and the statements of cash flows contained in our Unaudited Interim Condensed Consolidated Financial Statements only reflected the Acquired Business but not the Non-Acquired Business for the first half of 2014/2015. In addition, the comparative figures for the first half of 2013/2014 did not account for the Nocibé Group which at that time had not yet been acquired by the Douglas Group, whereas the Nocibé Business is fully accounted for in the first half of 2014/2015.

Due to the factors described above, when comparing financial information used in this offering memorandum corresponding to the different sets of financial statements and the different periods, investors should take into account the material differences resulting from the First Douglas Acquisition and the subsequent refinancing, the Separation of the Non-Acquired Business and the Nocibé Acquisition, as well as the resulting changes regarding the composition of the Douglas Group. Because of such effects, the financial information as presented in the different sets of financial statements included in this offering memorandum may not be fully comparable.

The following table shows—in a condensed form—which set of financial statements used in this offering memorandum includes or excludes effects relating to the Douglas Perfumeries Business, the Nocibé Business, the Non-Acquired Business as well as the Holding Companies:

Financial information used in this Offering Memorandum[1]	**Douglas Perfumeries Business**[2]	**Nocibé Business**[3]	**Non-Acquired Business**[4]	**Holding Companies**[12]
Unaudited Interim Condensed Consolidated Financial Statements for the first half of 2014/2015	+	6 months	–[5]	+
Unaudited Interim Condensed Consolidated Financial Statements for the first half of 2013/2014	+	–	IFRS 5[6]	+
Audited Consolidated Financial Statements for the financial year 2013/2014	+	3 months[7]	IFRS 5[8]	+
Audited Consolidated Financial Statements for the financial year 2012/2013	+	–	(+)[9]	+
Audited Combined Financial Statements for the financial year 2013/2014	+	3 months[7]	–	–
Audited Combined Financial Statements for the financial year 2012/2013	+	–	–	–
Audited Combined Financial Statements for the financial year 2011/2012	+	–	–	–
Unaudited Pro Forma Financial Information for the financial year 2013/2014	+	12 months[10]	–[11]	+

[1] For a detailed description of our Consolidated Financial Statements, our Audited Combined Financial Statements and our Unaudited Pro Forma Financial Information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of Financial Information Used in this Offering Memorandum*" and "*Unaudited Pro Forma Financial Information—Basis of Preparation*".

2 The Douglas Perfumeries Business is defined as Douglas Holding AG and only such direct and indirect subsidiaries and associated companies of Douglas Holding AG pertaining to the perfumeries business division, as well as certain service entities and intermediate holdings, including two companies of the former Books Business and Fashion Business.

3 The Nocibé Business comprises the business of the Nocibé Group, together with its direct and indirect subsidiaries and associated companies as defined above.

4 The Non-Acquired Business comprises the Confectionery Business, the Books Business, the Jewelry Business and the Fashion Business.

5 The sales and transfers of the Non-Acquired Business (excluding the Confectionery Business which had been sold, transferred and, thus, deconsolidated on April 30, 2014) were accounted as the first booking entry on October 1, 2014. Also, the income statements and the statements of cash flows contained in our Unaudited Interim Condensed Consolidated Financial Statements only reflected the Acquired Business but not the Non-Acquired Business for the first half of 2014/2015.

6 The Non-Acquired Business was accounted for in a condensed form in accordance with IFRS 5 regarding the income statements and the statements of cash flows; regarding the statements of financial position, the Non-Acquired Business was fully consolidated.

7 Comprising the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, from July 1, 2014 to September 30, 2014.

8 The Non-Acquired Business was accounted for in a condensed form in accordance with IFRS 5 (whereby the Confectionery Business was deconsolidated on April 30, 2014). Due to the reclassification of the Non-Acquired Business in accordance with IFRS 5 in the financial year 2013/2014, the comparative figures for the financial year 2012/2013 regarding the income statements and the statements of cash flows (but not the statements of financial position) were adjusted according to IFRS 5. To allow investors to make a more meaningful comparison of the audited consolidated financial information for the financial years 2013/2014 and 2012/2013, unless otherwise indicated, financial information for the financial year 2012/2013 contained in this offering memorandum is based on the comparative financial information included in the Audited Consolidated Financial Statements for the financial year 2013/2014.

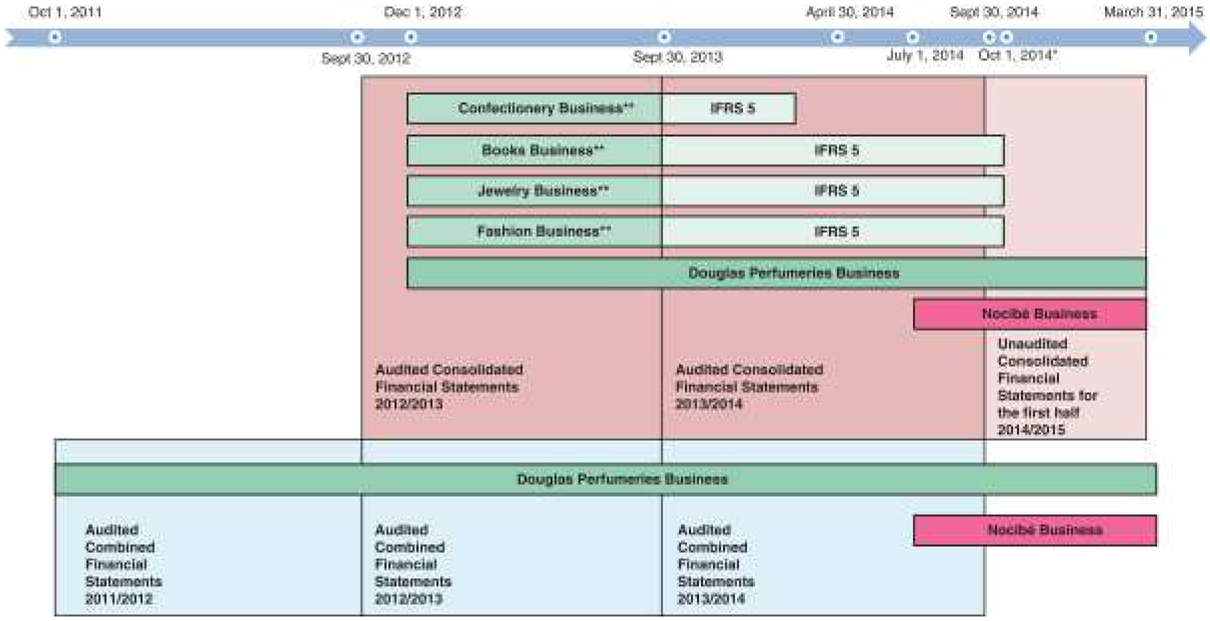
9 The Non-Acquired Business was fully consolidated. However, unless otherwise indicated, financial information for the financial year 2012/2013 contained in this offering memorandum is not based on the Audited Consolidated Financial Statements for the financial year 2012/13, but on the comparative financial information included in the Audited Consolidated Financial Statements for the financial year 2013/2014, where it was accounted for in accordance with IFRS 5; see note 8 above for further details.

10 Data including the Nocibé Group for the entire period on the hypothetical assumption that the Nocibé Acquisition had occurred on October 1, 2013.

11 Earnings from the Non-Acquired Business were presented separately in a condensed form as an additional line item of the pro forma consolidated income statements for the financial year 2013/2014.

12 Refers to the holding companies of Douglas Holding AG.

The following chart shows for which periods the financial information relating to the Douglas Perfumeries Business, the Nocibé Business and the Non-Acquired Business was included in the Consolidated Financial Statements and the Audited Combined Financial Statements, including during which periods the Non-Acquired Business was accounted for in accordance with IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations":


Oct 1, 2011
Dec 1, 2012
April 30, 2014
Sept 30, 2014
March 31, 2015
Sept 30, 2012
Sept 30, 2013
July 1, 2014
Oct 1, 2014*
Confectionery Business**
IFRS 5
Books Business**
IFRS 5
Jewelry Business**
IFRS 5
Fashion Business**
IFRS 5
Douglas Perfumeries Business
Nocibé Business
Audited Consolidated Financial Statements 2012/2013
Audited Consolidated Financial Statements 2013/2014
Unaudited Consolidated Financial Statements for the first half 2014/2015
Douglas Perfumeries Business
Nocibé Business
Audited Combined Financial Statements 2011/2012
Audited Combined Financial Statements 2012/2013
Audited Combined Financial Statements 2013/2014

* The Books Business, the Jewelry Business and the Fashion Business were sold and transferred to companies controlled by AI Beauty with effect as of October 1, 2014. In our Unaudited Interim Condensed Consolidated Financial Statements the Books Business, the Jewelry Business and the Fashion Business which were accounted for in accordance with IFRS 5 were separated as the first booking entry on October 1, 2014 and deconsolidated on that date.

** Due to the reclassification of the Non-Acquired Business in accordance with IFRS 5 in the financial year 2013/2014, in our Audited Consolidated Financial Statements for the financial year 2013/2014, the comparative figures for the financial year 2012/2013 regarding the income statements and the statements of cash flows (but not the statements of financial position) were adjusted according to IFRS 5. As a consequence, the respective comparative figures for the financial year 2012/2013 in our Audited Consolidated Financial Statements for the financial year 2013/2014 only include the Non-Acquired Business in a condensed form, whereas, regarding the statements of financial position, they still fully account for the Non-Acquired Business.

For further details on the factors affecting comparability of the financial information used in this offering memorandum, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Factors Affecting Comparability of the Financial Information Used in this Offering Memorandum.*"

Selected Financial Information from Our Consolidated / Combined Income Statements

The following table shows selected data from our consolidated income statements, as well as our combined income statements for the periods indicated:

Selected data from our consolidated / combined income statements (in €million)	Twelve-month period ended March 31,	Six-month period ended March 31,		Financial year ended September 30,		
	2015[1]	2015[2]	2014[3]	2014[4]	2013[5]	2012[5]
		(consolidated, unaudited)		(combined, audited)		
Sales	**2,440.1**	**1,454.9**	**1,108.1**	**2,093.3**	**1,979.1**	**1,938.7**
Cost of raw materials, consumables and supplies and merchandise	-1,284.8	-787.1	-577.7	-1,075.5	-1,004.1	-971.9
Gross profit from retail business	**1,155.3**	**667.8**	**530.4**	**1,017.8**	**975.0**	**966.8**
Other operating income	210.4	117.1	90.5	183.7	191.5	176.0
Personnel expenses	-511.8	-279.7	-238.6	-470.7	-442.1	-438.0
Other operating expenses	-678.0	-364.4	-292.9	-604.1	-560.2	-535.2
Income from other investments	0	0	0.1	0.1	0.1	0.1
EBITDA[6]	**175.9**	**140.8**	**89.5**	**126.8**	**164.3**	**169.7**
Amortization/depreciation	-82.0	-42.3	-34.4	-64.3	-73.8	-117.9
thereof impairment losses[7]	*-2.5*	*-1.1*	*-0.1*	*-1.8*	*-10.4*	*-48.5*
EBIT[8]	**93.9**	**98.5**	**55.1**	**62.5**	**90.5**	**51.8**
Financial income	4.6	0.8	4.4	55.0	8.0	8.3
Financial expenses	-117.0	-48.6	-52.1	-84.8	-28.3	-7.8
Financial result	-112.4	-47.8	-47.7	-29.8	-20.3	0.5
Earnings before taxes (EBT)	**-18.5**	**50.7**	**7.4**	**32.7**	**70.2**	**52.3**
Income taxes	-26.5	-24.5	-5.1	-13.5	-30.1	-39.3
Earnings from continued operations[9]	-45.0	26.2	2.3	—	—	—
Earnings from discontinued operations[10]	91.5	143.2	31.8	—	—	—
Net profit for the period	**46.5**	**169.4**	**34.1**	**19.2**	**40.1**	**13.0**
Profit attributable to non-controlling interests	-0.4	-0.3	-0.2	-0.3	-0.2	-0.1
Profit (loss) attributable to the Group shareholders	**46.1**	**169.1**	**33.9**	**18.9**	**39.9**	**12.9**

[1] Data is calculated by adding the respective figure for the first half of 2014/2015 based on our Unaudited Interim Condensed Consolidated Financial Statements to the respective figure for the financial year 2013/2014 based on our Audited Consolidated Financial Statements and subtracting the respective figure for the first half of 2013/2014 based on our Unaudited Interim Condensed Consolidated Financial Statements; data includes the Nocibé Business for the period from July 1, 2014 until March 31, 2015, as well as, in each case accounted for in accordance with IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations", the Confectionery Business until April 30, 2014 and the Books Business, the Jewelry Business and the Fashion Business until October 1, 2014. Please note, that the twelve-month period ended March 31, 2015 included the Easter holidays business of the calendar year 2014 as well as the calendar year 2015.

[2] Data including the Nocibé Business for the entire period and excluding the Non-Acquired Business (whereby the Books Business, the Jewelry Business and the Fashion Business which were accounted for in accordance with IFRS 5 were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date). For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements*".

[3] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group) and presenting the Non-Acquired Business in a condensed form as dedicated line item "Earnings from discontinued operations" in accordance with IFRS 5. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements*".

[4] Data including the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, i.e., from July 1, 2014 to September 30, 2014, and excluding the Non-Acquired Business. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum*".

5 Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business. For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

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

7 Impairment losses related to impairment tests in cash generating units and are triggered by ongoing negative contribution and intended store closures. Individual stationary stores each represent a cash generating unit.

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

9 Earnings from continued operations relate to the Acquired Business.

10 Earnings from discontinued operations relate to the Non-Acquired Business in its combination from time to time.

Selected Financial Information from Our Consolidated / Combined Statements of Financial Position

The following table shows selected data from our consolidated statements of financial position, as well as our combined statements of financial position as of the balance sheet dates indicated. The table shows our consolidated statement of financial position as of October 1, 2014 (after sales and transfers of the Books Business, the Jewelry Business and the Fashion Business) in addition to our consolidated statement of financial position as of September 30, 2014, since the latter still accounts for the Books Business, the Jewelry Business and the Fashion Business (as assets held for sale according to IFRS 5). Consequently, the comparability of our consolidated statement of financial position as of March 31, 2015, on the one hand, and our consolidated statement of financial position as of September 30, 2014, on the other hand, is limited. In order to allow for a more meaningful comparison of the following selected financial information, data as of October 1, 2014 (after sales and transfers of the Books Business, the Jewelry Business and the Fashion Business) is also shown:

Selected data from our consolidated / combined statements of financial position (in €million)	As of March 31,	As of October 1,	As of September 30,	As of September 30,		
	2015[1]	2014[1,2]	2014[3]	2014[4]	2013[5]	2012[5]
	(consolidated, unaudited)		(consolidated, audited)	(combined, audited)		
Non-current assets	**1,568.3**	**1,562.6**	**1,562.6**	**840.1**	**393.2**	**424.9**
thereof intangible assets	1,268.9	1,258.1	1,258.1	528.6	60.6	68.3
thereof property, plant and equipment / tangible assets	252.1	250.5	250.5	245.6	231.4	254.4
thereof tax receivables	3.7	3.7	3.7	3.7	6.4	6.4
thereof financial assets	3.4	9.5	9.5	19.5	65.1	66.9
thereof shares in associated companies	0	0	0	—	—	—
thereof deferred tax assets	40.2	40.8	40.8	42.7	29.7	28.9
Current assets	**1,050.3**	**940.5**	**940.5**	**966.0**	**734.1**	**729.6**
thereof inventories	555.7	542.6	542.6	542.6	401.5	410.2
thereof trade accounts receivable	64.8	39.3	39.3	39.2	38.1	43.3
thereof tax receivables	37.6	26.4	26.4	25.3	42.8	21.6
thereof financial assets	78.8	90.8	90.8	118.8	121.8	203.6
thereof other assets	26.9	22.6	22.6	22.6	16.6	18.4
thereof cash and cash equivalents	286.5	218.8	218.8	217.5	113.3	32.5
Assets held for sale	**0.2**	**1.7**	**603.0**	**1.7**	**0**	**0**
Total assets	**2,618.8**	**2,504.8**	**3,106.1**	**1,807.8**	**1,127.3**	**1,154.5**
Equity[6]	**486.4**	**460.3**	**316.3**	**72.7**	**433.5**	**558.4**
thereof net assets of Douglas Group[7]	—	—	—	88.7	444.5	561.5
thereof other components of equity attributable to Douglas Group[8]	—	—	—	-16.6	-11.4	-6.7
thereof non-controlling interests	0.2	0.3	0.3	0.6	0.4	3.6
thereof capital stock / share capital	0	0	0	—	—	—
thereof additional paid-in capital /	639.7	639.7	639.7	—	—	—

Selected data from our consolidated / combined statements of financial position (in €million)	As of March 31,	As of October 1,	As of September 30,	As of September 30,		
	2015[1]	2014[1,2]	2014[3]	2014[4]	2013[5]	2012[5]
	(consolidated, unaudited)		(consolidated, audited)	(combined, audited)		
share premium						
thereof retained earnings / reserves	-153.5	-179.7	-323.7	—	—	—
Non-current liabilities	**1,504.5**	**1,498.2**	**1,957.6**	**1,196.8**	**262.6**	**68.5**
thereof pension provisions	32.9	32.8	32.8	32.8	28.7	27.3
thereof other non-current provisions	16.0	16.1	16.1	16.6	16.4	15.8
thereof financial liabilities	1,217.7	1,200.4	1,659.8	1,065.6	197.5	18.9
thereof other liabilities	0.8	0.8	0.8	0.9	1.1	1.4
thereof deferred tax liabilities	237.1	248.1	248.1	80.9	18.9	5.1
Current liabilities	**627.9**	**546.3**	**546.3**	**538.3**	**431.2**	**527.6**
thereof current provisions	127.8	117.5	117.5	117.0	86.6	77.2
thereof trade accounts payable	236.5	207.1	207.1	207.1	147.3	136.4
thereof tax liabilities	71.3	39.7	39.7	30.2	47.3	33.0
thereof financial liabilities	39.4	46.0	46.0	48.2	34.1	173.3
thereof other liabilities	152.9	136.0	136.0	135.8	115.9	107.7
Liabilities related to assets held for sale	**0**	**0**	**285.9**	**—**	**—**	**—**
Total equity and liabilities	**2,618.8**	**2,504.8**	**3,106.1**	**1,807.8**	**1,127.3**	**1,154.5**

[1] Data including the Nocibé Business and excluding the Non-Acquired Business. For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements".*

[2] Data including the Nocibé Business and excluding the Non-Acquired Business, *i.e.*, shown after separation / deconsolidation of the Books Business, the Jewelry Business and the Fashion Business (which were accounted for in accordance with IFRS 5 and were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date). For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Factors affecting Comparability—The Separation of the Non-Acquired Business".*

[3] Data comprising the Nocibé Business, as well as the Books Business, the Jewelry Business and the Fashion Business (which were accounted for in accordance with IFRS 5). For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Consolidated Financial Statements*".

[4] Data including the Nocibé Business from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, July 1, 2014 and excluding the Non-Acquired Business. For further details see *"—Financial Information Included in this Offering Memorandum and Definition of Douglas Group—Sets of Financial Statements Used in this Offering Memorandum—Audited Combined Financial Statements*".

[5] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business. For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Audited Combined Financial Statements*".

[6] Due to the preparation of the Audited Combined Financial Statements of the Douglas Group for the financial years 2013/2014, 2012/2013 and 2011/2012, the Douglas Group's equity for these periods is presented on a combined group structure and contains "Net assets attributable to the shareholders of the Douglas Group" deducted by other comprehensive income components and "Other components of equity attributable to the shareholders of the Douglas Group".

[7] "Net assets of the shareholders of the Douglas Group" are defined as the reminder of assets and liabilities as of the balance sheet date.

[8] "Other components of equity attributable to Douglas Group" are defined as other comprehensive income in accordance with IFRS.

Selected Financial Information from Our Consolidated / Combined Statements of Cash Flows

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

Selected data from our consolidated / combined statements of cash flows (in €million)	Six-month period ended March 31,		Financial year ended September 30,		
	2015[1]	2014[2]	2014[3]	2013[4]	2012[4]
	(consolidated, unaudited)		(combined, audited)		
Net cash flow from operating activities	**169.6**	**113.7**	**137.3**	**176.7**	**70.5**
Net cash flow from investing activities	**-121.9**	**-30.0**	**-195.4**	**-38.8**	**-61.9**
Net cash flow from financing activities	**-44.9**	**-39.1**	**162.4**	**-56.9**	**-5.2**
Net change in cash and cash equivalents	2.8	44.6	104.3	81.0	3.4
Net change in cash and cash equivalents due	0.2	-0.1	-0.1	-0.2	0.1

Selected data from our consolidated / combined statements of cash flows (in €million)	Six-month period ended March 31,		Financial year ended September 30,		
	2015[1]	2014[2]	2014[3]	2013[4]	2012[4]
	(consolidated, unaudited)		(combined, audited)		
to currency translation					
Cash and cash equivalents at the beginning of the period	**283.5**	**226.3**	**113.3**	**32.5**	**29.0**
Cash and cash equivalents at end of the period	**286.5**	**270.8**	**217.5**	**113.3**	**32.5**

[1] Data including the Nocibé Business for the entire period and excluding the Non-Acquired Business (whereby the Books Business, the Jewelry Business and the Fashion Business which were accounted for in accordance with IFRS 5 were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date). For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements*".

[2] Data including the Non-Acquired Business (which was accounted for in accordance with IFRS 5) and excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group) For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements*".

[3] Data including the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, for the months July to September 2014, and excluding the Non-Acquired Business. For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

[4] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business. For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

Selected Other Key and Segmental Financial Data of Our Group

The following table shows selected consolidated and combined other key and segmental financial data of our Group as of the balance sheet date / for the periods indicated:

Selected consolidated / combined other key and segmental financial data (in €million, unless otherwise indicated)	As of / for the twelve-month period ended March 31,	As of / for the six-month period ended March 31,		As of / for the financial year ended September 30,		
	2015[1]	2015[2]	2014[3]	2014[4]	2013[5]	2012[5]
	(consolidated, unaudited)			(combined, audited—unless otherwise indicated)		
Sales	**2,440.1**	**1,454.9**	**1,108.1**	**2,093.3**	**1,979.1**	**1,938.7**
Net sales growth (in %) (unaudited)[6]	—	—	—	5.8	2.1	—
E-commerce sales (in €million) (unaudited)[7]	229.3	145.3	96.0	180.0	145.1	105.9
E-commerce sales (in % of total sales) (unaudited)[7]	9.4	10.0	8.7	8.6	7.3	5.5
Sales share from exclusive/private label products (in %) (unaudited)	—	20.4	16.7	16.8	15.3	13.5
Sales shares from third party brand products (in %) (unaudited)	—	79.6	83.3	83.2	84.7	86.5
Like-for-like sales growth (in %) (unaudited)[8]	—	3.9	0.5	1.6	–0.2	1.4
Like-for-like sales growth (stationary) (in %) (unaudited)[9]	—	1.5	–1.6	–0.4	–2.6	–1.0
Like-for-like sales growth (e-commerce) (in %) (unaudited)[10]	—	28.0	—	24.1	37.0	53.9
Adjusted EBITDA[11,12]	**272.8**	**179.7**	**105.2**	**199.5**	**180.7**	**173.2**
Adjusted EBITDA margin (in percentage of sales)[11,12]	11.2	12.4	9.5	9.5	9.1	8.9
Inventories[13]	—	555.7	701.8	542.6	401.5	410.2
Capital expenditures[14]	65.8	34.1	17.1	48.6	45.1	64.3

Selected consolidated / combined other key and segmental financial data (in €million, unless otherwise indicated)	As of / for the twelve-month period ended March 31,	As of / for the six-month period ended March 31,		As of / for the financial year ended September 30,		
	2015[1]	2015[2]	2014[3]	2014[4]	2013[5]	2012[5]
	(consolidated, unaudited)			(combined, audited—unless otherwise indicated)		
Free cash flow[15]	**4.2**	**47.7**	**83.7**	**–58.1**	**137.9**	**8.6**
Adjusted EBITDA minus capital expenditures (unaudited)[16]	**207.0**	**145.6**	**88.1**	**150.9**	**135.6**	**108.9**
Cash conversion (in %) (unaudited)[17]	**75.9**	**81.0**	**83.7**	**75.6**	**75.0**	**62.9**
Selected financial data by segment:[18]						
Germany						
Sales (net)[19]	**1,133.9**	**644.3**	**611.2**	**1,100.8**	**1,079.2**	**1,055.2**
Intersegment Sales	18.1	10.3	8.9	16.7	14.7	14.8
Sales	**1,152.0**	**654.6**	**620.1**	**1,117.5**	**1,093.9**	**1,070.0**
EBITDA[11]	**116.1**	**77.4**	**51.0**	**91.9**	**108.5**	**109.7**
Adjusted EBITDA[11,12]	**151.0**	**84.4**	**65.2**	**133.0**	**124.5**	**111.7**
Inventories[13]	—	212.4	193.7	196.7	181.6	180.7
Capital expenditures[14]	31.5	17.5	9.0	22.7	25.4	39.6
France						
Sales (net)[19]	**575.2**	**403.6**	**103.2**	**274.9**	**178.1**	**154.5**
Intersegment Sales	7.7	7.7	0.3	0.3	0	0
Sales	**582.9**	**411.3**	**103.5**	**275.2**	**178.1**	**154.5**
EBITDA[11]	**7.7**	**28.9**	**6.6**	**–14.6**	**8.7**	**8.2**
Adjusted EBITDA[11,12]	**66.9**	**58.9**	**6.8**	**14.8**	**8.8**	**8.2**
Inventories[13]	—	144.0	36.6	154.7	34.1	33.3
Capital expenditures[14]	17.5	9.8	0.4	8.2	3.8	5.9
South-western Europe						
Sales (net)[19]	**496.0**	**276.5**	**269.9**	**489.3**	**507.0**	**523.6**
Intersegment Sales	0	0	0	0	0	0
Sales	**496.0**	**276.5**	**269.9**	**489.3**	**507.0**	**523.6**
EBITDA[11]	**33.7**	**20.9**	**19.8**	**32.6**	**33.3**	**39.2**
Adjusted EBITDA[11,12]	**36.7**	**22.9**	**21.2**	**35.0**	**33.5**	**40.7**
Inventories[13]	—	125.2	130.0	121.0	119.8	128.4
Capital expenditures[14]	10.5	3.8	4.3	11.0	9.2	12.2
Eastern Europe						
Sales (net)[19]	**235.0**	**130.5**	**123.8**	**228.3**	**214.8**	**205.4**
Intersegment Sales	0	0	0	0	0	0
Sales	**235.0**	**130.5**	**123.8**	**228.3**	**214.8**	**205.4**
EBITDA[11]	**18.4**	**13.6**	**12.1**	**16.9**	**13.8**	**12.6**
Adjusted EBITDA[11,12]	**18.2**	**13.5**	**12.0**	**16.7**	**13.9**	**12.6**
Inventories[13]	—	74.1	73.4	70.2	66.0	67.8
Capital expenditures[14]	6.3	3.0	3.4	6.7	6.7	6.6

[1] Data, (i) when based on our Consolidated Financial Statements, is calculated by adding the relevant figure for the first half of 2014/2015 based on our Unaudited Interim Condensed Consolidated Financial Statements to the relevant figure for the financial year 2013/2014 based on our Audited Consolidated Financial Statements and subtracting the relevant figure for the first half of 2013/2014 based on our Unaudited Interim Condensed Consolidated Financial Statements, and (ii) when not based on our Consolidated Financial Statements is calculated by adding the relevant figure for the first half of 2014/2015 to the relevant figure for the financial year 2013/2014 and subtracting the relevant figure for the first half of 2013/2014, in each case based on our accounting records or our management reporting. Data includes in both cases the Nocibé Business for the period from July 1, 2014 until March 31, 2015, as well as, in each case accounted for in accordance with IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations", the Confectionery Business until April 30, 2014 and the Books Business, the Jewelry Business and the Fashion Business until October 1, 2014. The twelve-month period ended March 31, 2015 included the Easter holidays business of the calendar year 2014 as well as the calendar year 2015.

[2] Data including the Nocibé Business for the entire period and excluding the Non-Acquired Business (whereby the Books Business, the Jewelry Business and the Fashion Business which were accounted for in accordance with IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations" were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date). For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting*

Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements".

3 Data including the Non-Acquired Business (which was accounted for in accordance with IFRS 5) and excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group). For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements*".

4 Data including the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, for the months July to September 2014, and excluding the Non-Acquired Business. For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

5 Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business. For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

6 Net sales growth (in %) is defined as the difference between the sales in the period indicated and the sales in the comparable previous period divided by the sales in said comparable previous period.

7 E-commerce sales are defined as the sum of all invoiced sales relating to products and services by customer orders via websites, internet websites designed to be accessed via mobile or "smart" telephones (so-called "m" sites) or tablets (so-called "t" sites), or "apps" (applications designed to optimize internet usage with respect to a specific task using a mobile or "smart" telephone) and, for Germany, telephone orders after cancellations and backorders, as well as rebates, discounts and returns, disregarding any stock transfer from e-commerce to stationary business. E-commerce sales as shown in this table only relate to those of our online shops which are centrally managed, including our online shops operated in Germany, France (including, for the first half of 2014/2015, e-commerce sales in the amount of €22.4 million from the Nocibé Business), the Netherlands, Austria, Poland, Italy and Switzerland.

8 Like-for-like sales growth (in %) consists of sales growth (excluding the Nocibé Business, *i.e.*, only relating to the Douglas Perfumeries Business) from like-for-like stores calculated for the period indicated, shown as a percentage change from the corresponding previous period, and includes e-commerce sales growth, shown as a percentage change. A store is defined as like-for-like when it has been open for at least one entire financial year as of the lock-in date. The lock-in date for the like-for-like stores' portfolio for the first half of 2014/2015 and 2013/2014, as well as the financial years 2013/2014, 2012/2013 and 2011/2012 is the first day of the relevant period.

9 Like-for-like sales growth (stationary) (in %) consists of sales (excluding the Nocibé Business, *i.e.*, only relating to the Douglas Perfumeries Business) from like-for-like stores (as defined above) calculated for the period indicated, shown as a percentage change from the corresponding previous period.

10 Like-for-like sales growth (e-commerce) (in %) reflects our e-commerce sales growth, calculated for the period indicated, shown as a percentage change from the corresponding previous period.

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

12 Adjusted EBITDA comprises reported EBITDA, adjusted for exceptional items. Exceptional items related to (i) consulting fees, in the financial year 2012/2013 in connection with the First Douglas Acquisition, including consulting fees in relation to the squeeze-out in May 2013 and the delisting in August 2013, as well as, in the financial year 2013/2014 in connection with the Nocibé Acquisition, the Separation of the Non-Acquired Business and the implementation of certain efficiency measures, (ii) restructuring costs, primarily relating to the implementation of certain efficiency measures with a view to further optimizing our overhead costs and severance payments, (iii) effects from PPA related, in the financial year 2013/2014, to the Nocibé Acquisition and (iv) other exceptional items including, in the financial year 2013/2014, one-off inventory revaluations, synergy bonuses for Nocibé's management, property tax payments related to a corporate restructuring, as well as rent increases in Austria against which we have entered an objection. Exceptional items in the first half of 2014/2015 related to (i) PPA effects in connection with the Nocibé Acquisition, (ii) consulting fees mainly in connection with the Company in sale process and the Nocibé Acquisition as well as consulting fees in connection with the acquisition of Clin d'Oeil and the sales and transfers of the Books Business, the Jewelry Business and the Fashion Business effective as of October 1, 2014, (iii) restructuring costs from the recognition of a provision with respect to certain legal disputes and severance payments and (iv) other exceptional items which mainly related to rent increases in Austria against which we have entered an objection. In the first half of 2014/2015, the Austrian Supreme Court found that the taking private of the Douglas Group constituted a change of control within the means of the Austrian Act on Tenancy Law (*Mietrechtsgesetz*) and rejected the argument that the act violates the freedom of establishment (*Niederlassungsfreiheit*) and the freedom of movement of capital (*Kapitalverkehrsfreiheit*) under the European Union Treaty. As a result, rent increases in the amount of €1.3 million which were adjusted in the financial year 2013/2014 as extraordinary effects, must be classified from now on as recurring effects and consequently may not be adjusted from the financial year 2014/2015 onwards which has been reflected in our Unconsolidated Financial Statements for the first half of 2014/2015. We believe that Adjusted EBITDA is a useful performance measure. However, Adjusted EBITDA is not defined as a measure under IFRS. Therefore, Adjusted EBITDA should be viewed as supplemental but not as a substitute for data from the combined or consolidated income statements, statements of financial position or cash flow statements determined in accordance with IFRS. Since not all companies define Adjusted EBITDA in the same way, Adjusted EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. The following table shows for each period a reconciliation of our reported EBITDA to our Adjusted EBITDA, both on a Group as well as on a segmental level:

Reconciliation of reported EBITDA to Adjusted EBITDA (in €million)	Twelve-month period ended March 31,	Six-month period ended March 31,		Financial year ended September 30,		
	2015	2015	2014	2014	2013	2012
	(consolidated, unaudited)			(combined, unaudited—unless otherwise stated)		
EBITDA (as reported)	**175.9**	**140.8**	**89.5**	**126.8***	**164.3***	**169.7***
One-offs / adjustment	96.9	38.9	15.7	72.7*	16.4*	3.5*
thereof: consulting fees	37.8	6.0	5.5	37.2	8.8	2.0
thereof: restructuring costs	18.6	5.4	6.1	19.3	4.9	1.5
thereof: PPA	32.4	24.3	0	8.1	0	0
thereof: other	8.1	3.2	4.1	8.0	2.5	0
Adjusted EBITDA	**272.8**	**179.7**	**105.2**	**199.5***	**180.7***	**173.2***
Reconciliation by segment:						
Germany						
EBITDA (as reported)	**116.1**	**77.4**	**51.0**	**91.9***	**108.5***	**109.7***
One-offs / adjustment	34.9	7.0	14.2	41.1*	16.0*	2.0*
Adjusted EBITDA	**151.0**	**84.4**	**65.2**	**133.0***	**124.5***	**111.7***
France						
EBITDA (as reported)	**7.7**	**28.9**	**6.6**	**-14.6***	**8.7***	**8.2***
One-offs / adjustment	59.2	30.0	0.2	29.4*	0.1*	0*
Adjusted EBITDA	**66.9**	**58.9**	**6.8**	**14.8***	**8.8***	**8.2***
South-western Europe						
EBITDA (as reported)	**33.7**	**20.9**	**19.8**	**32.6***	**33.3***	**39.2***
One-offs / adjustment	3.0	2.0	1.4	2.4*	0.2*	1.5*
Adjusted EBITDA	**36.7**	**22.9**	**21.2**	**35.0***	**33.5***	**40.7***
Eastern Europe						
EBITDA (as reported)	**18.4**	**13.6**	**12.1**	**16.9***	**13.8***	**12.6***
One-offs / adjustment	-0.2	-0.1	-0.1	-0.2*	0.1*	0*
Adjusted EBITDA	**18.2**	**13.5**	**12.0**	**16.7***	**13.9***	**12.6***

* Audited.

13 Inventories comprise finished goods and merchandise, raw materials, consumables and supplies, as well as advances to suppliers for merchandise.

14 Capital expenditures relate to additions made to intangible assets (primarily relating to acquired and internally generated software) and property, plant and equipment (mainly regarding the opening and acquisition of new stores and investments in the design and re-design of existing stores).

15 Free cash flow is defined as sum of net cash flow from operating activities and net cash flow from investing activities.

16 Adjusted EBITDA minus capital expenditures corresponds to the difference of Adjusted EBITDA and capital expenditures, in each case for the period indicated.

17 Cash conversion is defined as the difference of Adjusted EBITDA and capital expenditures divided by Adjusted EBITDA, in each case in the period indicated.

18 The segment reporting of the Group prepared in conformity with the provisions of IFRS 8 reflects the internal management and reporting structure, which is based on geographical regions. For the purposes of segment reporting, the individual countries in which Douglas operates are allocated to the regions Germany (including as of October 30, 2014, Norway), France (including Monaco), South-western Europe (including Austria, Italy, the Netherlands, Portugal, Spain and Switzerland) and Eastern Europe (including Bulgaria, Croatia, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania and Turkey). Service and regional holding entities are allocated to the respective segments based on their place of business.

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

Selected Operating Data of Our Group

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

	As of / for the six-month period ended March 31,		As of / for the financial year ended September 30,		
Selected other key operating data	2015[1]	2014[2]	2014[3]	2013[4]	2012[4]
	(consolidated, unaudited)		(combined, unaudited)		
Retail store development:					
Total floor space (in thousand m², as of balance sheet date)	358.3	—	349.0	279.3	284.8
thereof in our segment Germany	124.3	—	123.6	123.4	123.6
thereof in our segment France	93.1	—	85.1	17.9	17.9
thereof in our segment South-western Europe	83.4	—	84.0	83.7	86.5
thereof in our segment Eastern Europe	57.6	—	56.3	54.3	56.7
Average sales per m² (in €thousand)[5]	4.2	—	7.5[14]	7.5	7.5
Number of stores (owned) as of the balance sheet date[6]	1,559	1,160	1,532	1,157	1,188
Store openings[7]	*13*	*21*	*30*	*22*	*39*
Store acquisitions[8]	*48*	*0*	*373*	*0*	*0*
Store closings[9]	*34*	*18*	*28*	*53*	*16*
Net change in stores (owned)	27	3	375	-31	23
E-commerce development:					
Active customers (in million)[10, 11]	1.9	1.4	2.3	1.9	1.4
Site visits (in million)[10, 12]	70.2	55.4	102.6	80.6	51.6
Fulfillment costs (in % of e-commerce sales)[10, 13]	12.8	14.1	13.5	14.5	15.8

[1] Data including the Nocibé Business for the entire period and excluding the Non-Acquired Business (whereby the Books Business, the Jewelry Business and the Fashion Business which were accounted for in accordance with IFRS 5 were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date). For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements*".

[2] Data including only the Douglas Perfumeries Business and excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group). For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Unaudited Interim Condensed Consolidated Financial Statements*".

[3] Data including the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, for the months July to September 2014, and excluding the Non-Acquired Business. For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

[4] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business. For further details see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

[5] Average sales per m² (in €thousand) is calculated as our gross sales from our stationary stores (including sales from the sale of products, from services and tax-exempt sales) for the indicated period divided by the weighted average square meters (weighted by reference to the number of months during the referenced period such retail store was held by Douglas) of our stationary stores.

[6] Number of stores (owned) represents directly operated stores only, but not franchised stores.

[7] Store openings comprise those directly operated stationary stores which generated sales for the first time in the period indicated.

[8] Store acquisitions comprise those directly operated stationary stores which were acquired from a third party in the period indicated.

[9] Store closures comprise those directly operated stationary stores which were closed and no longer generated sales in the period indicated.

[10] E-commerce data as shown in this table only relates to those of our online shops which are centrally managed, including our online shops operated in Germany, France (including, for the first half of 2014/2015, e-commerce sales in the amount of €22.4 million from the Nocibé Business), the Netherlands, Austria, Poland, Italy and Switzerland.

[11] Active customers are defined as the sum of all customers placing at least one e-commerce order in the period indicated for which an invoice has been issued, whereby a customer ordering multiple times under a guest account will be counted as multiple customers.

[12] We calculate site visits as the number of series of page requests from the same device and source (either via websites, internet websites designed to be accessed via mobile or "smart" telephones (so-called "m" sites) or tablets (so-called "t" sites), or "apps" (applications designed to optimize internet usage with respect to a specific task using a mobile or "smart" telephone) in the respective period as recorded via the analytics tool Webtrekk. A visit is considered ended when no requests have been recorded in more than 30 minutes.

[13] We define fulfillment costs as the sum of cost of freight, packaging material cost and storage cost, related to e-commerce sales, each attributable to our online shops which are centrally managed, including our online shops operated in Germany, France, the Netherlands, Austria, Poland, Italy and Switzerland, excluding costs and e-commerce sales attributable to the Nocibé Business.

[14] Data for Douglas Perfumeries Business only, *i.e.*, excluding effects from Nocibé Business.

Selected Financial Information from the Nocibé Consolidated Financial Statements

The following table shows selected data from the consolidated statement of comprehensive income of the Nocibé Consolidated Financial Statements for the periods indicated:

Selected data from the Nocibé consolidated statement of comprehensive income (in €million)	Short financial year ended September 30,	Financial year ended December 31,	
	2014[1]	2013 (audited)[2]	2012
Sales	**323.2**	**491.0**	**474.1**
Cost of raw materials, consumables and supplies and merchandise	-177.8	-269.0	-260.6
Gross profit from retail business	**145.4**	**222.0**	**213.5**
Other operating income	18.4	24.9	23.3
Personnel expenses	-65.1	-90.2	-91.5
Other operating expenses	-70.5	-99.9	-95.0
EBITDA[3]	**28.2**	**56.8**	**50.3**
Amortization/depreciation	-11.1	-11.8	-11.2
EBIT[4]	**17.0**	**45.0**	**39.1**
Financial income	0.1	0.2	0.3
Financial expenses	-39.2	-40.3	-41.8
Financial result	-39.2	-40.1	-41.5
Earnings before taxes (EBT)	**-22.2**	**5.0**	**-2.4**
Income taxes	6.4	-9.1	-3.4
Net loss for the year	**-15.7**	**-4.2**	**-5.8**

[1] Due to a shift of the financial year from the calendar year to the Douglas Group financial year (October 1 to September 30), the short financial year only comprises the nine-month period January 1, 2014 to September 30, 2014.

[2] Taken from the Nocibé Consolidated Financial Statements which were each jointly audited by Groupe Nocibé SAS's statutory auditors (Constantin Associés, a member of Deloitte Touche Tohmatsu Limited, and PricewaterhouseCoopers Audit, who differ from the Douglas Group statutory auditor RBS) who issued in each case an unqualified auditor's report thereon as included in this offering memorandum.

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

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

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

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

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

We have a complex financial history reflected by various sets of financial statements contained in this offering memorandum.

Overview of the Business Activities of the Douglas Group

We are the leading European specialist retailer of selective beauty and personal care products, with total pro forma sales of €2,494.3 million, pro forma EBITDA of €173.8 million and adjusted pro forma EBITDA of €256.0 million in the financial year 2013/2014. The vast majority of our sales are generated within the selective beauty distribution channel, which requires the formal approval of a supplier to carry a selective product, as opposed to the mass market channel. As of the date of this offering memorandum, we operate in 19 European countries with over 1,700 stores (including franchised stores) and have e-commerce operations in 15 countries. In five of our six core countries (*i.e.,* in Germany, France, the Netherlands, Poland and Austria), we have a top 1 or top 2 market position. In those five core countries, we generated over 80% of our sales in the financial year 2013/2014 on a pro forma basis.

Since being taken private in the financial year 2012/2013, Douglas has been transformed from a predominantly German diversified retail conglomerate into a leading pan-European selective beauty retailer. Our former non-beauty operating retail businesses were either sold to a third party or to subsidiaries of AI Beauty. Substantial operational improvement initiatives have been implemented over the past two years, particularly in the financial year 2013/2014, the first full financial year under our new management team, to further enhance our business model and position it for continued profitable growth going forward. In June 2014, we acquired the Nocibé Group, a leading beauty retailer in France to further strengthen our market position in France and as the leading specialist retailer of selective beauty and personal care products in Europe.

With an estimated CAGR for calendar years 2013-2019 of 2.6%, the European selective beauty market, which generally has shown a high degree of resilience even in periods of extended down cycles, is expected to exhibit attractive and sustainable growth and reach an overall market volume of €18.2 billion in 2019.

We primarily operate under the "Douglas" brand across countries. In France and Monaco, we are integrating all operations under the "Nocibé" brand after the acquisition of the Nocibé Group and its successful subsequent integration. As of today, only a few remaining stores in France still operate under the "Douglas" brand, with the brand switch ongoing.

With up to 35,000 different articles (SKUs as of March 31, 2015; based on our German online shop), we offer one of the industry's largest beauty and personal care product assortments available in our stationary stores and online. This assortment is complemented by a range of beauty-related accessories as well as selected service offerings. Our extensive product offerings across a wide range of price points make us a preferred brand for selective beauty and personal care in Europe. We believe that we distinguish ourselves by a customer-centric sales approach offering our customers high quality advice and services and that this, together with our reputation and our broad, well-invested store network in prime locations, as well as e-commerce capabilities, make us a "must-have" distribution platform for the major suppliers of selective beauty products.

We believe we are a pioneer in multi-channel selective beauty retailing in Europe, with highly integrated stationary store and e-commerce (including online and mobile) customer interfaces which allow our customers to browse online and buy in-store, or "click-and-collect". We have continuously invested in our e-commerce business with online shops in 15 countries and believe that we are one of the leading selective beauty online retailers in Europe. Particularly, we are the online market leader in the German market for selective beauty products, accounting for a share of approximately 51% in 2013, according to the OC&C Report. Going forward, the German selective beauty online market is expected to further benefit from substantial growth at a CAGR for the 2013-2019 of 17.5%, according to the OC&C Report. Our e-commerce sales pertaining to our centrally managed online shops amounted to €229.3 million in the twelve-month period ended March 31, 2015, corresponding to 9.4% of our total sales of which €22.4 million was attributable to the e-commerce sales from the Nocibé Business in the first half of 2014/2015. In the financial year 2013/2014, our e-commerce sales amounted to €180.0 million, or 8.6% of our total sales, corresponding to a CAGR of 30.4% during the financial year 2011/2012 to 2013/2014. We believe that our established German e-commerce platform can serve as a blueprint for our e-commerce activities in other countries, for example, through transposition of best practices.

As of March 31, 2015, we had more than 17,000 employees (including trainees).

Selected Factors Affecting Results of Operations and Financial Position

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

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

Development of the European Selective Beauty Market

We generate our sales predominately in the selective beauty distribution channel, which unlike the mass market channel, is based on distribution contracts requiring formal approval of suppliers before a retailer can carry a selective product. Consequently, our results of operations and financial position have historically been affected by developments in this market and by the general economic climate in regional markets where we operate, in particular in Germany and France.

The selective beauty market segment in most of Europe has demonstrated resilience even throughout more challenging retail trading environments, including during the European financial crisis. Beauty products (color cosmetics, skin care and also fragrances) are often perceived as accessible high-value gifts and so-called "personal rewards", which has contributed to the demand for such products in general remaining stable historically and showing resilience even during periods of extended economic downturns. In Europe's two largest markets (and also our key countries) Germany and France, the selective beauty market has historically strongly outgrown the larger mass retailing market for beauty and personal care products (5.0% against 1.4% CAGR for the calendar years 2009-2013, respectively, in Germany, and 3.1% against 1.2% CAGR for the same period, respectively, in France). We believe that this development is based on long-term, growth-driving consumer and industry megatrends such as beauty and care products, in general, and certain target customer groups, in particular gaining importance (from the Generation 50+ to very young female adolescents); beauty products being regarded as "personal rewards"; "anti-aging" and appearance consciousness, for example also by male customers; a tendency to regard shopping as an experience; an increasing desire to express personality and turn away from the mass; as well as new trends towards natural/medical beauty products. However, in Southern Europe, with a persistent decline of gross domestic product per capita, the typically resilient selective market was affected (CAGR for the calendar years 2008- 2013: -3.1%, gross domestic product decline was 0.9% p.a. during this period).

In addition to the overall growth of our business, the growth of our sales during the last three financial years from €1,938.7 million in the financial year 2011/2012 to €1,979.1 million and €1,992.1 million in the financial years 2012/2013 and 2013/2014, respectively, also reflected the resilience of the selective beauty market segment in most of Europe (the figure for the financial year 2013/2014 excludes sales contributions from the Nocibé Business in the period

July 1 to September 30, 2014, *i.e.,* only relates to the Douglas Perfumeries Business). In the first half of 2014/2015, our sales, on a consolidated basis, increased to €1,454.9 million as compared to €1,108.1 million in the first half of 2013/2014, of which an amount of €308.9 million resulted from the acquisition of the Nocibé Business (while additional €60.1 million related to sales generated by the Nocibé Business through transactions of the Nocibé Business with the Douglas Perfumeries Business in France, which were eliminated on consolidation) which was not part of our Group during the first half of 2013/2014. Besides the contributions from the Nocibé Business, the increase in our sales in the first half of 2014/2015 was driven in part by a strong Christmas business as compared to the previous year due to increased consumer confidence.

In order to address the specific challenges in the South-western European market, we have, in the last two financial years, undertaken a significant number of actions across countries, with a particular focus on Southern Europe, to improve overall profitability and build a platform for growth. These measures included the strengthening of regional leadership and management, a significant store portfolio restructuring in Spain, enhanced in-store selling efforts, a change in product mix more tailored to local markets, purchasing savings through a group-wide program and a staff efficiency program across numerous countries (see also *"—Cost Base and Efficiency Measures*"). In particular as a consequence of these measures and in the wake of the beginning economic recovery in this region, in the first half of 2014/2015, the performance of our segment South-western Europe improved with an increase in both sales (net) and Adjusted EBITDA from €269.9 million and €21.2 million, respectively, in the first half of 2013/2014 to €276.5 million and €22.9 million, respectively, in the first half of 2014/2015.

In the coming years, the selective beauty market segment is expected to continue to outgrow the mass beauty and personal care market in many European countries. For example, in Germany, according to the OC&C Report, the selective beauty market is expected to grow at a CAGR of 4.9% for the 2013-2019 period, which compares to 1.5% for the mass channel regarding beauty and personal care products for the same period, while in France, the selective beauty market is expected to grow at a CAGR of 2.0% for the 2013-2019 period, against a 1.2% CAGR for the mass channel regarding beauty and personal care products for the same period, according to the OC&C Report. Strong growth in Eastern Europe is expected to be another important driver of the European selective beauty market at a CAGR of 5.5% for the 2013-2019 period according to the OC&C Report. In particular, growth in the Polish selective beauty market is expected to further accelerate—the market is expected to grow at a CAGR of approximately 6.2% over the same period (source: OC&C Report). For additional information on the European selective beauty market, see "*Market and Competitive Environment*".

Trends towards Multi-channel Distribution and E-commerce

We focus on total like-for-like performance on a multi-channel basis including both stationary and e-commerce. However, in accordance with our overall strategy, e-commerce has seen a particular strong growth in recent financial years and has contributed above-average to our overall like-for-like growth. This development was underpinned by a strong underlying growth of the online selective beauty market, as well as recent improvements to our e-commerce platform and the pan-European roll-out of this platform.

Driven by constant changes in customer demand and shopping behavior, we have continuously invested in multi-channel distribution capacities, including our e-commerce platform, and have implemented organizational changes to integrate our stationary and online businesses. Although we see ourselves as the leading multi-channel pioneer in selective beauty retailing in Europe, with highly integrated stationary, online and mobile customer interfaces (which, for example, allow our customers to browse online/mobile and buy in-store, or "click-and-collect"), we expect such investments to continue in the future.

Our online shops have been an important source of profitable growth in the past few years and our results of operations have been positively influenced by the on-going trend towards e-commerce and multi-channel distribution. In the first half of 2014/2015, our e-commerce sales pertaining to our centrally managed online shops (as defined below) amounted to €145.3 million, corresponding to 10.0% of our total sales. For the twelve-month period ended March 31, 2015, our e-commerce sales totaled €229.3 million, or 9.4% of our total sales. E-commerce sales amounted to €180.0 million, corresponding to 8.6% of our overall sales in the financial year 2013/2014 and have been growing at a CAGR of 30.4% over the financial years 2011/2012 to 2013/2014. Of this increase of our e-commerce sales in the first half of 2014/2015, and consequently also in the twelve-month-period ended March 31, 2015, an amount of €22.4 million resulted from the first time consideration of the e-commerce sales from the Nocibé Business. When adjusted to exclude this effect, our e-commerce sales would have increased to €122.9 million in the first half of 2014/2015 and to €206.9 million in the twelve-month-period ended March 31, 2015. We define e-commerce sales as the sum of all invoiced sales relating to products and services by customer orders via websites, internet websites designed to be accessed via mobile or "smart" telephones (so-called "m" sites) or tablets (so-called "t" sites), or "apps" (applications designed to optimize internet usage with respect to a specific task using a mobile or "smart" telephone) and, for Germany, telephone orders after cancellations and backorders, as well as rebates, discounts and returns, disregarding any stock transfer from e-commerce to stationary business for those of our online shops which are centrally managed (including our online shops operated in Germany, France including, for the first half of 2014/2015, also e-commerce sales in the amount of €22.4 million from the Nocibé Business, the Netherlands, Austria, Poland, Italy and Switzerland, together the "centrally managed online shops").

The following table shows key operational e-commerce data for our centrally managed online shops for the periods indicated:

	Six-month period ended March 31,	Financial year ended September 30,		
	2015	2014	2013	2012
Key operational e-commerce data for our centrally managed online shops[1]	**(consolidated, unaudited)**	**(combined, unaudited)**		
E-commerce sales (in €million)	145.3[2]	180.0	145.1	105.9
E-commerce sales (in % of total sales)	10.0[2]	8.6	7.3	5.5
Number of orders (online; in thousand)[3]	2,678	3,999	3,304	2,456
Sales growth (e-commerce) (in %)[4]	28.0	24.1	37.0	53.9
Number of active customers (online; in million)[5]	1.9	2.3	1.9	1.4
Site visits (online; in million)[6]	70.2	102.6	80.6	51.6
Average basket size per order (online) (in €)[7]	45.90	45.02	43.91	43.12
Return rate (online; in %)[8]	4.6	4.9	4.7	5.2
Conversion rate (in %)[9]	3.8	3.9	4.1	4.7
Fulfillment costs (in €million)[10]	15.7	24.3	21.0	16.8
Fulfillment costs (in % of e-commerce sales)[10]	12.8	13.5	14.5	15.8

[1] Data as shown in this table only relates to those of our online shops which are centrally managed including our online shops operated in Germany, France (until the discontinuation of the French Douglas online shop in the financial year 2013/2014), the Netherlands, Austria, Poland, Italy and Switzerland. Data excludes the Nocibé Business.

[2] Thereof €22.4 million was attributable to the e-commerce sales of the Nocibé Business in the first half of 2014/2015.

[3] We define the number of orders as the number of customer orders placed in the financial year after cancelations and backorders; an order is counted on the day we fulfill the order.

[4] Sales growth (e-commerce) reflects our e-commerce sales growth, shown as a percentage change after the elimination of the e-commerce sales of the Nocibé Business in the amount of €22.4 million in the first half of 2014/2015.

[5] We define the number of active customers as the sum of all customers placing at least one order per financial year for which an invoice has been issued, whereby a customer ordering multiple times under a guest account will be counted as multiple customers.

[6] We calculate site visits as the number of series of page requests from the same device and source (either via websites, internet websites designed to be accessed via mobile or "smart" telephones (so-called "m" sites) or tablets (so-called "t" sites), or "apps" (applications designed to optimize internet usage with respect to a specific task using a mobile or "smart" telephone) in the respective period as recorded via the analytics tool Webtrekk. A visit is considered ended when no requests have been recorded in more than 30 minutes.

[7] We define the average basket size per order as the total amount spent by our customers (excluding VAT) after cancelations and returns divided by the number of delivered orders after cancelations in the financial year.

[8] We define the return rate as the ratio of the number of returned products and the number of products ordered, after cancellations and backorders and disregarding any stock transfer from e-commerce to stationary business.

[9] We define the conversion rate as the amount of all past customer orders before returns but after cancelations and backorders without relocations in a selected period divided by the number of visits in that period.

[10] We define fulfillment costs as the sum of cost of freight, packaging material cost and storage cost attributable to our online shops which are centrally managed, including our online shops operated in Germany, France, the Netherlands, Austria, Poland, Italy and Switzerland, excluding costs attributable to the Nocibé Business.

Online sales of the Nocibé Group also showed significant growth, increasing by 45.9% from €15.0 million in 2012 to €21.9 million in 2013. However, as a percentage of total sales of the Nocibé Group, online sales amounted to 4.5% and 3.2% in 2013 and 2012, respectively, representing a significantly lower portion of total sales as compared to the percentage of e-commerce sales of the Douglas Perfumeries Business. In the short financial year 2014, online sales contributed 4.1% of total sales of the Nocibé Group. We believe that our established German e-commerce platform can serve as a blueprint for our future French e-commerce activities, for example, through the transposition of best practices.

The continued growth of the Douglas Perfumeries Business' e-commerce platform has been accompanied by an increase of related variable costs, in particular cost of freight and packaging costs, which, on a relative basis, represent a larger portion in relation to our e-commerce cost base than in relation to our stationary stores. However, expressed as a percentage of e-commerce sales, these variable costs have constantly decreased during the last three financial years. Furthermore, despite the impact of our growing e-commerce business, our overall costs of transferring merchandise have been relatively stable during the last three financial years due to efficiency and improvement measures related to our logistic costs in general and, in particular, to our logistic costs attributable to our stationary stores.

We believe that there is potential for the e-commerce sales' share of our total sales to continue to rise which we believe would have a positive impact on the profitability of our business.

Expansion and Optimization of Store Network and Geographical Footprint

Our ability to increase our sales and our profitability is directly affected by the total number of stores that we operate. Moreover, our ability to continue to secure prime retail locations at costs that allow us to maintain our target profit margins is a key factor to our success.

The following table shows the development of our store portfolio broken down by directly operated and franchised stores for the periods indicated:

	Six-month period ended March 31,	Financial year ended September 30,		
	2015	2014[1]	2013[2]	2012[2]
Development of store portfolio	(consolidated, unaudited)	(combined, unaudited)		
Total floor space (in thousand m², as of balance sheet date)[3]	358.3	349.0	279.3	284.8
Average sales per m² (in €thousand)[4]	4.2	7.5[9]	7.5	7.5
Number of stores (owned) as of the balance sheet date[5]	1,559	1,532	1,157	1,188
Store openings[6]	*13*	*30*	*22*	*39*
Store acquisitions[7]	*48*	*373*	*0*	*0*
Store closings[8]	*34*	*28*	*53*	*16*
Net change in stores (owned)	27	375	-31	23
Number of franchised stores as of the balance sheet date	152	194	97	88
Franchised store openings[6]	*8*	*9*	*9*	*7*
Franchised store acquisitions[7]	*0*	*97*	*0*	*0*
Franchised store closings[8]	*50*	*9*	*0*	*0*
Net change in franchised stores	-42	97	9	7

[1] Data including the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, for the months July to September 2014, and excluding the Non-Acquired Business. For further details, see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

[2] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business. For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

[3] Total floor space (in thousand m², as of balance sheet date) relates to our directly operated stationary stores only (*i.e.*, excluding franchised stores).

[4] Average sales per m² (in €thousand) is calculated as our gross sales from our stationary stores (including sales from the sale of products, from services and tax-exempt sales) for the indicated period divided by the weighted average square meters (weighted by reference to the number of months during the referenced period such retail store was held by Douglas) of our stationary stores.

[5] Number of stores (owned) represents directly operated stores only, but not franchised stores.

[6] Store openings comprise those directly operated stationary stores which generated sales for the first time in the period indicated.

[7] Store acquisitions comprise those directly operated stationary stores which were acquired from a third party in the period indicated.

[8] Store closures comprise those directly operated stationary stores which were closed in the period indicated.

[9] Due to the Nocibé Acquisition during the financial year 2013/2014, data for the Douglas Group including the Nocibé Business cannot be calculated in a meaningful way. Instead, the figure shown relates to the Douglas Perfumeries Business only.

In the first half of the financial year 2014/2015, acquisitions of directly operated stores related to the acquisitions of Himmer with five perfumeries in Munich, Germany and Clin d'Oeil with 43 perfumeries in France. Of the 43 perfumeries pertaining to Clin d'Oeil, seven perfumeries are required to be divested to comply with national and EU competition law. The acquisition of 373 directly operated stores in the financial year 2013/2014, related to the Nocibé Acquisition of which 13 directly operated stores (together with 25 additional franchised stores) have to be sold in order for the Nocibé Acquisition to comply with national and EU competition law.

In the last three financial years, we actively managed our store portfolio, concentrating more on the optimization, *i.e.,* closing or replacing stores with lower profitability with stores in better locations as appropriate, and less on the expansion of our store network, which changed in the first half of 2014/2015 as further expansion has again become the focus of our attention. In the last three financial years, our openings of directly operated stores primarily focused on Eastern Europe, in particular on Poland, where we had identified certain opportunities to increase the number of stores.

Furthermore, we implemented selected closures in recent years to further optimize our store network, with the peak in the financial year 2012/2013. In order to address the challenges in the South-western European market which mainly resulted from the sovereign debt crisis in Europe, we implemented a number of actions across the region, also with a particular focus on Spain. These actions included a store closure program in the financial year 2012/2013, when we closed 15 stationary stores in Spain (on a net basis). Store closures continued in the financial year 2013/2014, albeit, with 6 stationary stores closed in Spain (on a net basis). In addition, we enhanced in-store selling efforts and tailored our product mix to the applicable markets, also with a focus on South-western Europe. In the Eastern Europe segment, we closed 9 (on a net basis) in the financial year 2012/2013 and opened 9 (on a net basis) in the financial year 2013/2014.

Our capital expenditures, on a combined basis, totaled €48.6 million, €45.1 million and €64.3 million in the financial years 2013/2014, 2012/2013 and 2011/2012, respectively. The majority of these capital expenditures related to investments in the refurbishment, maintenance, design and re-design of existing stores. The level of these refurbishment and maintenance capital expenditures was relatively stable over the last three financial years. At the same time, we have implemented a more efficient, centralized sourcing approach which led to improved purchasing terms, for example, with respect to shop fittings. The remaining part of our capital expenditures mainly related to the opening and acquisition of new stores, whereby those capital expenditures were higher in the financial year 2011/2012 as compared to the financial years 2012/2013 and 2013/2014, in particular due to the opening of certain larger stationary stores in the financial year 2011/2012. Of our capital expenditures for the financial year 2013/2014 of €48.6 million, capital expenditures in the amount of €5.8 million related to the Nocibé Business. In the first half of 2014/2015, capital expenditures totaled €34.1 million or 2.3% of sales, and related in principle to the same categories.

Growth and Value-Creation Initiatives

In the financial year 2012/2013 and in particular in the financial year 2013/2014, the first full financial year under our new management team, we implemented a number of operational and strategic initiatives to increase store productivity and like-for-like sales with respect to both e-commerce and stationary stores. Such initiatives included on the stationary side, the continuous improvement of our in-store offerings, the introduction of a new visual design, the roll-out of new product displays, improvement of visual merchandizing and marketing concepts, the use of professionalized space management and strengthened best practice sharing across the countries in which we operate. In addition, in 2013, we developed and began the roll-out of a new corporate design with a new visual identity as part of a broader initiative to rejuvenate the Douglas brand image. We believe that these measures will be a key driver for increased store traffic, customer conversion rates and average volume per purchase going forward, effects which we have already experienced in the first half of 2014/2015 where our sales grew on a like-for-like basis by 3.9% overall, with stationary sales increasing by 1.5% on a like-for-like basis.

Furthermore, changes in our product mix have impacted and are expected to continue to impact our sales and operating profit as profit margins for different categories and products vary. In particular, our private label and exclusive products recently have acted as sales and gross profit margin drivers and, also, allow for differentiation *vis-à-vis* key competitors. The aggregated sales share of our private label and exclusive products accounted for 16.8% of our total sales in the financial year 2013/2014 (figures adjusted to eliminate the effects of the Nocibé Business in the period July to September 2014). When adjusted to combine the Nocibé Business and the Douglas Perfumeries Business, private label products accounted for 2.8% of our total aggregated sales in the financial year 2013/2014 (figures adjusted to include the Nocibé Business for the whole financial year 2013/2014). Our exclusive products and, notwithstanding their lower average price points, our private label products generally have higher gross margins than products from third party brands because of less price pressure or lower sourcing expenses. On a product category basis, skin care and color cosmetics products both were slightly above average, while fragrances are slightly below average as compared to our Group's overall gross profit margin in the recent past.

We believe that the Nocibé Acquisition will further positively impact our private label business. The Nocibé Group rapidly grew the sales share of its private label products since the implementation of its dedicated private label strategy in April 2012 and, in the short financial year ended September 30, 2014, generated a significantly larger share of their sales from private label products than the Douglas Perfumeries Business in the financial year 2013/2014. However, we believe that the sales share of Nocibé's private label products in the short financial year ended

September 30, 2014 was still significantly below the private label share of best-in-class competitors such as Sephora, indicating substantial private label growth potential for our Group. We believe that the strong growth of private label products of the Nocibé Group helped and will continue helping to further increase the attractiveness and affordability of the products. In particular, the private label expansion at Nocibé positively impacted store traffic as, for example, private label customers showed an increased visit frequency as compared to other customers, led to significantly improved average purchase value for private label customers, which we believe was not at the expense of other product types, and also enabled Nocibé to access a more "trend-oriented" target group with new and younger customers, thereby rejuvenating and broadening Nocibé's customer base and image.

Since the Nocibé Acquisition, we have begun to leverage these private label capabilities developed by the Nocibé Group in France increasingly across other European countries in order to further complement our assortment of products, attract new customers, drive customer loyalty and further improve our margins. For example, we have recently launched Nocibé's comprehensive "Black" private label make-up range under the "Douglas" brand which, after roll-out in March 2015 in eleven countries, is expected to become available in all countries in which we operate during the course of 2015.

Cost Base and Efficiency Measures

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

Personnel expenses include the costs of staff in our directly operated stationary stores, staff operating our online shops and staff in our headquarters and other business operations performing mainly administrative, centralized and service functions. The compensation of our store employees includes a variable component based on the level of sales, which leads to some degree of fluctuation with respect to personnel costs. We also manage personnel expenses in our stores, to a certain degree, by varying staffing levels in anticipation of customer traffic.

In particular in the financial year 2013/2014, the first full financial year under our new management team, we implemented operational measures with a view to downsize overhead personnel and other staff to further improve overhead efficiency and to realize personnel efficiencies across our store portfolio in a number of countries, in particular through staff reduction measures implemented in Germany in May and June 2014. In Germany, in the financial year 2013/2014 and the first half of financial year 2014/2015, more than 300 store and overhead employees were made redundant. Furthermore, besides these measures in Germany, stationary store staff efficiency measures were implemented in certain other countries, particularly in the Netherlands, and also to a lesser extent in Austria and Italy. These actions included a store closure program in the financial year 2012/2013 and 2013/2014, when we closed a number of stationary stores in Spain and Croatia, as described above. Furthermore, we have recently focused on excellence in the execution of our processes, for example through the centralization and systematization of selected functions such as assortment planning, procurement, pricing and campaigning as well as through the improvement of support and administrative processes. For example, in 2013/2014, we negotiated and implemented Europe-wide sourcing contracts with our most important suppliers of goods for resale in order to secure competitive margins. In addition, we launched a comprehensive sourcing program in the financial year 2013/2014 to improve sourcing of indirect goods, such as energy, marketing materials or logistics, facility management and IT services, which led to further cost savings of approximately €3 million.

Our personnel expenses, which are in the vast majority fixed in the short term, increased from €438.0 million in the financial year 2011/2012 to €442.1 million in the financial year 2012/2013 and €470.7 million in the financial year 2013/2014. However, our personnel expenses adjusted for extraordinary effects in the amount of €16.6 million in the financial year 2013/2014, €3.7 million in the financial year 2012/2013 and €0.7 million in the financial year 2011/2012 (for further details, see "*—Results of Operations for the Financial Years 2013/2014, 2012/2013 and 2011/2012 (Combined)—Personnel Expenses—Comparison of the Financial Years 2013/2014 and 2012/2013 (Combined)*" and "*—Results of Operations for the Financial Years 2013/2014, 2012/2013 and 2011/2012 (Combined)—Personnel Expenses—Comparison of the Financial Years 2012/2013 and 2011/2012 (Combined)*"), in each case mainly related to severance payments in connection with the above described staff reduction measures as well as, in the financial year 2013/2014 effects from the Nocibé Business, increased slightly from €437.3 million in the financial year 2011/2012 to €438.4 million in the financial year 2012/2013 and €454.1 million in the financial year 2013/2014. On the same basis, expressed as a percentage of sales, our adjusted personnel expenses decreased from 22.6% in the financial year 2011/2012, to 22.2% in the financial year 2012/2013 and 21.7% in the financial year 2013/2014, primarily as a result of the above described personnel related measures. In the first half of 2014/2015, our personnel expenses adjusted for extraordinary effects in the amount of €1.6 million increased to €278.1 million, as compared to €232.6 million in the first half of 2013/2014 (where adjustments for extraordinary effects totaled €6.0 million, in each case mainly related to severance payments in connection with the above described staff reduction). This increase in our adjusted personnel expenses in the first half of 2014/2015 was mainly the result of the first time consolidation of the Nocibé Business. Expressed as a percentage of sales, our adjusted personnel expenses decreased from 21.0% in the first half of 2013/2014 to 19.1% in the first half of 2014/2015. In the twelve-month period ended March 31, 2015, our adjusted personnel expenses amounted to €499.6 million, or, 20.5% of sales. These recent improvements of our adjusted personnel expenses ratio mainly resulted from the aforementioned cost base and efficiency measures, in particular the headcount reductions in overhead functions as well as at the store level.

With respect to our other selling, general and administrative costs, which we define as the netted figure from other operating expenses and other operating income (the "other SG&A costs"), increased from €359.2 million in the financial year 2011/2012 to €368.7 million in the financial year 2012/2013 and €420.4 million in the financial year 2013/2014. When adjusted for extraordinary effects of €45.4 million in the financial year 2013/2014, €12.6 million in the financial year 2012/2013 and €2.9 million in the financial year 2011/2012 (for further details, see "*—Results of Operations for the Financial Years 2013/2014, 2012/2013 and 2011/2012 (Combined)—Other Operating Expenses—Comparison of the Financial Years 2013/2014 and 2012/2013 (Combined)*" and "*—Results of Operations for the Financial Years 2013/2014, 2012/2013 and 2011/2012 (Combined)—Other Operating Expenses—Comparison of the Financial Years 2012/2013 and 2011/2012 (Combined)*"), our other SG&A costs decreased from €356.3 million in the financial year 2011/2012 to €356.1 million in the financial year 2012/2013 before increasing to €375.0 million in the financial year 2013/2014 and, thus, increased significantly less in this three-year period when compared to the reported figures. Expressed as a percentage of sales, our adjusted other SG&A costs decreased from 18.4% in the financial year 2011/2012 to 18.0% in the financial year 2012/2013 and 17.9% in the financial year 2013/2014. In the first half of 2014/2015, our other SG&A costs, adjusted for extraordinary effects of €11.7 million mainly relating to consulting fees in connection with the potential sale of the business and the Nocibé Acquisition and restructuring costs related to the recognition of a provision with respect to certain legal disputes and severance payments, increased to €235.6 million from €193.4 million in the first half of 2013/2014 where adjustments amounted to €9.0 million (mainly related to the implementation of above described efficiency measures and consulting fees in connection with the financing of the Group) also primarily due to the first time consolidation of the Nocibé Business. Expressed as a percentage of sales, our adjusted other SG&A costs significantly decreased to 16.2% in the first half of 2014/2015 from 17.5% in the first half of 2013/2014. In the twelve-month period ended March 31, 2015, our adjusted other SG&A costs totaled €418.5 million, or, expressed as a percentage of sales, 17.2%. These recent improvements of our adjusted other SG&A ratio were mainly a result of the aforementioned cost base and efficiency measures, in particular the initiatives to centralize functions such as purchasing, as well as benefits from the Nocibé Business which has lower SG&A costs as percentage of sales due to their efficient cost management as compared to the Douglas Perfumeries Business.

With respect to rental costs, most of our lease agreements provide for fixed monthly lease payments, however some of the lease agreements contain sales-related additional lease payments, meaning that a portion of the lease payments is tied to the level of sales generated in the respective store, subject to a minimum lease payment floor. Moreover, in certain jurisdictions such as France, rents automatically increase pursuant to applicable law on the anniversary date of a lease in accordance with an official index or are otherwise tied to other indices (such as the *Baupreisindex* in Germany). Rent expenses (excluding ancillary costs, on a combined basis) increased from €167.0 million in the financial year 2011/2012 to €172.5 million in the financial year 2012/2013 and €181.9 million (of which €7.9 million was attributable to the Nocibé Business) in the financial year 2013/2014. Expressed as a percentage of sales, rent expenses (excluding ancillary costs) have been relatively stable in the last three financial years. In the first half of 2014/2015, rent expenses (excluding ancillary costs) amounted to €105.2 million as compared to €89.7 million in the first half of 2013/2014. This increase was attributable to the Nocibé Business which accounted for rent expenses (excluding ancillary costs) of €16.1 million in the first half of 2014/2015. Expressed as a percentage of sales, rent expenses (excluding ancillary costs) decreased to 7.2% in the first half of 2014/2015 from 8.1% in the first half of 2013/2014. In the twelve-month period ended March 31, 2015, our rent expenses (excluding ancillary costs) totaled €202.1 million or 8.3% of sales. These recent improvements of our rent expenses (excluding ancillary costs) ratio was mainly a result of the strong increase of our e-commerce sales and also of comparatively low rent expenses as percentage of sales from the Nocibé Business.

The first results of these growth and value-creation initiatives described above were the main drivers which led to the improvement of our Adjusted EBITDA margin from 8.9% in the financial year 2011/2012 to 9.1% in the financial year 2012/2013, 9.5% in the financial year 2013/2014, 10.3% in the financial year 2013/2014 as based on our Unaudited Pro Forma Financial Information to 11.2% in the twelve-month period ended March 31, 2015. Accordingly, our

Adjusted EBITDA increased from €173.2 million in the financial year 2011/2012 to €180.7 million and €199.5 million the financial years 2012/2013 and 2013/2014 corresponding to a CAGR of 7.3%. In the financial year 2013/2014, as based on our Unaudited Pro Forma Financial Information, our Adjusted EBITDA amounted to €256.0 million. In the twelve-month period ended March 31, 2015, our Adjusted EBITDA totaled €272.8 million. Thus, when compared to the financial year 2011/2012, our Adjusted EBITDA in the twelve-month period ended March 31, 2015 was more than €100 million higher, primarily due to the increase in sales which we were able to grow organically and through acquisitions, but also as a result of significant savings in SG&A expenses (as a percentage of sales).

In the first half of 2014/2015, our Adjusted EBITDA margin increased to 12.4% from 9.5% in the first half of 2013/2014, with an Adjusted EBITDA at €179.7 million in the first half of 2014/2015, as compared to €105.2 million in the first half of 2013/2014 (our (adjusted) EBITDA margin for the first half of a financial year is typically above the relevant margin for the full financial year). Of this increase in the first half of 2014/2015, €47.3 million was attributable to the Nocibé Business which was not part of our Group during the first half of 2013/2014. Excluding the effects from the Nocibé Business, our Adjusted EBITDA increased to €132.4 million in the first half of 2014/2015. Besides the above mentioned strategic and operative measures and initiatives implemented in particular in the financial year 2013/2014, a positive impact of synergies from the Nocibé Acquisition, as well as scale effects in our e-commerce business particularly positively impacted our significant margin expansion. We also expect that these effects and trends will further positively affect our profitability in the short to medium term.

Marketing and Customer Retention

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

In particular, marketing is becoming an increasingly important factor to promote customer loyalty and influences our sales. In response to this fact, we have a variety of customer retention programs. An important loyalty program is the Douglas Card with around 10 million card holders in 16 countries across Europe which offers certain benefits to the individual card holder, such as vouchers, special rebates or the Douglas magazine. A similar loyalty card program, the Nocibé card program, exists in France and Monaco with around 8 million card holders. In-store couponing is another tool used to promote customer loyalty and to activate customers by receiving a benefit coupon for a future purchase. Based on an analysis regarding sales via our German Douglas Card customers, we believe that loyalty card holders are particularly attractive customers, as the average ticket volume of our German Douglas Card customers grew significantly more in the past three financial years as compared to our German non-loyalty card customers. Furthermore, based on the same analysis, in the financial year 2013/2014, our German Douglas Card customers spend approximately 20% more per customer per purchase than our German non-loyalty card customers (as measured by sales at stationary stores).

Seasonality, Working Capital and Inventory Management

Our product portfolio covers up to 35,000 different products and consists primarily of products with a relatively slow turnover rate and a highly seasonal demand.

We experience major seasonal fluctuations in our sales with a significant portion of our sales typically being driven by key consumer events. Our most important trading period is typically the six week period leading up to Christmas and the New Year that ends on December 31 (which period falls into the first quarter of our financial year). With respect to the Douglas Perfumeries Business, in the last three financial years, our first quarter typically represented 30-40% of our total sales (while the remaining sales were relatively equally split between the last three quarters) and 45-55% of our Adjusted EBITDA over the financial year (while we recorded the lowest Adjusted EBITDA contribution in the second quarter, with a relatively equal share of Adjusted EBITDA in the remaining two quarters). Thus, the financial information contained in our Unaudited Interim Condensed Consolidated Financial Statements for the first half of 2014/2015, which already reflected the financial year's Christmas business, is expected to account for a significant part of our sales and Adjusted EBITDA for the whole financial year 2014/2015. Our other important trading periods, varying from country to country, are those around St. Valentine's Day (in February), Easter (March or April, depending on the year) and Mother's Day (in May or June, depending on the year or country).

Also, our gross profit margin (defined as sales minus cost of raw materials, consumables and supplies and merchandise) fluctuated significantly during the course of the year due to the formation and release of provision. Furthermore, our gross profit margin is affected by variation in pricing of products as there is no need for any promotions during our most profitable trading periods, whereas otherwise our gross profit margin is impacted by price reductions and other promotions. Our operating expenses are also affected by seasonal trading patterns, such as the increase in the use of temporary workers during the busiest trading periods.

In addition, our net working capital also shows seasonal patterns, with investment in inventory generally reaching a peak in October and November while our trade payables, due to our general payment terms with suppliers, typically peak in December. The development of our net working capital is a key factor for our operating cash flow. We define net working capital as the sum of the sub-line items (i) inventories, (ii) trade accounts receivable, (iii) trade accounts payable, as well as (iv) other receivable and liabilities related to supplier receivables for rebates/bonuses and marketing subsidies (also see note 19 of our Audited Consolidated Financial Statements for the financial year 2013/2014), outstanding voucher liabilities, provisions for deliveries and services not yet invoiced (also see note 27 of our Audited Consolidated Financial Statements for the financial year 2013/2014). Our net working capital decreased significantly from €272.1 million as of September 30, 2012, to €235.9 million as of September 30, 2013 and €231.4 million as of September 30, 2014 (when excluding the impact of the Nocibé Business on our net working capital of €87.4 million as of September 30, 2014), mainly driven by a favorable change in payment dates for our trade accounts payable. Expressed as a percentage of sales, our net working capital ratio improved from 14.0% in the financial year 2011/2012, to 11.9% in the financial year 2012/2013 and 11.6% in the financial year 2013/2014 (all figures on a combined basis; figure for the financial year 2013/2014 excluding the effects of the Nocibé Business on our sales in the period July to September 2014 and our working capital as of September 30, 2014). Other than the above described seasonal fluctuation, our working capital remained relatively stable. This positive trend continued in the first half of 2014/2015, where our net working capital amounted to €263.9 million, or, expressed as a percentage of our sales in the twelve-month period ended March 31, 2015, to 10.8%, whereby these sales accounted for the sales from the Nocibé Business only for the period from July 1, 2014 to March 31, 2015, *i.e.,* only for nine months.

Also, we carefully manage our inventory with a strong focus on identifying the most relevant brands and maintaining an attractive overall inventory "age" profile. Thereby, we follow an approach strictly driven by our defined key performance indicators, tightly monitoring inventory turnover and out-of-stock products. We have implemented standardized processes for our product portfolio, product inventory, order and product liquidation planning and controlling. Our goal is to minimize the need for manual adjustments of our supply management and order process and rather operate with fully automated processes that require minimal human intervention. To this end, we first rolled out the demand forecast tool SAF by SAP, which enables the optimization of merchandise inventories in stores, in Germany in the financial year 2009/2010, and then subsequently in other countries, such as Switzerland and Austria in 2012, the Netherlands and Italy in 2013 and the first pilots in Poland in 2015. The SAF tool creates a general demand forecast (for up to 60 sales weeks), calculates the specific needs of all stores (including a security "buffer") and prepares weekly centralized orders of goods for each supplier taking into consideration particularities such as compliance with minimum order quantities.

Acquisitions and Joint Ventures

We have a track record of successfully executing acquisitions, including both large-scale acquisitions, such as the Nocibé Acquisition, as well as a number of smaller value accretive acquisitions of individual perfumeries or perfumery chains. For instance, in December 2014, we acquired Himmer, with five perfumeries in Munich, Germany and, in February 2015, Clin d'Oeil, with 43 perfumeries in France. The aggregated purchase price for these two acquisitions amounted to €27.8 million. The newly acquired stores contributed in total €4.6 million to our revenue in the first half of 2014/2015, with earnings before tax-contribution of €-0.1 million in the same period. Of the 43 perfumeries pertaining to Clin d'Oeil, seven perfumeries are required to be divested to comply with national and EU competition law.

Through the Nocibé Acquisition in June 2014, we substantially strengthened our market position in Europe and in particular in France, where we now operate the largest perfumery chain with 496 directly operated stores and 137 franchised stores (as of March 31, 2015) and are the second largest retailer in the French beauty and cosmetic market in terms of sales for 2013 (based on sales for the financial year 2013/2014/sales for the calendar year 2013, but including an aggregation of our and Nocibé's sales for such year, according to the OC&C Report; 13 directly operated and 25 franchised stores were to be sold in order for the Nocibé Acquisition to comply with national and EU competition law).

The Nocibé Acquisition and the amendments to our financing structure in connection therewith resulted in several significant effects in our income statement, statement of financial position and cash flow statements. The main effects are discussed under *"—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Factors Affecting Comparability of the Financial Information Used in this Offering Memorandum—The Nocibé Acquisition*" and "*Presentation of Selected Effects from the Nocibé Acquisition and the Separation of the Non-Acquired Business*".

While acquisitions of single stores or of beauty retailers (such as Nocibé) entail substantial capital expenditures or investments and lead to an overall increase of our fixed cost base, they also offer growth opportunities as well as the potential to save costs in the medium- to long-term through the realization of planned synergies and further economies of scale. We expect a mutual sharing of best practices of the Douglas Group and Nocibé Group to further enhance our competitiveness. While the Nocibé Group already had an efficient cost structure, it can benefit, for example, from Douglas' experience in exclusive products. In addition, we believe that the integrated business will benefit in particular from economies of scale, including with respect to improved purchasing terms and conditions. In turn, the Douglas Group can benefit from the Nocibé Group's expertise and experience relating to a centralized and efficient overhead management, as well as Nocibé Group's experience in private label.

In July 2012, we entered into a sourcing co-operation with Passion Beauté through the establishment of Douglas-Passion Beauté Achats S.A.S. ("DPB Achats"), an entity fully consolidated in our Audited Consolidated Financial Statements and our Audited Combined Financial Statements. In DPB Achats, we combined the sourcing for our French directly operated and franchised Douglas stores as well as for the store network of Passion Beauté, another French beauty retail chain. In the financial year 2011/2012, the business contributed sales, to our segment France in the amount of €20.5 million as it was only started in January 2012. In the financial year 2012/2013, it generated sales, in the amount of €45.0 million, which decreased to €38.4 million in the financial year 2013/2014 as a result of the reclassification of certain turnover to other operating income, which was previously accounted for under sales. In December 2014, we discontinued the co-operation due to such requirement of the competent cartel authorities. This termination will negatively impact the sales for our segment France but will have only a limited effect on our EBITDA as the business of DBP Achats as a procurement organization operated with a very small gross profit margin. In the first half of 2014/2015, DBP Achats contributed €17.6 million to our sales, whereas from the second half of the financial year to end on September 30, 2015 onwards DBP Achats will no longer contribute to our sales.

Separation of the Non-Acquired Business

Since being taken private in the financial year 2012/2013, Douglas has been transformed from a predominately German diversified retail conglomerate into a European pure-play beauty retailer. The Confectionery Business was sold to a third party with effect as of April 30, 2014. The Books Business, the Jewelry Business and the Fashion Business were sold and transferred to companies controlled by AI Beauty with effect as of October 1, 2014. Effective as of December 18, 2014, the Jewelry Business was sold and transferred to an international venture capital company. For further information on the Separation of the Non-Acquired Business, see "*Material Acquisitions and Divestitures—Divestiture of Non-Acquired Business*". Thus, we now exclusively focus on our core beauty and personal care business, where substantial operational improvement initiatives have been implemented in the past few years.

In our Consolidated Financial Statements, the Non-Acquired Business was accounted for in accordance with IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations" from October 1, 2013 to, with respect to the Confectionery Business, the effective date of the sale on April 30, 2014 and, with respect to the Books Business, the Jewelry Business and the Fashion Business, the effective date of their separation on October 1, 2014. The Separation of the Non-Acquired Business, including the application of IFRS 5 and its deconsolidation, as well as certain amendments to the financing structure of the Group in connection with the Separation of the Non-Acquired Business had effects on our results of operations, financial position and cash flows, which are reflected in our Consolidated Financial Statements. These effects related, in particular, to realized profits in connection with the sale of the Confectionery Business as well as to certain fully expensed adjustments resulting from the reclassification of the Books Business and the Fashion Business in accordance with IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations" in the financial year 2013/2014. Thus, in general terms, assets and liabilities of the discontinued operations were presented in a condensed form in separate lines "assets held for sale" and "liabilities held for sale" in the consolidated statements of financial position for the financial year 2013/2014, whereas these assets and liabilities were accounted for under the respective line items of our consolidated statements of financial position for the previous financial year. The earnings from the discontinued operations were presented separately in a condensed form as an additional line item of the consolidated income statements for the financial year 2013/2014 below earnings from continued operations and the net cash flows attributable to the operating, investing, and financing activities of the discontinued operations were also presented as a separate line item on the face of the consolidated statements of cash flows for the financial year

2013/2014. Regarding our consolidated income statements, as well as consolidated statements of cash flows, the comparative figures for the financial year 2012/2013 included in our Audited Consolidated Financial Statements for the financial year 2013/2014, as well as the comparative figures for the first half of 2014/2015 included in our Unaudited Interim Condensed Consolidated Financial Statements also represent the discontinued operations separately, whereas the comparative figures for these periods include with respect to our consolidated statements of financial position the respective assets and liabilities attributable to the Non-Acquired Business under the respective line items together with the assets and liabilities pertaining to our Acquired Business.

The sales attributable to the Non-Acquired Business totaled €1,232.3 million in the financial year 2012/2013. In the same period, the gross profit generated by the Non-Acquired Business amounted to €425.5 million, the EBITDA contribution of the Non-Acquired Business amounted to €-69.0 million, the EBIT contribution of the Non-Acquired Business amounted to €-109.2 million, the financial result of the Non-Acquired Business amounted to €-7.3 million, the earnings before tax-contribution of the Non-Acquired Business amounted to €-116.5 million and the profit or loss for the year related to the Non-Acquired Business amounted to €-94.0 million (all figures taken from the Audited Consolidated Financial Statements for the financial year 2012/2013).

For detailed information on the effects of the Separation of the Non-Acquired Business on our financial information, see below *"—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Factors Affecting the Comparability of the Audited Combined Financial Statements—The Separation of the Non-Acquired Business*" and *"—Presentation of Selected Effects from the Nocibé Acquisition and the Separation of the Non-Acquired Business*". For information on certain risks related to the Separation of the Non-Acquired Business, see "*Risk Factors—We incurred certain obligations and may face certain risks (subletting risk, non-fulfillment risk with respect to transitional service agreements) in connection with the divestiture of our non-perfumeries business.*"

Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability

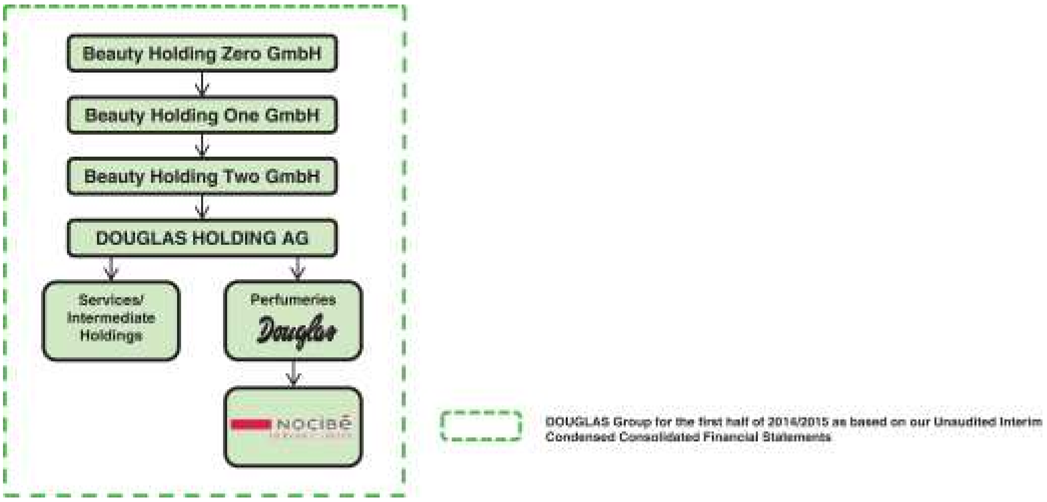
Presentation of the Financial Information Used in this Offering Memorandum

Unaudited Interim Condensed Consolidated Financial Statements

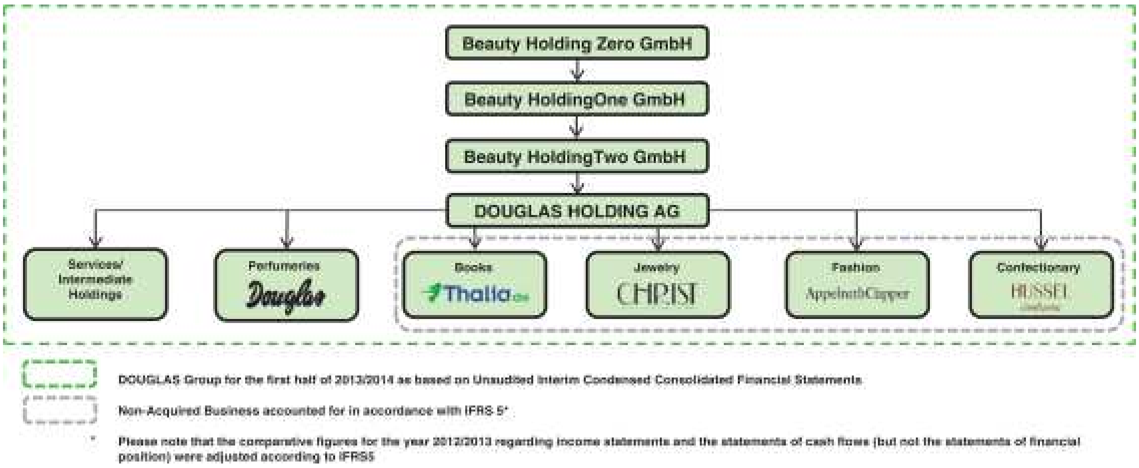
The financial and business information of our Group as of and for the first half of 2014/2015 and the first half of 2013/2014 marked "unaudited", is based on and has been derived from our Group's Unaudited Interim Condensed Consolidated Financial Statements prepared by the Company as of and for the first half of 2014/2015 in accordance with IFRS applicable to interim financial reporting (IAS 34), as adopted by the European Union, including comparative figures for the first half of 2013/2014.

The information contained in our Unaudited Interim Condensed Consolidated Financial Statements for the first half of 2014/2015 is not fully comparable to the comparative figures for the previous financial year's respective period due to the fact that (i) the Confectionery Business was sold to a third party with effect as of April 30, 2014 and was deconsolidated accordingly and the sales and transfers of the Books Business, the Jewelry Business and the Fashion Business were accounted as the first booking entry on October 1, 2014 in our Unaudited Interim Condensed Consolidated Financial Statements, whereas the comparative figures for the first half of 2013/2014 still accounted for the Non-Acquired Business which, in the statements of financial position, were fully consolidated, and, in the income statements and the statements of cash flows, were accounted for in a condensed form in accordance with IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations"; and (ii) the comparative figures for the first half of 2013/2014 did not account for the Nocibé Group which at that time had not yet been acquired by the Douglas Group. In order to allow investors to make a more meaningful comparison of the unaudited interim condensed consolidated financial information for the first half of 2014/2015 and for the first half of 2013/2014, wherever possible, a calculation of the effects attributable to the Separation of the Non-Acquired Business and the Nocibé Acquisition has been included. The diagrams below show those entities included within the scope of the Unaudited Interim Consolidated Financial Statements for the first half of 2014/2015 and the first half of 2013/2014, respectively:

- ***First half of 2014/2015***


Beauty Holding Zero GmbH
Beauty Holding One GmbH
Beauty Holding Two GmbH
DOUGLAS HOLDING AG
Services/ Intermediate Holdings
Perfumeries
Douglas
NOCIBÉ
DOUGLAS Group for the first half of 2014/2015 as based on our Unaudited Interim Condensed Consolidated Financial Statements

- First half of 2013/2014


Beauty Holding Zero GmbH
Beauty HoldingOne GmbH
Beauty HoldingTwo GmbH
DOUGLAS HOLDING AG
Services/ Intermediate Holdings
Perfumeries
Douglas
Books
Thalia.de
Jewelry
CHRIST
Fashion
AppelrathCüpper
Confectionary
HUSSEL
DOUGLAS Group for the first half of 2013/2014 as based on Unaudited Interim Condensed Consolidated Financial Statements
Non-Acquired Business accounted for in accordance with IFRS 5*
* Please note that the comparative figures for the year 2012/2013 regarding income statements and the statements of cash flows (but not the statements of financial position) were adjusted according to IFRS5

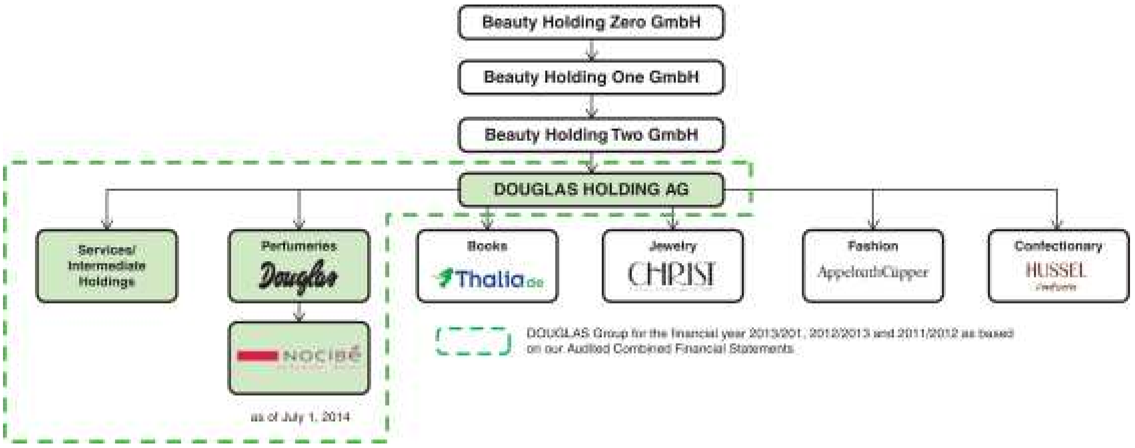
For further information on the factors affecting comparability of our Unaudited Interim Condensed Consolidated Financial Statements see also "*—Factors Affecting Comparability of the Financial Information Used in this Offering Memorandum*".

Audited Combined Financial Statements

The financial and business information of our Group as of and for the financial years 2013/2014, 2012/2013 and 2011/2012, if marked "audited", is, unless otherwise stated, based on and has been derived from our Audited Combined Financial Statements prepared by Douglas Holding AG as of and for the financial year 2013/2014 (including comparative figures for the financial years 2012/2013 and 2011/2012) in accordance with IFRS, as adopted by the European Union, taking into account the basis of preparation as described in the notes thereto.

Our Audited Combined Financial Statements were audited by RBS, who issued for each financial year included therein an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) thereon as included in this offering memorandum. The audit of our Audited Combined Financial Statements was conducted in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institut der Wirtschaftsprüfer in Deutschland e.V.), which are compliant with ISA.

The Audited Combined Financial Statements were prepared to provide historical financial information of the Douglas Group (Douglas Holding AG and only such direct and indirect subsidiaries pertaining to the Douglas Perfumeries Business, as well as certain service entities and intermediate holdings, including two companies of the former Books Business and Fashion Business), as more fully described in note 1 ("Basis of preparation—Scope of the entities included in the Combined Financial Statements") of our Audited Combined Financial Statements included in this offering memorandum. Our Audited Combined Financial Statements also include the Nocibé business as from the time of the consolidation of the entities pertaining to the Nocibé Group, *i.e.,* from July 1, 2014 until the cut-off date of the Audited Combined Financial Statements, September 30, 2014, but do not include the Company, Beauty Holding One GmbH or Beauty Holding Two GmbH (the direct and indirect parent companies of Douglas Holding AG) or, except for the two entities mentioned above, the entities relating to the Non-Acquired Business, within their scope. Costs from Holding Companies in the financial year 2012/2013 only reflected in our Audited Consolidated Financial Statements but not in our Audited Combined Financial Statements include, in particular, administrative holding costs of €2.7 million, as well as financing costs relating to a bank loan of €20.7 million, and in the financial year 2013/2014, administrative holding costs of €1.7 million, as well as financing costs relating to shareholder loans and bank loans of €89.7 million. For the financial years 2013/2014, 2012/2013 and 2011/2012, all of the entities of the Douglas Group (as defined for purposes of our Audited Combined Financial Statements) were under the common control of Douglas Holding AG. The diagram below shows those entities included within the scope of the Audited Combined Financial Statements:



Our Audited Combined Financial Statements are the first financial statements of the Douglas Group, as described in note 1 of our Audited Combined Financial Statements, in accordance with IFRS 1.3. We prepared the Audited Combined Financial Statements using IFRS 1.D16 (a) ("predecessor accounting method"). We used the same accounting policies and valuation methods for the preparation of our Audited Combined Financial Statements, as those used for the preparation of the financial information included in historical consolidated financial statements of Douglas Holding AG, unless such accounting policies and valuation methods are not in accordance with IFRS when presenting the Douglas Group as a group of companies independent of Douglas Holding AG. These accounting policies have been disclosed under note 4 ("Accounting and valuation principles") to our Audited Combined Financial Statements. Our Audited Combined Financial Statements were prepared on a historical cost basis according to the current accounting policies of Douglas Holding AG as included in the historical consolidated financial statements of such company, based on Douglas Holding AG's date of transition to IFRS (October 1, 2004).

Since IFRS does not provide any guidance for the preparation of combined financial statements, IAS 8.12 has been used, which requires that the latest pronouncements of other standard setters, other accounting literature and accepted industry practice should be considered. Our Audited Combined Financial Statements have been derived from the aggregation of the net assets of Douglas Holding AG and its direct and indirect subsidiaries, as described in note 1 of our Audited Combined Financial Statements. All intra-group balances, income, expenses and unrealized gains and losses arising from transactions between Douglas Holding AG and its direct and indirect subsidiaries were eliminated when preparing the Audited Combined Financial Statements.

Due to the preparation of the Audited Combined Financial Statements, the presentation of equity for the Group differs from the presentation of equity as prescribed by IAS 1. "Invested equity" contains subscribed share capital and the cumulative retained earnings of the Douglas Holding AG and its direct and indirect subsidiaries. The invested equity also includes undistributed profits of companies comprising the combined Group as well as the components of other comprehensive income. Investments of the holding companies in the Douglas Group were eliminated against the equity of the respective subsidiaries. In addition, investments of the Douglas Group in companies relating to the Non-

Acquired Business were eliminated against equity of the Douglas Group. Dividend distributions and transfers of profit and loss subject to profit and loss transfer agreements are presented as other changes in equity similar to contributions of capital or withdrawals of capital respectively. In the combined cash flow statement such transactions are presented as proceeds or repayments of equity within cash flow from financing activities.

Income taxes were determined based on the assumption that the companies of the Douglas Group were separately taxable entities. This assumption implies that the current and deferred income taxes of all companies and of the tax groups within the Douglas Group were calculated separately and the recoverability of the deferred tax assets was also assessed accordingly for the financial years 2011/2012 and 2012/2013. In the financial year 2013/2014, the introduction of a new profit and loss transfer agreement for the formation of a new tax group, in which the Company is the tax group parent, caused a structure in which Douglas Holding AG becomes an interim tax group entity. The implication of this structure was that the allocation of income and deferred taxes was performed according to the group allocation method. This caused a systematic allocation of income and deferred taxes of the tax group parent to each tax group entity. Due to the fact that certain entities of the Douglas Group did not file separate tax returns in previous years, the respective current tax assets and liabilities, as well as the deferred tax assets on net operating losses, are deemed either contributed or distributed to the respective tax group member filing the tax return with a corresponding effect in the equity of the (non-Douglas Group) shareholder as of the end of the respective period. The taxes actually paid by the Douglas Group have been presented in our combined statements of cash flows; the deemed contributions or distributions have not been included. In financial year 2013/2014, all companies of Douglas Group were either separately taxable entities or were part of an income tax group within Douglas Group. Receivables and payables between Douglas Holding AG and Beauty Holding Two GmbH and the Holding Companies arising from the VAT group have been disclosed under other tax receivables and payables, respectively. Management considers the separate tax return approach to be reasonable, but not necessarily indicative of the tax income or expense that would have been incurred if the entities were indeed separate taxable entities.

Furthermore, for the preparation of our Audited Combined Financial Statements, it was necessary to make assumptions and estimates for adjustments relating to the Separation of the Non-Acquired Business that have an impact on assets and liabilities, as well as on income and expenses. Accordingly, our Audited Combined Financial Statements do not necessarily reflect the net assets, financial position and results of operations that would have been presented if the Douglas Group, as described in note 1 of our Audited Combined Financial Statements, had already existed during the periods presented. However, we believe that the operational business of the Acquired Business remained materially unchanged between the periods before the First Douglas Acquisition and the periods thereafter, with the exception of the Nocibé Acquisition. Our Audited Combined Financial Statements are not necessarily indicative of the future development of the business.

For further information on the preparation of our Audited Combined Financial Statements, including the determination of income taxes and several assumptions and estimates made in preparing our Audited Combined Financial Statements, see note 1 ("Basis of preparation") to our Audited Combined Financial Statements included in offering memorandum.

For information on the first-time application of certain IAS standards, see note 2 to our Audited Combined Financial Statements, included in this offering memorandum.

Our Audited Combined Financial Statements are included in this offering memorandum and are also discussed below.

Audited Consolidated Financial Statements

Our Group's Audited Consolidated Financial Statements were prepared by the Company—which was established on August 14, 2012 but only commenced its operating activities in December 2012—as of and for the financial years 2013/2014 and 2012/2013, respectively (including comparative figures for the respective previous financial year) in accordance with IFRS, as adopted by the European Union. Our Audited Consolidated Financial Statements were audited by RBS, who issued for each financial year an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) thereon. The audit of our Audited Consolidated Financial Statements was conducted in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institut der Wirtschaftsprüfer in Deutschland e.V.), which are compliant with International Standards on Auditing ("ISA").

The Audited Consolidated Financial Statements are included in this offering memorandum.

Financial and Business Information of the Nocibé Group

Financial information relating to the Nocibé Group as of and for the short financial year beginning January 1, 2014 and ended September 30, 2014, and as of and for the financial years ended December 31, 2013 and 2012 contained in this offering memorandum is based on the Nocibé Consolidated Financial Statements of Groupe Nocibé SAS prepared in accordance with IFRS, as adopted by the European Union, as of and for the short financial year ended September 30, 2014 (with comparative figures as of and for the financial years ended December 31, 2013 and 2012). The Nocibé Consolidated Financial Statements were each jointly audited by Groupe Nocibé SAS's statutory auditors, Constantin Associés (a member of Deloitte Touche Tohmatsu Limited) and PricewaterhouseCoopers Audit, who issued in each case an unqualified auditor's report thereon as included in this offering memorandum. They include Groupe Nocibé SAS and its direct and indirect subsidiaries, which together represent the "Nocibé Business."

The Nocibé Consolidated Financial Statements are included in this offering memorandum.

Factors Affecting Comparability of the Financial Information Used in this Offering Memorandum

When comparing financial information corresponding to the different periods, investors should take into account the following material differences resulting from the First Douglas Acquisition and the subsequent refinancing, the Separation of the Non-Acquired Business and the Nocibé Acquisition, as well as the resulting changes regarding the composition of the Douglas Group. Because of such effects, the financial information as presented in the different sets of financial statements included in this offering memorandum may not be fully comparable.

The First Douglas Acquisition

The First Douglas Acquisition was accounted for in accordance with IFRS 3—"Business Combinations." The application of purchase accounting under IFRS (purchase price allocation, "PPA"), as well as a reorganization of the financing of our Group following the First Douglas Acquisition had an effect on our results of operations, financial condition and cash flows.

In particular, in our Audited Consolidated Financial Statements for the financial year 2012/2013 the recognition and valuation effects from the PPA in relation to the First Douglas Acquisition as of December 1, 2012 totaled €905.3 million, of which €687.5 million pertained to the Acquired Business. Of this amount pertaining to the Acquired Business, €488.2 million related to brands, €37.7 million related to customer relationships and €10.3 million related to beneficial tenancy agreements, all of which were recognized within intangible assets, €105.7 million related to inventories as well as €4.9 million related to properties. After recognition of deferred tax liabilities in the amount of €207.0 million, a remaining amount of €247.7 million was recorded as goodwill in the financial year 2012/2013.

The following tables show the step-ups between book value and fair value as a result of the PPA in relation to the First Douglas Acquisition as of the dates indicated as well as the effects on the consolidated income statement before taxes for the periods indicated:

		Carrying amount of step-ups as of						
Step-ups in relation to PPA from First Douglas Acquisition (in €million)	**Originally as of Dec. 1, 2012**	**Sept. 30, 2013**	**Sept. 30, 2014**	**Sept. 30, 2015[1]**	**Sept. 30, 2016[1]**	**Sept. 30, 2017[1]**	**Sept. 30, 2018[1]**	**Sept. 30, 2019[1]**
Land	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Brand	488.2	488.2	488.2	488.2	488.2	488.2	488.2	488.2
Customer base	37.7	31.5	23.9	16.4	8.8	1.3	0	0
Beneficial tenancy agreements	10.3	8.1	5.6	3.0	0.4	0	0	0
Goodwill	247.7	247.7	247.7	247.7	247.7	247.7	247.7	247.7
Inventories	105.7	0	0	0	0	0	0	0

[1] In future reporting periods, the respective carrying amount of the step-ups in relation to PPA from First Douglas Acquisition may be subject to impairment tests according to IAS 36. As a consequence these amounts may be decreased by impairment charges which are to be expensed when incurred.

	For the financial year ended						
Effects on the consolidated income statement before taxes (in €million)[1]	**Sept. 30, 2013**	**Sept. 30, 2014**	**Sept. 30, 2015[2]**	**Sept. 30, 2016[2]**	**Sept. 30, 2017[2]**	**Sept. 30, 2018[2]**	**Sept. 30, 2019[2]**
Overall effects	-114.1	-10.1	-10.1	-10.2	-7.9	-1.3	0
thereof amortization and depreciation	-8.4	-10.1	-10.1	-10.2	-7.9	-1.3	0
thereof cost of raw materials, consumables and supplies and merchandise	-105.7	0	0	0	0	0	0

[1] Note, that amortization/depreciation of step-ups between book value and fair value as a result of the PPA are not tax deductible.

[2] In future reporting periods, the respective carrying amount of the step-ups in relation to PPA from First Douglas Acquisition may be subject to impairment tests according to IAS 36. As a consequence the amounts indicated may increase due to impairment charges which are to be expensed when incurred.

Furthermore, in relation to the First Douglas Acquisition as well as the squeeze-out in May 2013 and the delisting in August 2013, as based on our Audited Consolidated Financial Statements for the financial year 2012/2013, costs increased by €18.7 million due to considerable extraordinary personnel expenses of €3.7 million and to other operating expenses of €17.5 million, while we recorded extraordinary other operating income related thereto of €2.5 million. Also, the sale of inventories in the normal course of business during the financial year 2012/2013 led to a decline in gross profit (defined as the difference between sales and cost of raw materials, consumables and supplies and merchandise) by €105.7 million and an EBITDA charge of the same amount in our Audited Consolidated Financial Statements for the financial year 2012/2013. The PPA effects resulting from the First Douglas Acquisition, as described above, also cause comparability issues relating to our Audited Consolidated Statements mainly because of the inventory step-up in the amount of €105.7 million, which was fully expensed in the financial year 2012/2013, against no such expenses in the following financial year, and the fact that amortization and taxation effects were only considered for ten months in the financial year 2012/2013 and for a full year in the financial year 2013/2014.

In addition, also based on our Audited Consolidated Financial Statements for the financial year 2012/2013, our financial result for the financial year 2012/2013 was negatively impacted by higher financial expenses due to a higher level of borrowings, as well as increased credit margins from the financing agreements entered into by Beauty Holding Three AG (which, effective as of February 20, 2013, was merged as the transferring entity upstream into Beauty Holding Two GmbH as the absorbing entity) in connection with the First Douglas Acquisition. In order to finance the takeover offer submitted by Beauty Holding Three AG (later merged into Beauty Holding Two AG, which was then transformed into a German limited liability company) and the following steps related to the First Douglas Acquisition, a senior facilities agreement ("SFA") was entered by into by Beauty Holding Two GmbH with a banking syndicate on October 15, 2012, including a senior syndicated loan for originally €650 million (thereof €138.5 million paid to Beauty Holding Two GmbH and €61.5 million to Douglas Holding AG as "term loan a" and €311.5 million to Beauty Holding Two GmbH and €138.5 million to Douglas Finance B.V. as "term loan b"), and a mezzanine facility agreement ("MFA") relating to a mezzanine syndicated loan for €200 million (see also "*Material Acquisitions and Divestitures—Financing Agreements*"). The then existing financial agreements of Douglas Holding AG were redeemed. Douglas Holding AG became a party to the SFA and the MFA on October 17, 2012 to ensure the refinancing of the existing debt, whereas the debt push down was not implemented until the financial year 2013/2014. In addition, a revolving credit facility of €180.0 million granted to Beauty Holding Two GmbH was in place. Furthermore, a shareholder loan of €280.2 million was granted to Beauty Holding One GmbH by the AI Beauty Finance S.à r.l. In connection with these financing measures, a total disagio of €49.7 million was assumed and a redemption fee of €1.0 million incurred. Debt discounts were amortized over the term of the loan.

Most effects of the First Douglas Acquisition are not reflected in our Audited Combined Financial Statements, but in our Consolidated Financial Statements and our Unaudited Pro Forma Financial Information. However, transaction costs in relation to the First Douglas Acquisition were in part incurred by entities of the Douglas Perfumeries Business and, thus, were accounted for in our Audited Combined Financial Statements, and in part incurred by the Holding Companies and, in this respect were accounted for only in our Audited Consolidated Financial Statements, as the Audited Combined Financial Statements did not include the Holding Companies. Furthermore, certain effects from the refinancing of the Douglas Group in connection with the First Douglas Acquisition, as well as from the subsequent debt push down were reflected in our Audited Combined Financial Statements to the extent that these effects affected entities within the scope of our Audited Combined Financial Statements.

The Nocibé Acquisition

The Nocibé Acquisition, with effect for accounting purposes as of July 1, 2014, was accounted for in accordance with IFRS 3—"Business Combinations". The application of purchase accounting under IFRS and the amendments to the financing structure of the Group in connection with the Nocibé Acquisition had an effect on our results of operations, financial position and cash flows.

The purchase price amounted to €165.2 million and was fully paid in cash. The recognition and valuation effects from the PPA in relation to the Nocibé Acquisition amounted to €401.0 million in our Audited Consolidated Financial Statements and our Audited Combined Financial Statements for the financial year 2013/2014, both as of June 1, 2014. Thereof, €139.6 million related to the Nocibé brand, €17.5 million related to the customer base and €1.6 million related to beneficial tenancy agreements and €-0.2 million as deposits, all of which were recognized within intangible assets. €32.4 million related to the disclosure of hidden reserves regarding inventories. After recognition of deferred tax liabilities in the amount of €67.7 million, a remaining amount of €277.8 million was recorded as goodwill.

The following tables show the step-ups between book value and fair value as a result of the PPA in relation to the Nocibé Acquisition as of the dates indicated as well as the effects on the consolidated income statement before taxes for the periods indicated:

	Originally as of	Carrying amount of step-ups as of					
Step-ups in relation to PPA from Nocibé Acquisition (in €million)	**June 30, 2014**	**Sept. 30, 2014**	**Sept. 30, 2015[1]**	**Sept. 30, 2016[1]**	**Sept. 30, 2017[1]**	**Sept. 30, 2018[1]**	**Sept. 30, 2019[1]**
Brand	139.6	139.6	139.6	139.6	139.6	139.6	139.6
Customer base	17.5	16.6	13.1	9.6	6.1	2.6	0
Beneficial tenancy agreements	1.6	1.5	1.1	0.7	0.3	0	0
Goodwill	277.8	277.8	277.8	277.8	277.8	277.8	277.8
Inventories	32.4	24.3	0	0	0	0	0

[1] In future reporting periods, the respective carrying amount of the step-ups in relation to PPA from First Douglas Acquisition may be subject to impairment tests according to IAS 36. As a consequence these amounts may be decreased by impairment charges which are to be expensed when incurred.

	For the financial year ended					
Effects on the consolidated income statement before taxes (in €million)[1]	**Sept. 30, 2014**	**Sept. 30, 2015[2]**	**Sept. 30, 2016[2]**	**Sept. 30, 2017[2]**	**Sept. 30, 2018[2]**	**Sept. 30, 2019[2]**
Overall effects	-9.1	-28.2	-3.9	-3.9	-3.8	-2.6
thereof amortization and depreciation	-1.0	-3.9	-3.9	-3.9	-3.8	-2.6
thereof cost of raw materials, consumables and supplies and merchandise	-8.1[3]	-24.3	0	0	0	0

[1] Note, that amortization/depreciation of step-ups between book value and fair value as a result of the PPA are not tax deductible whereby deferred taxes were recognized.

[2] In future reporting periods, the respective carrying amount of the step-ups in relation to PPA from First Douglas Acquisition may be subject to impairment tests according to IAS 36. As a consequence the amounts indicated may increase due to impairment charges which are to be expensed when incurred.

[3] This €8.1 million amount was fully expensed in the financial year 2013/2014.

Effective as of December 20, 2013, the loan amount of a syndicated loan was extended by a further tranche in the amount of €275.0 million, mainly to allow for the acquisition of the Nocibé Group, and a partial amount of the original debt (€47.0 million) was redeemed. The SFA and the MFA were both amended and restated on several occasions, most recently on September 26, 2014, in order to adapt the financing structure to the new group structure including the acquired Nocibé companies. Furthermore, the initial financing of the Nocibé Group has been replaced.

For further information, see note 3 (Principles of Consolidation) to our Audited Consolidated Financial Statements and note 15 (Business Combinations) to our Audited Combined Financial Statements, both included in this offering memorandum.

In addition, certain assets of selected directly operated retail stores in France mainly relating to shop installation in the amount of €1.7 million were accounted for as assets held for sale in our Audited Consolidated Financial Statements and our Audited Combined Financial Statements for the financial year 2013/2014, as these retail stores were to be sold in order for the Nocibé Acquisition to comply with national and EU competition law.

In the first half of 2014/2015, the PPA in relation to the Nocibé Acquisition has impacted our results of operation through increased cost of raw materials, consumables and supplies and merchandise in the amount of €24.3 million and increased amortization/depreciation of €1.9 million.

Because the effective date of the Nocibé Acquisition for accounting purposes was July 1, 2014, our Audited Consolidated Financial Statements and Audited Combined Financial Statements reflected the Nocibé Acquisition only as from this date. Therefore, financial information for the financial year 2013/2014 based on the Audited Consolidated Financial Statements and Audited Combined Financial Statements does not include the Nocibé Business for the period October 1, 2013 to July 1, 2014 and, thus, the important Christmas period (for further details on the seasonality of our business see "*—Selected Factors Affecting Results of Operations and Financial Position—Seasonality, Working Capital and Inventory Management*"). Transaction costs and financing costs in relation to the Nocibé Acquisition were in part incurred by entities of the Douglas Perfumeries Business and, thus, were accounted for in our Audited Combined Financial Statements, and in part incurred by the Holding Companies and, in this respect, were accounted for only in our Audited Consolidated Financial Statements, as the Audited Combined Financial Statements did not include the Holding Companies.

Furthermore, regarding financial information based on our Unaudited Interim Condensed Consolidated Financial Statements for the first half of 2014/2015, the respective comparative period—October 1, 2013 to March 31, 2014—does not include effects from the Nocibé Business, whereas the Nocibé Business is fully reflected in the first half of 2014/2015.

In order to enable investors to make a more meaningful comparison between the aforementioned periods, the discussion of certain line items included below includes wherever possible a calculation of the effect attributable to the Nocibé Business.

The Separation of the Non-Acquired Business

After the First Douglas Acquisition, we initiated comprehensive measures for a strategic reorganization and realignment of the Douglas Group with the objective of concentrating our operating activities on our core business relating to beauty and care products, namely the Acquired Business. The Confectionery Business was sold to a third party with effect as of April 30, 2014, and the Books Business, the Jewelry Business and the Fashion Business were sold and transferred to companies controlled by AI Beauty with effect as of October 1, 2014. Effective as of December 18, 2014, the Jewelry Business was transferred to an international venture capital company.

The Separation of the Non-Acquired Business, including the application of IFRS 5 and its deconsolidation, as well as certain amendments to the financing structure of the Group in connection with the Separation of the Non-Acquired Business had effects on our results of operations, financial position and cash flows, which were not reflected in our Audited Combined Financial Statements but only in our Consolidated Financial Statements. However, transaction costs in relation to the Separation of the Non-Acquired Business were in part incurred by entities of the Douglas Perfumeries Business and, thus, were accounted for in our Audited Combined Financial Statements and in part incurred by the Holding Companies and, in this respect, were accounted for only in our Audited Consolidated Financial Statements, whereby in our Unaudited Interim Condensed Consolidated Financial Statements the Books Business, the Jewelry Business and the Fashion Business which were accounted for in accordance with IFRS 5 were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date.

For further information on the Separation of the Non-Acquired Business, see "*Material Acquisitions and Divestitures—Divestiture of Non-Acquired Business*").

Presentation of Selected Effects from the Nocibé Acquisition and the Separation of the Non-Acquired Business

When comparing financial information corresponding to the different periods, investors should take into account the effects from the Separation of the Non-Acquired Business and the Nocibé Acquisition.

The following tables show a comparison of the (i) Audited Combined Financial Statements for the financial years 2013/2014 and 2012/2013 and (ii) Unaudited Interim Condensed Consolidated Financial Statements for the first half of 2014/2015 and 2013/2014, in each case reflecting the impact from the above mentioned measures.

Comparison of the Audited Combined Financial Statements for the Financial Years 2013/2014 and 2012/2013

		Selected effects		
Comparison of Audited Combined Financial Statements 2013/2014 and 2012/2013 (in €million)	For the financial year ended / as of September 30, 2014	Effects from Nocibé Business[1]	Effects from PPA regarding Nocibé Acquisition[2]	For the financial year ended / as of September 30, 2013
	(audited)	(unaudited)		(audited)
Income Statements:				
Sales	**2,093.3**	**111.6**[3]	**0**	**1,979.1**
Cost of raw materials, consumables and supplies and merchandise	-1,075.5	-61.2[3]	-8.1	-1,004.1
Gross profit from retail business	**1,017.8**	**50.4**	**-8.1**	**975.0**
Other operating income	183.7	5.6	0	191.5
Personnel expenses	-470.7	-22.3	0	-442.1
Other operating expenses	-604.1	-27.5	0	-560.2
Income from other investments	0.1	0	0	0.1
EBITDA[4]	**126.8**	**6.3**	**-8.1**	**164.3**
One-offs/adjustment	72.7	0	8.1	16.4
Adjusted EBITDA[4,5]	**199.5**	**6.3**	**0**	**180.7**
Amortization/depreciation	-64.3	-3.2	-1.0	-73.8
thereof impairment losses[6]	*-1.8*	0	0	*-10.4*
EBIT[7]	**62.5**	**3.0**	**-9,1**	**90.5**
Financial income	55.0	0.1	0	8.0
Financial expenses	-84.8	-3.9	0	-28.3
Financial result	-29.8	-3.8	0	-20.3
Earnings before taxes (EBT)	**32.7**	**-0.8**	**-9.1**	**70.2**
Income taxes	-13.5	-0.8	3.1	-30.1
Net profit for the year	**19.2**	**-1.6**	**-5.9**	**40.1**
Profit attributable to non-controlling interests	0.3	0	0	0.2
Profit (loss) attributable to the Group shareholders	**18.9**	**-1.6**	**-5.9**	**39.9**
Statements of Financial Positions:				
Non-current assets	**840.1**	**85.9**	**435.5**	**393.2**
thereof intangible assets	528.6	32.2	435.5	60.6
thereof property, plant and equipment	245.6	35.0	0	231.4
thereof tax receivables	3.7	0	0	6.4
thereof financial assets	19.5	7.3	0	65.1
thereof deferred tax assets	42.7	11.4	0	29.7
Current assets	**966.0**	**167.1**	**24.1**	**734.1**
thereof inventories	542.6	103.3	24.3	401.5
thereof trade accounts receivable	39.2	11.4	0	38.1
thereof tax receivables	25.3	11.6	0	42.8
thereof financial assets	118.8	30.3	-0.2	121.8
thereof other assets	22.6	7.5	0	16.6
thereof cash and cash equivalents	217.5	3.0	0	113.3
Assets held for sale	**1,7**	1.7	0	**0**
Total assets	**1,807.8**	**254.1**	**459.6**	**1,127.3**
Equity[8]	**72.7**	**-189.1**	**395.0**	**433.5**
thereof net assets of Douglas Group[9]	88.7	-189.1	395.0	444.5
thereof other components of equity attributable to the shareholders of the Douglas Group[10]	-16.6	—	—	-11.4
thereof non-controlling interests	0.6	—	—	0.4

		Selected effects		
Comparison of Audited Combined Financial Statements 2013/2014 and 2012/2013 (in €million)	For the financial year ended / as of September 30, 2014	Effects from Nocibé Business[1]	Effects from PPA regarding Nocibé Acquisition[2]	For the financial year ended / as of September 30, 2013
	(audited)	(unaudited)		(audited)
Non-current liabilities	**1,196.8**	**264.2**	**64.6**	**262.6**
thereof pension provisions	32.8	1.7	0	28.7
thereof other non-current provisions	16.6	0.9	0	16.4
thereof financial liabilities[11]	1,065.6	261.6	0	197.5
thereof other liabilities	0.9	0	0	1.1
thereof deferred tax liabilities	80.9	0	64.6	18.9
Current liabilities	**538.3**	**179.0**	**0**	**431.2**
thereof current provisions	117.0	19.4	0	86.6
thereof trade accounts payable	207.1	58.8	0	147.3
thereof tax liabilities	30.2	5.6	0	47.3
thereof financial liabilities	48.2	81.0	0	34.1
thereof other liabilities	135.8	14.1	0	115.9
Total equity and liabilities	**1,807.8**	**254.1**	**459.6**	**1,127.3**

[1] With effect for accounting purposes as of July 1, 2014, we acquired the Nocibé Group. The operational activities of the Nocibé Business affected, *inter alia*, our combined income statements and combined statements of financial position. Those effects are shown here, however, excluding transaction costs relating to the Nocibé Acquisition which were primarily reflected in other operating expenses as extraordinary expenses and which were adjusted for in our Adjusted EBITDA (see "*—Results of Operations for the Financial Years 2013/2014, 2012/2013 and 2011/2012 (Combined)—EBITDA*").

[2] The Nocibé Acquisition was accounted for in accordance with IFRS 3—"Business Combinations". The PPA relating to the Nocibé Acquisition affected, *inter alia*, our combined income statements and combined statements of financial position. Those effects are shown here.

[3] The sales attributable to the Nocibé Business of €111.6 million included intercompany sales with the Douglas Perfumeries Business in the amount of €10.4 million and cost of raw materials, consumables and supplies and merchandise relating to the Nocibé Business include the corresponding cost of raw materials, consumables and supplies and merchandise both of which related to sales generated by the Nocibé Business through transactions of the Nocibé Business with the Douglas Perfumeries Business in France, which were eliminated on consolidation.

[4] EBITDA (calculated as sales less cost of raw materials, consumables and supplies and merchandise plus other operating income less personnel expenses less other operating expenses and plus income from other investments) is not defined as a measure under IFRS. Therefore, EBITDA should be viewed as supplemental but not as a substitute for data from the combined or consolidated income statements, statements of financial position or cash flow statements determined in accordance with IFRS. Since not all companies define EBITDA in the same way, EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. EBITDA as shown in the table above is unadjusted.

[5] Adjusted EBITDA comprises reported EBITDA, adjusted for exceptional items. Exceptional items related to (i) consulting fees, in the financial year 2012/2013 in connection with the First Douglas Acquisition, including consulting fees in relation to the squeeze-out in May 2013 and the delisting in August 2013, as well as, in the financial year 2013/2014 in connection with the Nocibé Acquisition, the Separation of the Non-Acquired Business and the implementation of certain efficiency measures, (ii) restructuring costs, primarily relating to the implementation of certain efficiency measures with a view to further optimizing our overhead costs and severance payments, (iii) effects from PPA related, in the financial year 2013/2014, to the Nocibé Acquisition and (iv) other exceptional items including, in the financial year 2013/2014, in particular one-off inventory revaluations, synergy bonuses for Nocibé's management, property tax payments related to a corporate restructuring, as well as rent increases in Austria against which we entered an objection. We believe that Adjusted EBITDA is a useful performance measure. However, Adjusted EBITDA is not defined as a measure under IFRS. Therefore, Adjusted EBITDA should be viewed as supplemental but not as a substitute for data from the combined or consolidated income statements, statements of financial position or cash flow statements determined in accordance with IFRS. Since not all companies define Adjusted EBITDA in the same way, Adjusted EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies.

[6] Impairment losses related to impairment tests in cash generating units and are triggered by ongoing negative contribution and intended store closures. Individual stationary stores each represent a cash generating unit.

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

[8] Due to the preparation of the Audited Combined Financial Statements of the Douglas Group for the financial years 2013/2014, 2012/2013 and 2011/2012, the Douglas Group's equity for these periods is presented on a combined group structure and contains "Net assets attributable to the shareholders of the Douglas Group" deducted by other comprehensive income components and "Other components of equity attributable to the shareholders of the Douglas Group".

[9] "Net assets of Douglas Group" are defined as the remainder of assets and liabilities as at balance sheet date.

[10] "Other components of equity attributable to the shareholders of the Douglas Group" are defined as other comprehensive income in accordance with IFRS.

[11] In the financial year 2013/2014, a debt push down (including the assumption of bank loans by Douglas Holding AG and Parfümerie Douglas GmbH from Beauty Holding Two GmbH) was implemented affecting, in particular, the non-current and current financial liabilities as shown in our Audited Combined Financial Statements. For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Factors Affecting Comparability of the Financial Information Used in this Offering Memorandum—The First Douglas Acquisition*".

Comparison of the Unaudited Interim Condensed Consolidated Financial Statements for the Statements First Half 2014/2015 and 2013/2014

Comparison of Unaudited Interim Condensed Consolidated Financial Statements first half of 2014/2015 and 2013/2014 (in €million)[1]	For the six-month period ended / as of March 31, 2015	Selected effects		For the six-month period ended / as of March 31, 2014
		Effects from Nocibé Business[2]	Effects from PPA regarding Nocibé Acquisition[3]	
	(unaudited)	(unaudited)		(unaudited)
Income Statements:				
Sales	**1,454.9**	**369.0[4]**	**0**	**1,108.1**
Cost of raw materials, consumables and supplies and merchandise	-787.1	-224.0[4]	-24.3	-577.7
Gross profit from retail business	**667.8**	**145.0**	**-24.3**	**530.4**
Other operating income	117.1	23.4	0	90.5
Personnel expenses	-279.7	-52.0	0	-238.6
Other operating expenses	-364.4	-70.5	0	-292.9
Income from other investments	0	0	0	0.1
EBITDA[5]	**140.8**	**45.9**	**-24.3**	**89.5**
One-offs/adjustment	38.9	1.4	24.3	15.7
Adjusted EBITDA[5,6]	**179.7**	**47.3**	**0**	**105.2**
Amortization/depreciation	-42.3	-6.5	-1.9	-34.4
EBIT[7]	**98.5**	**39.4**	**-26.2**	**55.1**
Financial income	0.8	0	0	4.4
Financial expenses	-48.6	-10.0	0	-52.1
Financial result	-47.8	-10.0	0	-47.7
Earnings before taxes (EBT)	**50.7**	**29.4**	**-26.2**	**7.4**
Income taxes	-24.5	-12.5	9.0	-5.1
Earnings from continued operations[8]	**26.2**	**16.9**	**-17.2**	**2.3**
Earnings from discontinued operations[9]	-143.2	0	0	-31.8
Net profit for the period	**169.4**	**16.9**	**-17.2**	**34.1**
Profit attributable to non-controlling interests	0.3	0	0	0.2
Profit (loss) attributable to the Group shareholders	**169.1**	**16.9**	**-17.2**	**33.9**
Statements of Financial Positions:				
Non-current assets	**1,568.3**	**125.9**	**433.6**	**1,370.2**
thereof intangible assets	1,268.9	48.6	433.6	964.5
thereof tangible assets	252.1	38.7	0	339.9
thereof tax receivables	3.7	0	0	6.7
thereof financial assets	3.4	26.3	0	4.7
thereof shares in associated companies	0	0	0	11.9
thereof deferred tax assets	40.2	12.4	0	42.5
Current assets	**1,050.3**	**224.0**	**-0.2**	**1,207.8**
thereof inventories	555.7	121.9	0	701.8
thereof trade accounts receivable	64.8	30.4	0	58.9
thereof tax receivables	37.6	20.3	0	48.5
thereof financial assets	78.8	40.7	-0.2	104.1
thereof other assets	26.9	7.7	0	23.7
thereof cash and cash equivalents	286.5	3.0	0	270.8
Assets held for sale	**0.2**	**0.2**	**0**	**0**
Total assets	**2,618.8**	**350.1**	**433.4**	**2,578.0**
Equity	**486.4**	**-150.1**	**377.8**	**449.0**
thereof capital stock / share capital	0	0	0	0
thereof additional paid-in capital / share premium	639.7	0	0	639.7
thereof retained earnings / reserves	-153.5	-150.1	377.8	-193.5
thereof non-controlling interests	0.2	0	0	2.8
Non-current liabilities	**1,504.5**	**281.2**	**55.6**	**1,421.4**
thereof pension provisions	32.9	1.8	0	39.1
thereof other non-current provisions	16.0	0.5	0	32.7
thereof financial liabilities	1,217.7	279.1	0	1,131.7
thereof other liabilities	0.8	0	0	1.2
thereof deferred tax liabilities	237.1	-0.2	55.6	216.7
Current liabilities	**627.9**	**219.0**	**0**	**707.6**
thereof current provisions	127.8	34.4	0	139.6
thereof trade accounts payable	236.5	69.3	0	273.4
thereof tax liabilities	71.3	21.3	0	55.6
thereof financial liabilities	39.4	82.5	0	64.1
thereof other liabilities	152.9	11.6	0	174.9
Liabilities related to assets held for sale	**0**	**0**	**0**	**0**
Total equity and liabilities	**2,618.8**	**350.1**	**433.4**	**2,578.0**

[1] The Books Business, the Jewelry Business and the Fashion Business were separated as the first booking entry on October 1, 2014 and the Confectionery Business was sold and transferred to a third party with effect for accounting purposes on April 30, 2014 and, thus, were deconsolidated on the respective date. As a result, our Unaudited Interim Condensed Consolidated Financial Statements first half of 2014/2015 only account for the Books Business, the Jewelry Business and the Fashion Business with respect to this first booking entry, and not at all with respect to the Confectionery Business, while our Unaudited Interim Condensed Consolidated Financial Statements for the first half of 2013/2014 still account for the Non-Acquired Business for the whole period, *i.e.* from October 1, 2013 until March 31, 2014, whereas the comparative figures for the first half of 2013/2014 regarding the income statements and the statements of cash flows (but not the statements of financial position) were adjusted according to IFRS 5, the effects of which are shown here.

[2] With effect for accounting purposes as of July 1, 2014, we acquired the Nocibé Group. The operational activities of the Nocibé Business affected, *inter alia*, our consolidated income statements and consolidated statements of financial position. Those effects are shown here.

[3] The Nocibé Acquisition was accounted for in accordance with IFRS 3 – "Business Combinations". The PPA relating to the Nocibé Acquisition affected, *inter alia*, our consolidated income statements and consolidated statements of financial position. Those effects are shown here.

[4] The sales attributable to the Nocibé Business of €369.0 million included intercompany sales with the Douglas Perfumeries Business in the amount of €60.1 million and cost of raw materials, consumables and supplies and merchandise relating to the Nocibé Business include the corresponding cost of raw materials, consumables and supplies and merchandise both of which related to sales generated by the Nocibé Business through transactions of the Nocibé Business with the Douglas Perfumeries Business in France, which were eliminated on consolidation.

[5] EBITDA (calculated as sales less cost of raw materials, consumables and supplies and merchandise plus other operating income less personnel expenses less other operating expenses and plus income from other investments) is not defined as a measure under IFRS. Therefore, EBITDA should be viewed as supplemental but not as a substitute for data from the combined or consolidated income statements, statements of financial position or cash flow statements determined in accordance with IFRS. Since not all companies define EBITDA in the same way, EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. EBITDA as shown in the table above is unadjusted.

[6] Adjusted EBITDA comprises reported EBITDA, adjusted for exceptional items. Exceptional items in the first half of 2014/2015 related to (i) PPA effects in connection with the Nocibé Acquisition, (ii) consulting fees mainly in connection with the Company in sale process and the Nocibé Acquisition as well as consulting fees in connection with the acquisition of Clin d'Oeil and the sales and transfers of the Books Business, the Jewelry Business and the Fashion Business effective as of October 1, 2014, (iii) restructuring costs from the recognition of a provision with respect to certain litigations in Austria and severance payments and (iv) other exceptional items which mainly related to rent increases in Austria against which we have entered an objection. In the financial year 2014/2015, the Austrian Supreme Court found that the taking private of the Douglas Group constituted a change of control within the means of the Austrian Act on Tenancy Law (*Mietrechtsgesetz*) and rejected the argument that the act violates the freedom of establishment (*Niederlassungsfreiheit*) and the freedom of movement of capital (*Kapitalverkehrsfreiheit*) under the European Union Treaty. Thus, rent increases in the amount of €1.3 million which were adjusted in the financial year 2013/2014 as extraordinary effects, must be classified from now on as recurring effects and consequently may not be adjusted from the financial year 2014/2015 onwards which has been reflected in our Unconsolidated Interim Financial Statements for the first half of 2014/2015. We believe that Adjusted EBITDA is a useful performance measure. However, Adjusted EBITDA is not defined as a measure under IFRS. Therefore, Adjusted EBITDA should be viewed as supplemental but not as a substitute for data from the combined or consolidated income statements, statements of financial position or cash flow statements determined in accordance with IFRS. Since not all companies define Adjusted EBITDA in the same way, Adjusted EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies.

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

[8] Earnings from continued operations relate to the Acquired Business.

[9] Earnings from discontinued operations relate to the Non-Acquired Business in its combination from time to time.

Segments

The segment reporting of the Group, prepared in conformity with the provisions of IFRS 8, reflects the internal management and reporting structure, which is based on geographical regions. For the purposes of segment reporting, the individual countries in which Douglas operates are allocated to the regions Germany (including as of October 30, 2014, Norway), France (including Monaco), South-western Europe (including Austria, Italy, the Netherlands, Portugal, Spain and Switzerland) and Eastern Europe (including Bulgaria, Croatia, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania and Turkey). Service and regional holding entities are allocated to the segments based on the region of their place of business. Transfers between our segments are conducted on an arm's length basis.

Segment sales (net) reflect the sales generated with third parties outside the Douglas Group while intersegment sales reflect any sales between our four regional segments. The key segmental performance indicators are Adjusted EBITDA and adjusted net income. EBITDA and net income are adjusted for either non-recurring or one-off items or impacts limited to a certain period of time. Non-recurring and one-off items include, but are not limited to, consulting fees, restructuring costs, extraordinary financing costs such as fees, costs incurred from the integration of the Nocibé Group and other extraordinary costs. Furthermore, net income is adjusted for impairment losses and, since the first half of 2014/2015, tax effects on the aforementioned adjustments. Segment inventory comprises finished goods and merchandise, raw materials, consumables and supplies as well as advances to suppliers for merchandise. Capital expenditure shown under segment reporting relates to additions made to intangible assets and property, plant and equipment. Segment assets generally comprise non-current assets. As a rule, segment assets do not include non-current tax positions.

Explanation of Key Income Statement Items

The following section provides an explanation of the key items or our audited consolidated and audited combined income statements.

Sales

Most of our sales are generated through the sales of goods, although part of our revenue is also generated through the sales of services (including certain IT and real estate services) that we offer as well as sales from our wholesale activities focused in DBP Achats which we discontinued in December 2014. In addition, "invoiced rebates" are accounted under sales as they are considered compensation for services we provide to our suppliers

Like-for-like sales growth (in %) consists of sales growth (excluding the Nocibé Business, *i.e.*, only relating to the Douglas Perfumeries Business) from like-for-like stores calculated for the period indicated, shown as a percentage change from the corresponding previous period, and our e-commerce sales growth, shown as a percentage change. A store is defined as like-for-like when it has been open for at least one entire financial year as of the lock-in date. The lock-in date for the like-for-like stores' portfolio for the first half of 2014/2015 and 2013/2014, as well as the financial years 2013/2014, 2012/2013 and 2011/2012 is the first day of the relevant period. Like-for-like sales growth (stationary) (in %) consists of sales (excluding the Nocibé Business, *i.e.*, only relating to the Douglas Perfumeries Business) from like-for-like stores (as defined above) calculated for the period indicated, shown as a percentage change from the corresponding previous period.

Like-for-like sales growth (e-commerce) (in %) reflects our e-commerce sales growth, calculated for the period indicated, shown as a percentage change from the corresponding previous period.

Cost of Raw Materials, Consumables and Supplies and Merchandise

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

Other Operating Income

Other operating income includes, in particular, refunds primarily for marketing costs, other recharged costs to related parties, income from leasing and subleasing largely resulting from stores leased that are not used, but are subleased and income from customer cards.

Personnel Expenses

Our personnel expenses primarily consist of wages and salaries. In addition, our personnel expenses cover social security charges, pension and other benefit costs (including expenses related to our defined contribution plans) as well as redundancy costs. Our personnel expenses largely relate to the staff employed in our stores. Additional personnel expenses include employees in the areas of product management, procurement and supply chain management as well as personnel expenses attributable to central functions, such as marketing, human resources, finance and IT.

Other Operating Expenses

Our other operating expenses mainly comprise rent and energy costs as well as marketing and advertising costs. In addition, the line item "other operating expenses" includes costs of transferring merchandising (*e.g.,* from warehouses or cross-docking centers to the stores), other services, and other costs, including IT costs, expenses from subleases to third parties, repair costs, etc.

EBITDA

EBITDA (calculated as sales less cost of raw materials, consumables and supplies and merchandise plus other operating income less personnel expenses less other operating expenses and plus income from other investments) is not defined as a measure under IFRS. Therefore, EBITDA should be viewed as supplemental but not as a substitute for data from the combined or consolidated income statements, statements of financial position or cash flow statements determined in accordance with IFRS. Since not all companies define EBITDA in the same way, EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. EBITDA as used in this section is unadjusted. Depreciation consists of regular depreciation on equipment (in particular furniture, fixtures and IT equipment in stores and warehouse premises), as well as on intangible assets (mostly on IT licenses). Adjusted EBITDA comprises reported EBITDA, adjusted for exceptional items. Exceptional items related to

(i) consulting fees, in the financial year 2012/2013 in connection with the First Douglas Acquisition, including consulting fees in relation to the squeeze-out in May 2013 and the delisting in August 2013, as well as, in the financial year 2013/2014 in connection with the Nocibé Acquisition, the Separation of the Non-Acquired Business and the implementation of certain efficiency measures, (ii) restructuring costs, primarily relating to the implementation of certain efficiency measures with a view to further optimizing our overhead costs and severance payments, (iii) effects from PPA related, in the financial year 2013/2014, to the Nocibé Acquisition and (iv) other exceptional items including, in the financial year 2013/2014, in particular one-off inventory revaluations, synergy bonuses for Nocibé's management, property tax payments related to a corporate restructuring, as well as rent increases in Austria against which we entered an objection. We believe that Adjusted EBITDA is a useful performance measure. However, Adjusted EBITDA is not defined as a measure under IFRS. Therefore, Adjusted EBITDA should be viewed as supplemental but not as a substitute for data from the combined or consolidated income statements, statements of financial position or cash flow statements determined in accordance with IFRS. Since not all companies define Adjusted EBITDA in the same way, Adjusted EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies.

EBIT

EBIT (calculated as EBITDA minus amortization/depreciation) is not defined as a measure under IFRS. Therefore, EBIT should be viewed as supplemental but not as a substitute for data from the combined or consolidated income statements, statements of financial position or cash flow statements determined in accordance with IFRS. Since not all companies define EBIT in the same way, EBIT as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies.

Financial Result

Our financial result represents our financial income and financial expenses, in accordance with IAS 39. The position "financial income" mainly includes income from loans and receivables, income from currency exchange rate differences, income from the discounting of provisions and income from non-controlling interest options. The position "financial expense" primarily includes expenses for financial liabilities at amortized costs, as well as expenses from the unwinding of discounted provisions, expenses from currency exchange rate differences, interest on credit card fees, interest effects from pensions pursuant to IAS 19, and the expense for non-controlling interest options.

Net Profit for the Year

Net profit for the year is calculated as EBT (earnings before taxes) less income taxes for the respective period.

Adjusted net profit for the year comprises reported net profit for the year, adjusted for (i) those exceptional items described above with respect to the Adjusted EBITDA, (ii) additionally adjusted for impairment losses as incorporated in the segment reporting of our Consolidated Financial Statements, (iii) exceptional items with respect to our financing costs as well as since the first half of 2014/2015 adjusted for (iv) the corresponding tax effects thereto.

Results of Operations for the First Half of 2014/2015 and 2013/2014 (Consolidated)

The following table shows our consolidated income statements for the periods indicated:

	Six-month period ended March 31,	
Consolidated income statements (in €million)	2015[1]	2014[2]
	(consolidated, unaudited)	
Sales	**1,454.9**	**1,108.1**
Cost of raw materials, consumables and supplies and merchandise	-787.1	-577.7
Gross profit from retail business	**667.8**	**530.4**
Other operating income	117.1	90.5
Personnel expenses	-279.7	-238.6
Other operating expenses	-364.4	-292.9
Income from other investments	0	0.1
EBITDA[3]	**140.8**	**89.5**
Amortization/depreciation	-42.3	-34.4
EBIT[4]	**98.5**	**55.1**
Financial income	0.8	4.4

Consolidated income statements (in €million)	Six-month period ended March 31,	
	2015[1]	2014[2]
	(consolidated, unaudited)	
Financial expenses	-48.6	-52.1
Financial result	-47.8	-47.7
Earnings before taxes (EBT)	**50.7**	**7.4**
Income taxes	-24.5	-5.1
Earnings from continued operations[5]	26.2	2.3
Earnings from discontinued operations[6]	143.2	31.8
Net profit for the period	**169.4**	**34.1**
Profit attributable to the Group shareholders	**169.1**	**33.9**
Profit attributable to non-controlling interests	0.3	0.2

[1] Data including the Nocibé Business for the entire period and excluding the Non-Acquired Business (whereby the Books Business, the Jewelry Business and the Fashion Business which were accounted for in accordance with IFRS 5 were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date). For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements".*

[2] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group) and presenting the Non-Acquired Business in a condensed form as dedicated line item "Earnings from discontinued operations" in accordance with IFRS 5. For further details, see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements".*

[3] EBITDA (calculated as sales less cost of raw materials, consumables and supplies and merchandise plus other operating income less personnel expenses less other operating expenses and plus income from other investments) is not defined as a measure under IFRS. Therefore, EBITDA should be viewed as supplemental but not as a substitute for data from the combined or consolidated income statements, statements of financial position or cash flow statements determined in accordance with IFRS. Since not all companies define EBITDA in the same way, EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. EBITDA as shown in the table above is unadjusted.

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

[5] Earnings from continued operations relate to the Acquired Business.

[6] Earnings from discontinued operations relate to the Non-Acquired Business in its combination from time to time.

Sales

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

Consolidated sales split by segment (in €million)	Six-month period ended March 31,	
	2015[1]	2014[2]
	(consolidated, unaudited)	
Sales	**1,454.9**	**1,108.1**
Sales split by segments[3]:		
Germany		
Sales (net)	**644.3**	**611.2**
Intersegment sales	10.3	8.9
Sales	**654.6**	**620.1**
France		
Sales (net)	**403.6**	**103.2**
Intersegment sales	7.7	0.3
Sales	**411.3**	**103.5**
South-western Europe		
Sales (net)	**276.5**	**269.9**
Intersegment sales	0	0
Sales	**276.5**	**269.9**
Eastern Europe		
Sales (net)	**130.5**	**123.8**

Consolidated sales split by segment (in €million)	Six-month period ended March 31,	
	2015[1]	2014[2]
	(consolidated, unaudited)	
Intersegment sales	0	0
Sales	**130.5**	**123.8**

[1] Data including the Nocibé Business for the entire period and excluding the Non-Acquired Business (whereby the Books Business, the Jewelry Business and the Fashion Business which were accounted for in accordance with IFRS 5 were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date). For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements*".

[2] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group) and the Non-Acquired Business. For further details, see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements*".

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

In the first half of 2014/2015, our consolidated sales increased by €346.8 million, or 31.3%, to €1,454.9 million from €1,108.1 million in the first half of 2013/2014.

Of this increase, €308.9 million was attributable to the Nocibé Business (while an additional €60.1 million related to sales generated by the Nocibé Business through transactions between the Nocibé Business and the Douglas Perfumeries Business in France, which were eliminated on consolidation), which was not part of the Douglas Group in the first half of 2013/2014, but was included in the first half of 2014/2015.

The remaining increase of €37.9 million, or 3.4%, in sales in the first half of 2014/2015 was driven by increased sales across all segments in particular due to strong sales over the 2014 Christmas period, the fact that the first half of 2014/2015 included the Easter holiday business (in March 2015) whereas in the financial year 2013/2014, the Easter holidays were in April and, thus, included in the second half of the financial year, the introduction of new product categories such as our Pantone skin tone measurement technology and our Professional Beauty products and increased sales relating to new products under our own brands labels, including such product lines as Douglas Naturals and Douglas Home Spa both of which were launched in September 2014. In addition, our e-commerce sales relating to our centrally managed online shops increased from €96.0 million in the first half of 2013/2014 to €145.3 million in the first half of 2014/2015 (of which €22.4 million related to the Nocibé Business). When excluding effects from the Nocibé Business, our e-commerce sales relating to our centrally managed online shops increased to €122.9 million in the first half of 2014/2015, corresponding to an increase of 28.0% when compared to the first half of 2013/2014. This increase was mainly driven by further results of the numerous operational excellence initiatives we have implemented, including a wide range of additional online service offerings, as well as the ongoing roll-out of our established German e-commerce platform as a blueprint into other countries. Our stationary business also contributed positively to the increase in our sales in the first half of 2014/2015. On a like-for-like basis, sales relating to our stationary stores increased by 1.5% in the first half of 2014/2015. This increase was primarily a consequence of ongoing effects of the implemented in-store initiatives and our improved assortment management process. Overall, including our stationary and our e-commerce business, the like-for-like growth rate of our sales in the first half of 2014/2015 was 3.9%, resulting from the various measures and initiatives implemented. Furthermore, first contributions from the Himmer and Clin D'Oeil stores which we acquired in December 2014 and February 2015, respectively, and which were partly included in our results for the first half of 2014/2015 positively affected our sales by €4.6 million in the first half of 2014/2015, with no corresponding effect in the first half of 2013/2014. On the other hand, the discontinuation of our French procurement organization, DBP Achats, which contributed sales of €17.6 million in the first half of 2014/2015 as compared to €25.4 million in the first half of 2013/2014, however, in both periods with marginal profitability, acted as a countereffect.

On a segment level, sales (net) of our German segment increased by €33.1 million, or 5.4%, to €644.3 million in the first half of 2014/2015 from €611.2 million in the first half of 2013/2014. This increase was mainly due to the ongoing strong sales growth of our German online shop, benefiting from our leading market position, strengthened online offerings and operational excellence initiatives. Furthermore, our German stationary business showed improved momentum and supported the increase in sales of the German segment in the first half of 2014/2015 primarily as a result of an enhanced focus on in-store sales measures such as the introduction of new store fittings with improved individual product presentation, particularly with respect to bestselling or promoted products. In addition, an improved gift card concept for the Christmas Business in 2014 and effects from enhanced cross-channel promotions also contributed to our improved business of our German stationary stores. Overall, including our stationary and our e-commerce business, sales (net) of our German segment experienced a like-for-like growth rate of 5.4% in the first half of

2014/2015 which was, despite the continued focus on the optimization of our store portfolio, significantly higher than the like-for-like growth rate of 1.1% in the same period of the prior financial year.

Sales (net) of our French segment increased by €300.4 million to €403.6 million in the first half of 2014/2015 from €103.2 million in the first half of 2013/2014. This increase was attributable to the Nocibé Business which was not yet part of our Group in the first half of 2013/2014 and which contributed sales (net) of €308.9 million (while additional €60.1 million related to sales generated by the Nocibé Business through transactions of the Nocibé Business with the Douglas Perfumeries Business in France, which were eliminated on consolidation) in the first half of 2014/2015. Sales (net) of our French Douglas Perfumeries Business decreased by €8.3 million in the first half of 2014/2015, mainly due to the discontinuation of our French procurement organization, DBP Achats, which contributed sales of €17.6 million in the first half of 2014/2015 as compared to €25.4 million in the first half of 2013/2014, however, in both periods with marginal profitability. Primarily due to the discontinuation of our French procurement organization, but also due to the streamlining of our product range in connection with the integration of our French Douglas Perfumeries Business into the Nocibé Business, on a like-for-like basis, sales (net) attributable to our segment France marginally decreased by 0.1%. Sales (net) of our French Douglas Perfumeries Business were also negatively impacted by the sales and transfers of 13 directly operated stores in the first half of 2014/2015 in order for the Nocibé Acquisition to comply with national and EU competition law. These effects were only in part compensated by first sales contributions from the 43 perfumeries pertaining to Clin d'Oeil which we acquired in February 2015.

Sales (net) of our South-western Europe segment increased by €6.6 million, or 2.4%, to €276.5 million in the first half of 2014/2015 from €269.9 million in the first half of 2013/2014, mainly as the result of the multiple measures which have been implemented in the last two financial years, including enhanced in-store selling efforts and a change in the product mix which is now even more tailored to the respective local markets. On a like-for-like basis, sales (net) of our segment South-western Europe increased by 1.9% in the first half of 2014/2015 as compared to the same period in the prior financial year. This positive trend was supported both by our stationary and our e-commerce business attributable to the South-western Europe segment.

Sales (net) of our Eastern Europe segment increased by €6.7 million, or 5.4%, to €130.5 million in the first half of 2014/2015 from €123.8 million in the first half of 2013/2014 and continued to be, in the first half of 2014/2015 jointly with our German segment, our fastest growing segment (when excluding the impact of the Nocibé Acquisition on our French segment). The main reasons for this increase were the positive gross domestic product ("GDP") development in key markets of the Eastern Europe segment, particularly in Poland which accounted for roughly half of this segment's sales in the first half of 2014/2015, with the selective beauty market benefitting over-proportionally, as well as our continued expansion in this segment through the opening of four stores in Bulgaria, Poland and Romania. Furthermore, in particular sales from private label and exclusive products, but also e-commerce sales, increased significantly in our Eastern Europe segment in the first half of 2014/2015, as compared to the first half of 2013/2014.

Cost of Raw Materials, Consumables and Supplies and Merchandise

In the first half of 2014/2015, our cost of raw materials, consumables and supplies and merchandise increased by €209.4 million, or 36.2%, to €787.1 million from €577.7 million in the first half of 2013/2014.

Of this increase, cost of raw materials, consumables and supplies and merchandise in an amount of €224.0 million (including cost of raw materials, consumables and supplies and merchandise related to the above described €60.1 million sales generated by the Nocibé Business through transactions of the Nocibé Business with the Douglas Perfumeries Business in France) were attributable to the Nocibé Business, which was not yet part of the Douglas Group in the first half of 2013/2014, but was included in the first half of 2014/2015. Also, PPA effects in connection with the Nocibé Acquisition of €24.3 million related to the sale of inventories in the normal course of business during the first half of 2014/2015 were recognized in cost of raw materials, consumables and supplies and merchandise.

Expressed as a percentage of sales, our cost of raw materials, consumables and supplies and merchandise increased from 52.1% in the first half of 2013/2014 to 54.1% in the first half of 2014/2015. This development was mainly due to the above described effects from the Nocibé Acquisition, in particular, due to the negative impact from PPA effects in connection with the Nocibé Acquisition. Excluding these effects from PPA as well as certain other extraordinary effects, our cost of raw materials, consumables and supplies and merchandise, expressed as a percentage of sales, in the first half of 2014/2015 would have increased from 52.1% to 52.4% due to the slightly lower gross margin levels of the Nocibé Business.

Other Operating Income

In the first half of 2014/2015, our other operating income increased by €26.6 million, or 29.4%, to €117.1 million as compared to €90.5 million in the first half of 2013/2014.

Of this increase, other operating income of €23.4 million resulted from the acquisition of the Nocibé Business, which was not yet part of the Douglas Group in the first half of 2013/2014, but contributed other operating income in the first half of 2014/2015. The remaining increase in the amount of €3.2 million was mainly affected by a variety of minor effects.

Personnel Expenses

In the first half of 2014/2015, our personnel expenses increased by €41.1 million, or 17.2%, to €279.7 million as compared to €238.6 million in the first half of 2013/2014.

The Nocibé Business, which was not yet part of the Douglas Group in the first half of 2013/2014, but was included in the first half of 2014/2015, accounted for personnel expenses of €52.0 million in the first half of 2014/2015.

Apart from the effect attributable to the Nocibé Business, the remaining effect of a decrease in personnel expenses of €10.9 million was mainly attributable to the personnel efficiencies which we realized across our German store portfolio, in particular through staff reduction measures implemented in May and June 2014 which came to full effect in the first half of 2014/2015. Furthermore, besides these measures in Germany, stationary store staff efficiency measures which were implemented in particular in the financial year 2013/2014 in certain other countries, particularly in Spain and Croatia (where we closed a number of stationary stores), but also in the Netherlands and, to a smaller extent, in Austria and Italy showed positive effects on our personnel expenses in the first half of 2014/2015 whereas the same period in the financial year 2013/2014 was affected by severance payments of €6.0 million. In the first half of 2014/2015, extraordinary effects in the form of severance payments were incurred in the amount of €1.6 million.

Expressed as a percentage of sales, our personnel expenses decreased from 21.5% in the first half of 2013/2014 to 19.2% in the first half of 2014/2015, mainly due to above described personnel related efficiency measures.

When adjusted for all extraordinary personnel related expenses of €1.6 million in the first half of 2014/2015 and €6.0 million in the first half of 2013/2014 (most of which related to severance payments) our personnel expenses, expressed as a percentage of sales, would have decreased from 21.0% in the first half of 2013/2014 to 19.1% in the first half of 2014/2015, as a result of the above mentioned efficiency measures implemented and, in particular, the lower personnel expenses ratio of the Nocibé Group.

Other Operating Expenses

In the first half of 2014/2015, our other operating expenses increased by €71.5 million, or 24.4%, to €364.4 million as compared to €292.9 million in the first half of 2013/2014.

Of this increase, operating expenses of €70.5 million were attributable to the Nocibé Business, which was not yet part of the Douglas Group in the first half of 2013/2014, but was included in the first half of 2014/2015.

Expressed as a percentage of sales, our other operating expenses decreased from 26.4% in the first half of 2013/2014 to 25.0% in the first half of 2014/2015. This development was mainly due to the disproportionately low increase in rent, ancillary rental costs and energy costs as a result of lower rent expenses as a percentage of sales for the Nocibé Group, the disproportionately strong e-commerce growth as well as a decrease in energy prices. When adjusted for extraordinary effects, which amounted to €11.7 million in the first half of 2014/2015 and €9.0 million in the first half of 2013/2014, our other operating expenses, expressed as a percentage of sales, would have decreased from 25.6% to 24.2%.

EBITDA

The following table shows, for the periods indicated, our EBITDA and EBITDA margin as well as Adjusted EBITDA and Adjusted EBITDA margin broken down by segment:

EBITDA / Adjusted EBITDA split by segment (in €million)	Six-month period ended March 31,	
	2015[1]	2014[2]
	(consolidated, unaudited)	
EBITDA	**140.8**	**89.5**
EBITDA margin (in %)	9.7	8.1
One-off items/adjustments	38.9	15.7
Adjusted EBITDA	**179.7**	**105.2**
Adjusted EBITDA margin (in %)	12.4	9.5
Split by segments:		
Germany:		
EBITDA	**77.4**	**51.0**
EBITDA margin (in %)	12.0	8.3
One-off items/adjustments	7.0	14.2
Adjusted EBITDA	**84.4**	**65.2**
Adjusted EBITDA margin (in %)	13.1	10.6
France		
EBITDA	**28.9**	**6.6**
EBITDA margin (in %)	7.2	6.4
One-off items/adjustments	30.0	0.2
Adjusted EBITDA	**58.9**	**6.8**
Adjusted EBITDA margin (in %)	14.6	6.6
South-western Europe		
EBITDA	**20.9**	**19.8**
EBITDA margin (in %)	7.6	7.3
One-off items/adjustments	2.0	1.4
Adjusted EBITDA	**22.9**	**21.2**
Adjusted EBITDA margin (in %)	8.3	7.9
Eastern Europe		
EBITDA	**13.6**	**12.1**
EBITDA margin (in %)	10.4	9.8
One-off items/adjustments	-0.1	-0.1
Adjusted EBITDA	**13.5**	**12.0**
Adjusted EBITDA margin (in %)	10.3	9.7

[1] Data including the Nocibé Business for the entire period and excluding the Non-Acquired Business (whereby the Books Business, the Jewelry Business and the Fashion Business which were accounted for in accordance with IFRS 5 were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date). For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements*".

[2] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group) and the Non-Acquired Business. For further details, see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements*".

In the first half of 2014/2015, our EBITDA increased by €51.3 million, or 57.3%, to €140.8 million from €89.5 million in the first half of 2013/2014.

Of this increase in EBITDA, €45.9 million was attributable to the Nocibé Business, which was not yet part of the Douglas Group in the first half of 2013/2014, but was included in the first half of 2014/2015. However, this contribution was partly offset by the negative impact in the amount of €24.3 million from PPA effects in connection with the Nocibé Acquisition relating to the sale of inventories in the normal course of business during the first half of 2014/2015 which was recognized in cost of raw materials, consumables and supplies and merchandise.

Other than the effect attributable to the Nocibé Business, the remaining increase of €5.4 million mainly resulted from the numerous efficiency measures which we have implemented particularly in the financial year 2013/2014 and of which further effects materialized in the first half of 2014/2015, thereby in particular positively impacting our personnel expenses margin, as well as our other operating expenses margin.

Expressed as a percentage of sales, our EBITDA improved from 8.1% in the first half of 2013/2014 to 9.7% in the first half of 2014/2015, particularly driven by the strong increase in our sales, higher EBITDA margins of the Nocibé Business (due to efficient cost management of the Nocibé Group), as well as efficiency savings on personnel expenses and other operating expenses as a result of the multiple operational and strategic initiatives we have implemented, in particular, in the financial year 2013/2014.

Our Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) increased by €74.5 million, or 70.8%, to €179.7 million in the first half of 2014/2015 from €105.2 million in the first half of 2013/2014. Adjustments totaled €38.9 million in the first half of 2014/2015 and related primarily to extraordinary costs of raw materials, consumables and supplies and merchandise from PPA step-ups in connection with the Nocibé Acquisition of €24.3 million related to the sale of inventories in the normal course of business during the first half of 2014/2015. In addition, further exceptional items in the first half of 2014/2015 related to consulting fees mainly in connection with the proposed sale or IPO processes and the Nocibé Acquisition as well as consulting fees in connection with the acquisition of Clin d'Oeil, the sales and transfers of the Books Business, the Jewelry Business and the Fashion Business effective as of October 1, 2014, restructuring costs from the recognition of a provision with respect to certain legal disputes and severance payments and other exceptional items which mainly related to rent increases in Austria against which we have entered an objection. In comparison, in the first half of 2013/2014, adjustments totaled €15.7 million and related primarily to restructuring costs of €6.1 million and consulting fees of €5.5 million attributable to the implementation of certain efficiency measures with a view to further optimizing our overhead costs and to severance payments with respect to efficiency improvements in our German store portfolio. The remaining exceptional items in the first half of 2013/2014 of €4.1 million related primarily to rent increases in Austria against which we have entered an objection. In the financial year 2014/2015, the Austrian Supreme Court found that the taking private of the Douglas Group constituted a change of control within the means of the Austrian Act on Tenancy Law (*Mietrechtsgesetz*) and rejected the argument that the act violates the freedom of establishment (*Niederlassungsfreiheit*) and the freedom of movement of capital (*Kapitalverkehrsfreiheit*) under the European Union Treaty. Thus, rent increases in the amount of €1.3 million which were adjusted in the financial year 2013/2014 as extraordinary effects, must be classified from now on as recurring effects and consequently may not be adjusted from the financial year 2014/2015 onwards.

Expressed as a percentage of sales, our Adjusted EBITDA improved from 9.5% in the first half of 2013/2014 to 12.4% in the first half of 2014/2015.

On a segment level, EBITDA of our German segment increased by €26.4 million, or 51.8%, to €77.4 million in the first half of 2014/2015 from €51.0 million in the first half of 2013/2014. This increase in EBITDA was partly due to significant scale benefits realized in Germany, in particular in light of our growing e-commerce business. Furthermore, positive effects from the centralization of our purchasing functions, our improved assortment management process, product mix effects (especially a higher sales share of private label products), as well as personnel efficiencies across our German store portfolio positively impacted the EBITDA of our German segment. Expressed as a percentage of sales (net), the EBITDA of our German segment increased from 8.3% in the first half of 2013/2014 to 12.0% in the first half of 2014/2015. Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) of our German segment increased by €19.2 million, or 29.4%, to €84.4 million in the first half of 2014/2015 from €65.2 million in the first half of 2013/2014. Adjustments relating to our German segment in the first half of 2014/2015 totaled €7.0 million and related primarily to consulting fees in connection with the proposed sale or IPO processes and costs related to the implementation of certain efficiency measures with a view to further optimizing our overhead costs and improving efficiency across our German store portfolio, whereas in the first half of 2013/2014 adjustments totaled €14.2 million and related primarily to consulting fees, severance payments and other restructuring costs related to the implementation of certain efficiency measures with a view to further optimizing our overhead costs and improving personnel efficiency across our German store portfolio, consulting fees related to the sale of our Jewelry and Confectionery Business, as well as follow-on costs in connection with the First Douglas Acquisition. Expressed as a percentage of sales (net), our Adjusted EBITDA for our German segment improved from 10.6% in the first half of 2013/2014 to 13.1% in the first half of 2014/2015 mainly due to further positive effects from purchasing centralization, active assortment management, strong sales efficiencies achieved following our store headcount reduction program in the financial year 2013/2014 and the higher scalability of our e-commerce business.

EBITDA of our French segment increased by €22.3 million to €28.9 million in the first half of 2014/2015 from €6.6 million in the first half of 2013/2014. In the first half of 2014/2015, the Nocibé Business, which was not yet part of our Group in the first half of 2013/2014, contributed EBITDA of €45.9 million to our French segment. The remaining decrease of €23.6 million was mainly due to exceptional PPA effects of €24.3 million in connection with the Nocibé Acquisition, as well as the streamlining of our product range, including the sell-off of private label products of the French Douglas Perfumeries Business in connection with the rebranding of the French stores pertaining to this business as Nocibé stores. Despite these negative effects, the EBITDA of our French segment, expressed as a percentage of sales (net), increased from 6.4% in the first half of 2013/2014 to 7.2% in the first half of 2014/2015, mainly due to increased economies of scale of our French business, as well as the positive impact resulting from a higher EBITDA at Nocibé. Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) of our French segment increased by €52.1 million to €58.9 million in the first half of 2014/2015 from €6.8 million in the first half of 2013/2014. Adjustments relating to our French segment in the first half of 2014/2015 totaled €30.0 million and related primarily to PPA effects in connection with the Nocibé Acquisition, whereas in the first half of 2013/2014 adjustments totaled €0.2 million. Expressed as a percentage of sales (net), our Adjusted EBITDA for our segment France increased from 6.6% in the first half of 2013/2014 to 14.6% in the first half of 2014/2015 mainly due to Nocibé's higher profitability when compared to the French Douglas Perfumeries Business.

EBITDA of our South-western Europe segment increased by €1.1 million, or 5.6%, to €20.9 million in the first half of 2014/2015 from €19.8 million in the first half of 2013/2014. Expressed as a percentage of sales (net), the EBITDA of our South-western Europe segment improved from 7.3% in the first half of 2013/2014 to 7.6% in the first half of 2014/2015. This increase was mainly a result of the significant actions we have implemented in the last two financial years, thereby improving the structural profitability of this segment across all relevant countries. These actions included a significant store portfolio restructuring in Spain and Italy, with the closure of more than 20 stores across those countries, a strengthening of regional leadership and management (including putting a new management team in place), enhanced in-store selling efforts, a more favorable product mix effect resulting from a higher sales share of private label products, improved purchasing terms achieved through our group-wide purchasing program, as well as improved personnel efficiency across our store portfolio. Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) of our South-western Europe segment increased by €1.7 million, or 8.0%, to €22.9 million in the first half of 2014/2015 from €21.2 million in the first half of 2013/2014. Adjustments relating to our South-western Europe segment in the first half of 2014/2015 totaled €2.0 million and related primarily to the recognition of provisions in connection with certain legal disputes in Austria, whereas in the first half of 2013/2014 adjustments totaled €1.4 million and related primarily to rent increases in Austria against which we have entered an objection, which must be classified as recurring effects in light of the above described decision of the Austrian Supreme Court in the financial year 2014/2015. Expressed as a percentage of sales (net), our Adjusted EBITDA for our South-western Europe segment improved from 7.9% in the first half of 2013/2014 to 8.5% in the first half of 2014/2015, mainly as a result of the significant actions we have taken and implemented over the financial years 2013/2014 and 2012/2013.

EBITDA of our Eastern Europe segment increased by €1.5 million, or 12.4%, to €13.6 million in the first half of 2014/2015 from €12.1 million in the first half of 2013/2014. The main reasons for this improvement were the continued sales growth in this segment due to the continued expansion of our store network and increased e-commerce sales, as well as gradual margin improvements mainly driven by our group-wide and certain segment-specific measures. These measures included improved purchasing terms achieved through our group-wide purchasing program, including increasing volume rebates, a more favorable product mix, particularly through a higher sales share of private label products, an improved fixed costs coverage with respect to our e-commerce business, as well as overhead savings which offset higher marketing expenses in this segment. Expressed as a percentage of sales (net), the EBITDA of our Eastern Europe segment improved from 9.8% in the first half of 2013/2014 to 10.4% in the first half of 2014/2015. Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) of our Eastern Europe segment increased by €1.5 million, or 12.5%, to €13.5 million in the first half of 2014/2015 from €12.0 million in the first half of 2013/2014. Adjustments relating to our Eastern Europe segment totaled €-0.1 million in each of the first half of 2014/2015 and the first half of 2013/2014. Expressed as a percentage of sales (net), our Adjusted EBITDA for our Eastern Europe segment improved from 9.7% in the first half of 2013/2014 to 10.3% in the first half of 2014/2015, mainly driven by the above mentioned efficiency improvements and economies of scale due to higher sales.

EBIT

In the first half of 2014/2015, our EBIT increased by €43.4 million, or 78.8%, to €98.5 million from €55.1 million in the first half of 2013/2014.

Of this increase, EBIT in an amount of €39.4 million was attributable to the Nocibé Business, which was not yet part of the Douglas Group in the first half of 2013/2014, but was included in the first half of 2014/2015. However, this contribution was partly compensated by the negative impact in the amount of €24.3 million from PPA effects in connection with the Nocibé Acquisition relating to the sale of inventories in the normal course of business during the first half of 2014/2015 which was recognized in cost of raw materials, consumables and supplies and merchandise.

Overall, including effects from the acquisition of the Nocibé Business, the increase in our EBIT was predominantly attributable to the increase of our EBITDA as described above. On a relative basis, the increase of our EBIT was higher than the increase of our EBITDA as amortization/depreciation increased comparatively less by €7.9 million, or 23.0%, to €42.3 million in the first half of 2014/2015 from €34.4 million in the first half of 2013/2014. The major part of this increase in amortization/depreciation in the first half of 2014/2015 as compared to the same period in the prior financial year related to the Nocibé Business (€6.5 million), as well as PPA amortization in connection with the Nocibé Acquisition (€1.9 million).

Also, in the first half of 2014/2015, impairments totaled €1.1 million and related primarily to certain impairments on French entities which had to be sold in connection with the Nocibé Acquisition, as compared to impairments of €0.1 million in the first half of 2013/2014.

Expressed as a percentage of sales, our EBIT improved from 5.0% in the first half of 2013/2014 to 6.8% in the first half of 2014/2015.

Financial Result

In the first half of 2014/2015, our financial result decreased by €0.1 million, or 0.2%, to €-47.8 million from €-47.7 million in the first half of 2013/2014. During such period, a decrease of financial expenses from €52.1 million in the first half of 2013/2014 to €48.6 million in the first half of 2014/2015 due to a decrease in interest expenses related to the shareholder loan as a result of a major redemption and a decrease of financial income from €4.4 million in the first half of 2013/2014 to €0.8 million in the first half of 2014/2015 due to a decrease in interest income from receivables of the Non-Acquired Business virtually balanced each other out.

Net Profit for the Period

In the first half of 2014/2015, our net profit for the period increased by €135.3 million, to €169.4 million from €34.1 million in the first half of 2013/2014.

The Nocibé Business, which was not part of the Douglas Group in the first half of 2013/2014, but was included in the first half of 2014/2015, contributed €16.9 million to our net profit for the period. However, in the first half of 2014/2015, effects from PPA in connection with the Nocibé Acquisition negatively affected our net profit for the period in the amount of €17.2 million with no such effect in the previous financial year's first half.

A main reason for the increased profit for the period was the increase of our EBIT to €98.5 million in the first half of 2014/2015 from €55.1 million in the first half of 2013/2014 due to the factors described above. This increase was in part compensated by an increase in income taxes from €5.1 million in the first half of 2013/2014 to €24.5 million in the first half of 2014/2015, mainly as a consequence of our improved earnings before taxes. Earnings from continued operations increased from €2.3 million in the first half of 2013/2014 to €26.2 million in the first half of 2014/2015. Earnings from discontinued operations increased from €31.8 million in the first half of 2013/2014 to €143.2 million in the first half of 2014/2015, mainly due to the appropriation of the purchase price with respect to the sales and transfers of the Books, Fashion and Jewelry Business to AI Beauty.

Adjusted profit for the period increased by €9.8 million, or 21.5%, to €55.4 million in the first half of 2014/2015 from €45.6 million in the first half of 2013/2014. Adjustments totaled €-114.0 million in the first half of 2014/2015, of which €-143.2 million corresponded to the above described earnings from discontinued operations resulting from the appropriation of the purchase price with respect to the sales and transfers of the Books, Fashion and Jewelry Business to AI Beauty which were only adjusted in the first half of 2014/2015. Furthermore, €38.9 million related to adjustments made with respect to our EBITDA, €1.1 million related to impairment losses described above under EBIT and the corresponding tax effects amounted to €-10.8 million. In the first half of 2013/2014, adjustments totaled €11.5 million of which €15.7 million corresponded to the adjustments made with respect to the EBITDA, €0.1 million to impairment losses on intangible assets and property, plant and equipment as described above under EBIT while the corresponding tax effects totaled €-4.2 million. However, effects from PPA amortization in connection with the Nocibé Acquisition were not adjusted with respect to the adjusted profit for the period. When further adjusting our net profit for the period for extraordinary effects in the first half of 2014/2015 of €7.0 million in PPA related amortizations and €5.1 million in the first half of 2013/2014, our net profit for the period would have increased even further to €63.5 million in the first half of 2014/2015 from €50.7 million in the first half of 2013/2014.

Results of Operations for the Financial Years 2013/2014, 2012/2013 and 2011/2012 (Combined)

The following table shows our combined income statements for the periods indicated:

Combined income statements (in €million)	Financial year ended September 30,		
	2014[1]	2013[2]	2012[2]
	(combined, audited)		
Sales	**2,093.3**	**1,979.1**	**1,938.7**
Cost of raw materials, consumables and supplies and merchandise	-1,075.5	-1,004.1	-971.9
Gross profit from retail business	**1,017.8**	**975.0**	**966.8**
Other operating income	183.7	191.5	176.0
Personnel expenses	-470.7	-442.1	-438.0
Other operating expenses	-604.1	-560.2	-535.2
Income from other investments	0.1	0.1	0.1
EBITDA[3]	**126.8**	**164.3**	**169.7**
Amortization/depreciation	-64.3	-73.8	-117.9
thereof impairment losses	*-1.8*	*-10.4*	*-48.5*
EBIT[4]	**62.5**	**90.5**	**51.8**
Financial income	55.0	8.0	8.3
Financial expenses	-84.8	-28.3	-7.8
Financial result	-29.8	-20.3	0.5
Earnings before taxes (EBT)	**32.7**	**70.2**	**52.3**
Income taxes	-13.5	-30.1	-39.3
Net profit for the year	**19.2**	**40.1**	**13.0**
Profit attributable to non-controlling interests[5]	-0.3	-0.2	-0.1
Profit (loss) attributable to the Group shareholders	**18.9**	**39.9**	**12.9**

[1] Data including the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, for the months July to September 2014, and excluding the Non-Acquired Business. For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

[2] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business. For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

[3] EBITDA (calculated as sales less cost of raw materials, consumables and supplies and merchandise plus other operating income less personnel expenses less other operating expenses and plus income from other investments) is not defined as a measure under IFRS. Therefore, EBITDA should be viewed as supplemental but not as a substitute for data from the combined or consolidated income statements, statements of financial position or cash flow statements determined in accordance with IFRS. Since not all companies define EBITDA in the same way, EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. EBITDA as shown in the table above is unadjusted.

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

[5] While profit attributable to non-controlling interests is presented as a negative figures, it amounted to €0.3 million, €0.2 million and €0.1 million, in the financial years 2013/2014, 2012/2013 and 2011/2012, respectively.

Sales

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

Combined sales split by segment (in €million)	Financial year ended September 30,		
	2014[1]	2013[2]	2012[2]
	(combined, audited)		
Sales	**2,093.3**	**1,979.1**	**1,938.7**

Combined sales split by segment (in €million)	Financial year ended September 30,		
	2014[1]	2013[2]	2012[2]
	(combined, audited)		
Sales split by segments[3]:			
Germany			
Sales (net)	**1,100.8**	**1,079.2**	**1,055.2**
Intersegment sales	16.7	14.7	14.8
Sales	**1,117.5**	**1,093.9**	**1,070.0**
France			
Sales (net)	**274.9**	**178.1**	**154.5**
Intersegment sales	0.3	0	0
Sales	**275.2**	**178.1**	**154.5**
South-western Europe			
Sales (net)	**489.3**	**507.0**	**523.6**
Intersegment sales	0	0	0
Sales	**489.3**	**507.0**	**523.6**
Eastern Europe			
Sales (net)	**228.3**	**214.8**	**205.4**
Intersegment sales	0	0	0
Sales	**228.3**	**214.8**	**205.4**

[1] Data including the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, for the months July to September 2014, and excluding the Non-Acquired Business. For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

[2] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business. For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

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

Comparison of the Financial Years 2013/2014 and 2012/2013 (Combined)

In the financial year 2013/2014, our combined sales increased by €114.2 million, or 5.8%, to €2,093.3 million as compared to €1,979.1 million in the financial year 2012/2013.

Of this increase, €101.2 million were attributable to the Nocibé Business (while an additional €10.4 million related to sales generated by the Nocibé Business through transactions of the Nocibé Business with the Douglas Perfumeries Business in France, which were eliminated on consolidation), which was not part of the Douglas Group in the financial year 2012/2013, but was included in the financial year 2013/2014 for the period July 1, 2014 to September 30, 2014.

The remaining increase of €13.0 million in sales in the financial year 2013/2014 was mainly driven by an increase of our e-commerce sales relating to our centrally managed online shops which experienced an increase of 24.1% from €145.1 million in the financial year 2012/2013 to €180.0 million in the financial year 2013/2014, primarily due to significant traffic volume growth, additional online service offerings and operational excellence initiatives. As a counter effect, sales relating to our stationary stores slightly decreased. On a like-for-like basis, sales relating to our stationary stores decreased by 0.4% in the financial year 2013/2014, an improvement compared to a decrease of 2.6% on a like-for-like basis in the financial year 2012/2013, driven by initial positive effects from implemented in-store optimization measures and improvements in assortment management processes most of which were implemented in the financial year 2013/2014. On a net basis, the number of stationary stores remained almost stable with an increase of two in the same financial period (excluding the acquisition of 373 stores as part of the Nocibé Acquisition) as we concentrated more on the optimization and less on the expansion of our store network.

On a segment level, sales (net) of our German segment increased by €21.6 million, or 2.0%, to €1,100.8 million in the financial year 2013/2014 from €1,079.2 million in the financial year 2012/2013. This increase was attributable to a strong increase in e-commerce sales, benefiting from our leading market position, strengthened online offerings and operational excellence initiatives. A decrease of sales (net) related to our stationary business which was mainly due to a reduction of the number of stores attributable to our German segment from 437 as of September 30, 2013 to 433 as of September 30, 2014 as part of the optimization of our store portfolio, was to some extent counterbalanced by an enhanced focus on in-store sales measures targeting higher conversion rates (*i.e.,* the number of persons buying a product in relation to the number of persons visiting our stores). On a like-for-like basis, sales (net) attributable to our German segment increased by 2.7% in the financial year 2013/2014 as compared with the financial year 2012/2013 due to the continued increase of our e-commerce sales and the enhanced focus on in-store sales measures targeting higher conversion rates (*i.e.,* the number of persons buying a product in relation to the number of persons visiting our stores).

Sales (net) of our French segment increased by €96.8 million, or 54.4%, to €274.9 million in the financial year 2013/2014 from €178.1 million in the financial year 2012/2013. This increase was attributable to the Nocibé Business which contributed sales (net) of €101.2 million (while additional €10.4 million related to sales generated by the Nocibé Business through transactions of the Nocibé Business with the Douglas Perfumeries Business in France, which were eliminated on consolidation) in the period July 1, 2014 to September 30, 2014. Sales (net) of our French Douglas Perfumeries Business decreased by €5.0 million in the financial year 2013/2014 whereby the main effect related to a reclassification of certain bonuses related to our recently discontinued purchasing cooperation DBP Achats in the amount of €6.1 million which were accounted as sales in the financial year 2012/2013 and as a positive effect on cost of sales in the financial year 2013/2014. As an additional counter-effect, the strong growth of our French e-commerce sales positively affected our sales (net) in the French segment. Furthermore, due to the streamlining of our product range in relation to the integration of our French Douglas Perfumeries Business into the Nocibé Business, sales (net) attributable to our private label products (excluding the Nocibé Business, *i.e.,* only relating to the Douglas Perfumeries Business) increased significantly, as we sold-off stocked private label products in connection with the rebranding of our French stores as Nocibé stores. On a like-for-like basis, our sales (net) in the French segment increased by 1.9% in the financial year 2013/2014 (excluding the Nocibé Business, *i.e.,* only relating to the Douglas Perfumeries Business), in particular due to a strong growth of our French e-commerce sales.

Sales (net) of our South-western Europe segment decreased by €17.7 million, or 3.5%, to €489.3 million in the financial year 2013/2014 from €507.0 million in the financial year 2012/2013. The main reason for this development was a weaker market environment in South-western Europe in connection with the sovereign debt crisis in Europe, resulting in an overall decline in customer demand. Furthermore, a slight decline in the number of stationary stores attributable to the segment (September 30, 2014: 360 stores; September 30, 2013: 364 stores (excluding franchised stores)) also contributed to the decrease of sales (net). On a like-for-like basis, sales (net) attributable to our South-western Europe segment decreased by 2.4% in financial year 2013/2014. In particular, segmental sales in South-western Europe from selective products and exclusive products, which typically have higher average price points, decreased. This decrease was only partially offset by an increase in e-commerce sales of the South-western Europe segment in the financial year 2013/2014 as compared to the prior financial year.

Sales (net) of our Eastern Europe segment increased by €13.5 million, or 6.3%, to €228.3 million in the financial year 2013/2014 from €214.8 million in the financial year 2012/2013 and, thus, our Eastern Europe segment continued to be our fastest growing segment. In addition, the expansion of our Eastern European store network with 9 store openings on a net basis between September 30, 2013 (number of stationary stores: 264) and September 30, 2014 (number of stationary stores: 273), predominantly in Poland where we opened 11 stores. In general, the Polish selective beauty market showed continuous growth in the calendar year 2013, supporting our sales growth. Furthermore, on a like-for-like basis, our sales (net) increased by 5.2% in the financial year 2013/2014. In particular, sales (net) from private label and exclusive products, but also e-commerce sales increased significantly in the Eastern Europe segment in the financial year 2013/2014 as compared to the prior financial year.

Comparison of the Financial Years 2012/2013 and 2011/2012 (Combined)

In the financial year 2012/2013, our combined sales increased by €40.4 million, or 2.1%, to €1,979.1 million from €1,938.7 million in the financial year 2011/2012. The sales development was positively affected mainly by an increase of our total e-commerce sales through our centrally managed online shops which increased by 37.0% from €105.9 million in the financial year 2011/2012 to €145.1 million in the financial year 2012/2013, primarily due to traffic volume growth as a result of increased online and other marketing activities, improvements to online shop usability, introduction of shorter delivery times as well as expansion of our product assortment. As a counter effect, on a net basis, we closed 14 of our directly operated stationary stores in the financial year 2012/2013 in our South-western Europe segment, mainly in Spain due to the difficult local economic environment resulting from the continued effects from the sovereign debt crisis in Europe. Also, sales relating to our stationary stores, on a like-for-like basis, decreased by 2.6% in the financial year 2012/2013, mainly attributable to our South-western Europe segment, and particularly Spain and Italy, due to the above described difficult local economic environment. The remaining effect was mainly attributable to sales contribution from store openings netted against store closings.

On a segment level, sales (net) of the German segment increased by €24.0 million, or 2.3%, to €1,079.2 million in the financial year 2012/2013 from €1,055.2 million in the financial year 2011/2012. The main reason for this development was the strong increase of our e-commerce sales in the financial year 2012/2013. On a like-for-like basis, sales (net) from our German segment increased by 1.7% in the financial year 2012/2013 as compared to the previous financial year.

Sales (net) of the French segment increased by €23.6 million, or 15.3%, to €178.1 million in the financial year 2012/2013 from €154.5 million in the financial year 2011/2012. The main reason for this increase was contributions from the DBP Achats business, which operated our sourcing co-operation with Passion Beauté and comprised our wholesale activities in France, primarily with our French franchisees, but also franchisees of Passion Beauté. This business was only started in January 2012 and, as a consequence, French segment sales (net) in the financial year 2011/2012 only included contributions from this business for 9 months (excluding the Christmas period), whereas contributions from the DBP Achats business were included in the financial year 2012/2013 for the entire period. On a like-for-like basis, sales (net) of our French segment decreased by 2.0% in the financial year 2012/2013.

Sales (net) of the South-western Europe segment decreased by €16.6 million, or 3.2%, to €507.0 million in the financial year 2012/2013 from €523.6 million in the financial year 2011/2012. The main reason for this development was a weaker market environment in South-western Europe in connection with the sovereign debt crisis in Europe, resulting in an overall decline in customer demand, most notably in Spain and Italy, but also in other countries in this segment. On a like-for-like basis, sales (net) in our South-western Europe segment decreased by 4.0% in the financial year 2012/2013. In order to address these challenges, in the financial year 2012/2013, we implemented a number of measures including a significant store portfolio restructuring in Spain, enhanced in-store selling efforts, a change in product mix more tailored to local markets, purchasing savings through group-wide programs and a staff efficiency program.

Sales (net) of the Eastern Europe segment increased by €9.4 million, or 4.6%, to €214.8 million in the financial year 2012/2013 from €205.4 million in the financial year 2011/2012. The main reason for this development was the increase of our sales (net) in Poland primarily due to the continued growth of the Polish selective beauty market in the calendar years 2012 and 2013. In addition, increased sales (net) in Poland primarily related to improved store efficiency, and also partly to full year contributions by Polish stores which were opened during financial year 2011/2012. As a counter effect, closures of several stores in Croatia in the financial year 2012/2013 negatively impacted sales of the Eastern Europe segment. On a like-for-like basis, sales (net) from our Eastern Europe segment increased by 1.5% in the financial year 2012/2013.

Cost of Raw Materials, Consumables and Supplies and Merchandise

Comparison of the Financial Years 2013/2014 and 2012/2013 (Combined)

In the financial year 2013/2014, our cost of raw materials, consumables and supplies and merchandise increased by €71.4 million, or 7.1%, to €1,075.5 million as compared to €1,004.1 million in the financial year 2012/2013.

Of this increase, €61.2 million was attributable to the Nocibé Business, which was not part of the Douglas Group in the financial year 2012/2013, but was included in the financial year 2013/2014 for the period July 1, 2014 to September 30, 2014. Also, PPA effects in connection with the Nocibé Acquisition of €8.1 million related to the sale of inventories in the normal course of business during the financial year 2012/2013 were recognized in cost of raw materials, consumables and supplies and merchandise.

Other than the effect attributable to the Nocibé Business, the main reasons for the remaining €2.1 million increase of our cost of raw materials, consumables and supplies and merchandise were one-off inventory revaluations in the amount €2.5 million, which were partially mitigated through the various cost control measures which we implemented. When adjusted for these extraordinary effects of €2.5 million, our cost of raw materials, consumables and supplies and merchandise slightly decreased in the financial year 2013/2014 as compared to the financial year 2012/2013 in which we incurred no such extraordinary costs in relation to raw materials, consumables and supplies and merchandise.

Expressed as a percentage of sales, the ratio of our cost of raw materials, consumables and supplies and merchandise increased from 50.7% in the financial year 2012/2013 to 51.4% in financial year 2013/2014, corresponding to gross profit (defined as sales less cost of raw materials, consumables and supplies and merchandise) expressed as a percentage of sales of 48.6% in the financial year 2013/2014, as compared to 49.3% in the financial year 2012/2013.

This development was mainly due to the above described effects from the Nocibé Acquisition, in particular, due to the negative impact from PPA effects regarding the Nocibé Acquisition. Furthermore, the higher share of our e-commerce sales in the financial year 2013/2014 which generally feature lower gross profit margins as compared to our sales from stationary stores and the Nocibé Business, which also feature lower gross profit margins as compared to the Douglas Perfumeries Business, negatively affected the ratio of our cost of raw materials, consumables and supplies and merchandise in financial year 2013/2014.

Excluding the extraordinary effects of €10.6 million in the financial year 2013/2014 (of which €8.1 million related to PPA effects in connection with the Nocibé Acquisition), our cost of raw materials, consumables and supplies and merchandise, expressed as a percentage of sales, in the financial year 2013/2014 would have increased from 50.7%, to 50.9%. This increase was mainly due to the increased utilization of customer discounts which led to a reduced level of sales at unaffected cost of raw materials, consumables and supplies and merchandise. In contrast, positive impacts from our purchasing optimization program and an increased focus on higher margin products positively impacted our ratio of cost of raw materials, consumables and supplies and merchandise.

Comparison of the Financial Years 2012/2013 and 2011/2012 (Combined)

In the financial year 2012/2013, our cost of raw materials, consumables and supplies and merchandise increased by €32.2 million, or 3.3%, to €1,004.1 million as compared to €971.9 million in the financial year 2011/2012, to a large extent in line with the increase in our sales which led to correspondingly higher cost of raw materials, consumables and supplies and merchandise.

Expressed as a percentage of sales, the ratio of our cost of raw materials, consumables and supplies and merchandise increased from 50.1% in the financial year 2011/2012 to 50.7% in financial year 2012/2013. This development was mainly due to expansion of our wholesale business DBP Achats which featured lower gross profit margins and also the increased utilization of discount vouchers.

Other Operating Income

Comparison of the Financial Years 2013/2014 and 2012/2013 (Combined)

In the financial year 2013/2014, our other operating income decreased by €7.8 million, or 4.1%, to €183.7 million as compared to €191.5 million in the financial year 2012/2013. While the Nocibé Business, which was not part of the Douglas Group in the financial year 2012/2013, contributed to other operating income in an amount of €5.6 million in the financial year 2013/2014, our other operating income attributable the Douglas Perfumeries Business decreased by €13.4 million in the financial year 2013/2014 as compared to the prior financial year.

Although our income from marketing and advertising costs recharged was positively impacted by the Nocibé Business by €2.5 million in the financial year 2013/2014, such income from marketing and advertising costs recharged overall decreased by €7.2 million, or 6.7%, mainly due to a reduced share of rechargeable marketing activities financed by our suppliers, the brand manufacturers, in the form of so-called "market development funds" as costs in connection with a significant campaign promoting the appeal of our Douglas brand in financial year 2013/2014 were not rechargeable. In addition, other costs recharged to related parties decreased by €4.0 million, or 20.1%, in the financial year 2013/2014, mainly as a result of a decrease in revenues from recharged energy costs. Also, in the financial year 2013/2014, our income from leasing and subleasing, resulting mainly from leased stores which are not used by us, but are subleased, decreased by €2.0 million, or 8.7%, resulting primarily from the transfer of certain lease agreements from us as original lessee to the entities pertaining to the Non-Acquired Business as the respective prior subtenant, prior to the Separation of the Non-Acquired Business.

As a counter effect, in the financial year 2013/2014, our income from the reversal of provisions increased by €4.8 million, or 94.1%, as compared to the previous financial year, primarily related to the reversal of provisions formed in 2012/2013 relating to the operating business, in particular bonuses.

Comparison of the Financial Years 2012/2013 and 2011/2012 (Combined)

In the financial year 2012/2013, our other operating income increased by €15.5 million, or 8.8%, to €191.5 million as compared to €176.0 million in the financial year 2011/2012, primarily because our income from marketing and advertising costs recharged increased by €8.2 million, or 8.3%, in the financial year 2012/2013 as compared to the prior financial year. This increase was primarily due to higher supplier subsidies relating to media advertising, as well as an increase of recharged print and catalogue costs in the financial year 2012/2013.

In addition, a number of smaller effects contributed to the increased other operating income in the financial year 2012/2013 including increased income from costs recharged to related parties, as well as increased income from leasing and subleasing. The latter increase mainly resulted from a new sublease of a store in a prime location which had previously been vacant, as well as improved conditions from the sublease of a large store.

Personnel Expenses

Comparison of the Financial Years 2013/2014 and 2012/2013 (Combined)

In the financial year 2013/2014, our personnel expenses increased by €28.6 million, or 6.5%, to €470.7 million as compared to €442.1 million in the financial year 2012/2013.

Of this increase, personnel expenses in an amount of €22.3 million were attributable to the Nocibé Business, which was not part of the Douglas Group in the financial year 2012/2013, but was included in the financial year 2013/2014 for the period July 1, 2014 to September 30, 2014.

Other than the effect attributable to the Nocibé Business, the remaining increase of €6.3 million was attributable to extraordinary expenses in the amount of €16.6 million particularly in the form of severance payments which were expensed in the financial year 2013/2014 in relation to the downsizing of overhead personnel and other staff to further improve our overhead efficiency, as well as in relation to efficiency improvements in our German store portfolio. In the financial year 2012/2013, extraordinary expenses in the form of severance payments were incurred in the amount of €3.7 million and related mainly to the replacement of certain central management functions.

As a result of these higher extraordinary expenses in the financial year 2013/2014, our wages and salaries increased to €373.3 million (figure adjusted to exclude Nocibé Business) as compared to €365.2 million in the prior financial year. Furthermore, expenses relating to defined contribution plans increased from €21.2 million in the financial year 2012/2013 to €22.1 million in the financial year 2013/2014. Expressed as a percentage of sales, our personnel expenses increased from 22.3% in the financial year 2012/2013 to 22.5% in financial year 2013/2014 (figure adjusted to exclude Nocibé Business).

When adjusted for all extraordinary personnel related expenses of €16.6 million in the financial year 2013/2014 and €3.7 million in the financial year 2012/2013 (most of which related to severance payments) our personnel expenses, expressed as a percentage of sales, would have decreased from 22.2% in the financial year 2012/2013 to 21.7% in the financial year 2013/2014, as a result of the efficiency measures implemented.

Comparison of the Financial Years 2012/2013 and 2011/2012 (Combined)

In the financial year 2012/2013, our personnel expenses increased by €4.1 million, or 0.9%, to €442.1 million as compared to €438.0 million in the financial year 2011/2012, mainly due to extraordinary personnel expenses incurred in relation to the replacement of certain central management personnel in Germany in the financial year 2012/2013, which were not incurred in the previous financial year. Furthermore, management and staff bonuses increased in the financial year 2012/2013, mainly corresponding to the overall improved sales in that financial year. When adjusted for extraordinary personnel related expenses of €3.7 million in the financial year 2012/2013 and €0.7 million in the financial year 2011/2012 (in each case mostly related to severance payments), our personnel expenses, expressed as a percentage of sales, would have decreased from 22.6% in the financial year 2011/2012 to 22.2% in the financial year 2012/2013, as a result of the efficiency measures implemented.

Other Operating Expenses

Comparison of the Financial Years 2013/2014 and 2012/2013 (Combined)

In the financial year 2013/2014, our other operating expenses increased by €43.9 million, or 7.8%, to €604.1 million as compared to €560.2 million in the financial year 2012/2013.

Of this increase, other operating expenses in an amount of €27.5 million were attributable to the Nocibé Business (of which €10.0 million related to rent and energy costs, €5.1 million to marketing and advertising costs, as well as €1.3 million to IT costs), which was not part of the Douglas Group in the financial year 2012/2013, but was included in the financial year 2013/2014 for the period July 1, 2014 to September 30, 2014.

Other than the effect attributable to the Nocibé Business, the remaining increase of €16.4 million was related to increased expenses for other services, primarily relating to transaction costs mainly consisting of consulting fees in relation to the Nocibé Acquisition, follow-on costs in relation to the First Douglas Acquisition and other consulting fees with respect to the development and implementation of measures to further reduce our indirect costs. Overall, in the financial year 2013/2014, our expenses for other services increased by €34.6 million, or 59.2%, as compared to the prior financial year, whereof €2.2 million was attributable to the Nocibé Business. Furthermore, extraordinary costs, in part relating to rent increases in Austria based on the change-of-control triggered by the First Douglas Acquisition, against which we entered an objection, the outcome of which is still open, also contributed to the increase in rent and energy costs, increased to €2.0 million in the financial year 2013/2014 as compared to €1.4 million in the previous financial year. These rent increases were asserted during the course of the financial year 2012/2013 and affected the whole financial year for the first time in the financial year 2013/2014.

As counter effects, excluding the impact from the Nocibé Business, rent and energy costs, marketing and advertising costs, as well as IT costs decreased by €2.6 million, €3.0 million and €2.7 million, respectively, in the financial year 2013/2014. The decrease in rent and energy costs mainly related to a reduction of energy consumed and improved purchasing conditions for energy, while rent costs increased in line with general inflation. Our IT costs primarily decreased due to the implementation of an above average number of IT projects in the financial year 2012/2013, most of which related to the centralization and harmonization of our supply and logistics processes, with no such corresponding major effects in the financial year 2013/2014. Marketing and advertising costs decreased mainly due to efficiencies from the centralization and systematization of marketing functions such as planning, procurement, pricing and campaigning.

Furthermore, expenses from subleases decreased by €1.7 million in the financial year 2013/2014, mainly due to the transfer of certain lease agreements from us as the original lessee to the respective prior subtenant, as described above.

Expressed as a percentage of sales, our other operating expenses increased from 28.3% in the financial year 2012/2013 to 28.9% in financial year 2013/2014. The Nocibé Business did not affect our other operating expenses ratio which would have been 28.9% in the financial year 2013/2014 excluding the effects from the Nocibé Acquisition. When adjusted for extraordinary effects, which amounted to €45.4 million in the financial year 2013/2014 and €12.6 million in the financial year 2012/2013, our other operating expenses, expressed as a percentage of sales, would have decreased from 27.7% to 26.7%.

Comparison of the Financial Years 2012/2013 and 2011/2012 (Combined)

In the financial year 2012/2013, our other operating expenses increased by €25.0 million, or 4.7%, to €560.2 million as compared to €535.2 million in the financial year 2011/2012.

The other operating expenses were affected mainly by an increase of expenses for other services, which rose by €10.6 million, or 22.2%, in the financial year 2012/2013 because we incurred extraordinary expenses in the financial year 2012/2013 primarily relating to consulting fees for legal and tax advice in connection with the First Douglas Acquisition, whereas in the previous financial year, extraordinary costs were lower and related primarily to consulting fees, also mainly in connection with the First Douglas Acquisition.

Furthermore, rent and energy costs increased by €7.1 million, or 3.1%, in the financial year 2012/2013 as compared to the prior financial year, which contributed to the increase in costs, mainly resulting from increased energy costs in 2012/2013, as in the prior financial year a one-time effect of €5.0 million relating to tax credits for energy efficiency had positively impacted rent and energy costs. Furthermore, a number of extraordinary costs were incurred in financial year 2013/2014, including in relation to rent increases in Austria of €1.4 million based on the change-of-control triggered by the First Douglas Acquisition as described above.

Marketing and advertising costs also increased by €6.5 million, or 6.4%, resulting primarily from higher costs for media advertising which, however, mainly corresponded with increased income from marketing and advertising costs recharged, as set out above. Expenses from subleases also increased in the financial year 2012/2013 by €4.1 million, or 29.3%, mainly due to the fact that an additional store was subleased and certain costs were reclassified in connection with the improvement of sublease conditions.

Expressed as a percentage of sales, the ratio of our other operating expenses increased from 27.6% in the financial year 2011/2012 to 28.3% in financial year 2012/2013. When adjusted for extraordinary effects, which amounted to €12.6 million in the financial year 2012/2013 and €2.9 million in the financial year 2011/2012, our other operating expenses, expressed as a percentage of sales, would have increased from 27.5% to 27.7%.

EBITDA

The following table shows, for the periods indicated, our EBITDA and Adjusted EBITDA broken down by segment:

EBITDA / Adjusted EBITDA split by segment (in €million)	Financial year ended September 30, 2014[1]	 2013[2]	 2012[2]
	(combined, audited)		
EBITDA	**126.8**	**164.3**	**169.7**
EBITDA margin (in %)	6.1	8.3	8.8
One-off items/adjustments	72.7	16.4	3.5
Adjusted EBITDA	**199.5**	**180.7**	**173.2**
Adjusted EBITDA margin (in %)	9.5	9.1	8.9
Split by segments:			
Germany			
EBITDA	**91.9**	**108.5**	**109.7**
EBITDA margin (in %)	8.2	9.9	10.3
One-off items/adjustments	41.1	16.0	2.0
Adjusted EBITDA	**133.0**	**124.5**	**111.7**
Adjusted EBITDA margin (in %)	11.9	11.4	10.4
France			
EBITDA	**-14.6**	**8.7**	**8.2**
EBITDA margin (in %)	-5.3	4.9	5.3
One-off items/adjustments	29.4	0.1	0
Adjusted EBITDA	**14.8**	**8.8**	**8.2**
Adjusted EBITDA margin (in %)	5.4	4.9	5.3
South-western Europe			
EBITDA	**32.6**	**33.3**	**39.2**
EBITDA margin (in %)	6.7	6.6	7.5
One-off items/adjustments	2.4	0.2	1.5
Adjusted EBITDA	**35.0**	**33.5**	**40.7**
Adjusted EBITDA margin (in %)	7.2	6.6	7.8
Eastern Europe			
EBITDA	**16.9**	**13.8**	**12.6**
EBITDA margin (in %)	7.4	6.4	6.1
One-off items/adjustments	-0.2	0.1	0
Adjusted EBITDA	**16.7**	**13.9**	**12.6**
Adjusted EBITDA margin (in %)	7.3	6.5	6.1

[1] Data including the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, for the months July to September 2014, and excluding the Non-Acquired Business. For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

[2] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business. For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

Comparison of the Financial Years 2013/2014 and 2012/2013 (Combined)

In the financial year 2013/2014, our combined EBITDA decreased by €37.5 million, or 22.8%, to €126.8 million from €164.3 million in the financial year 2012/2013.

The Nocibé Business, which was not part of the Douglas Group in the financial year 2012/2013, but was included in the financial year 2013/2014 for the period July 1, 2014 to September 30, 2014, contributed €6.3 million to our EBITDA in the financial year 2013/2014. This contribution was, however, overcompensated by the negative impact in the amount of €8.1 million from PPA effects in connection with the Nocibé Acquisition relating to the sale of inventories in the normal course of business during the financial year 2012/2013 which was recognized in cost of raw materials, consumables and supplies and merchandise. Furthermore, as the Nocibé Business was accounted for only for the period from July 1, 2014 to September 30, 2014, the Christmas business of the Nocibé Business which similarly to the Christmas Business of the Douglas Perfumeries Business typically features particularly strong EBITDA contributions was not accounted for in the financial year 2013/2014.

Regarding the remaining effect of a decrease in the amount of €35.7 million in the financial year 2013/2014 as compared to the prior financial year, our EBITDA was negatively affected mainly by extraordinary effects relating to severance payments and consulting fees which were recognized in personnel expenses and other operating expenses, as described above.

Our Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) increased by €18.8 million, or 10.4%, to €199.5 million in the financial year 2013/2014 from €180.7 million in the financial year 2012/2013. Of this increase, €6.3 million was attributable to the Nocibé Business which was not part of the Douglas Group in the financial year 2012/2013, but was included in the financial year 2013/2014 for the period July 1, 2014 to September 30, 2014. Adjustments totaled €72.7 million in the financial year 2013/2014 and related primarily to consulting fees in the amount of €37.2 million, €15.8 million thereof relating to the Nocibé Acquisition.

Further extraordinary effects in the financial year 2013/2014 included restructuring costs of €19.3 million, primarily relating to the implementation of certain efficiency measures with a view to further optimizing our overhead costs and severance payments in part related to the elimination of redundancies subsequent to the Nocibé Acquisition. Additional extraordinary effects resulted from PPA in the amount of €8.1 million in connection with the Nocibé Acquisition. Other exceptional items amounted to €8.0 million and in particular comprised one-off inventory revaluations, synergy bonuses for Nocibé's management, property tax payments related to a corporate restructuring, as well as rent increases in the amount of €2.0 million in Austria against which we entered an objection. In the financial year 2014/2015, the Austrian Supreme Court held that the taking private of the Douglas Group constituted a change of control within the means of the Austrian Act on Tenancy Law (*Mietrechtsgesetz*) and rejected the argument that the Austrian Act on Tenancy Law violates the freedom of establishment (*Niederlassungsfreiheit*) and the freedom of movement of capital (*Kapitalverkehrsfreiheit*) under the European Union Treaty. Thus, rent increases in the amount of €1.3 million which were adjusted in the financial year 2013/2014 as extraordinary effects, must be classified from now on as recurring effects and consequently may not be adjusted from the financial year 2014/2015 onwards. In the financial year 2012/2013, adjustments totaled €16.4 million and related primarily to consulting fees (including legal and tax advisory fees) in the amount of €8.8 million relating to First Douglas Acquisition, including consulting fees in relation to the squeeze-out in May 2013 and the delisting in August 2013, and restructuring costs in the amount of €4.9 million (including severance payments and costs for the closure of stores) as well as other exceptional items in the amount of €2.5 million (including the above described adjustments with respect to rent increases in the amount of €1.5 million of which €0.9 million must be classified as recurring effects in light of the above described decision of the Austrian Supreme Court in the financial year 2014/2015 and including certain legal costs and provisions for impending losses related to subleases).

Expressed as a percentage of sales, our Adjusted EBITDA increased from 9.1% in the financial year 2012/2013 to 9.5% in the financial year 2013/2014 resulting from the implementation of the various above described cost efficiency measures.

On a segment level, EBITDA of our German segment decreased by €16.6 million, or 15.3%, to €91.9 million in the financial year 2013/2014 from €108.5 million in the financial year 2012/2013. The main reason for this development was a decrease in other operating income and an increase of personnel expenses mainly due to restructuring costs relating to the above described implementation of certain efficiency measures with a view to further optimizing our overhead costs and improving efficiency across our store portfolio, as well as severance payments relating to the elimination of redundancies due to the Nocibé Acquisition and downsizing of overhead personnel with respect to efficiency measures. However, our Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) of our German segment increased by €8.5 million, or 6.8%, to €133.0 million in the financial year 2013/2014 from €124.5 million in the financial year 2012/2013. Adjustments relating to our German segment in the financial year 2013/2014 totaled €41.1 million and related primarily to consulting fees, severance payments and other restructuring costs related to the implementation of certain efficiency measures with a view to further optimizing our overhead costs and improving efficiency across our German store portfolio, consulting fees related to the sale of our Jewelry and Confectionery Business, as well as follow-on costs in connection with the First Douglas Acquisition, whereas in the financial year 2012/2013 adjustments totaled €16.0 million and related primarily to consulting fees and other costs relating to the First Douglas Acquisition. Expressed as a percentage of sales (net), our Adjusted EBITDA for our German segment increased from 11.4% in the financial year 2012/2013 to 11.9% in the financial year 2013/2014 mainly due to positive effects from purchasing centralization, active assortment management, strong sales efficiencies achieved following a store headcount reduction program in the financial year 2013/2014 and higher scalability of our e-commerce business.

EBITDA of our French segment decreased by €23.3 million to €-14.6 million in the financial year 2013/2014 from €8.7 million in the financial year 2012/2013. Of this decrease, €1.8 million was attributable to the Nocibé Business (including PPA effects) which was included in the financial year 2013/2014 for the period July 1, 2014 to September 30, 2014. Regarding the remaining effect of €21.3 million, the main reason for the decrease related to transaction costs in connection with the Nocibé Acquisition and the above described streamlining of our product range and sell-off of private label products in connection with the rebranding of our French stores pertaining to the Douglas Perfumeries Business as Nocibé stores. Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) of our French segment increased by €6.0 million, or 68.2%, to €14.8 million in the financial year 2013/2014 from €8.8 million in the financial year 2012/2013. Adjustments relating to our French segment in the financial year 2013/2014 totaled €29.4 million and related primarily to consulting fees in connection with the Nocibé Acquisition, whereas in the financial year 2012/2013 adjustments totaled €0.1 million and related primarily to bad debt provisions. Expressed as a percentage of sales (net), our Adjusted EBITDA for our French segment improved from 4.9% in the financial year 2012/2013 to 5.4% in the financial year 2013/2014 mainly due to the increased scale of our French business as well as Nocibé's higher profitability as compared to the French Douglas Perfumeries Business.

EBITDA of our South-western Europe segment decreased by €0.7 million, or 2.1%, to €32.6 million in the financial year 2013/2014 from €33.3 million in the financial year 2012/2013 which was in line with the decrease in sales (net) of our South-western Europe segment as described above. Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) of our South-western Europe segment increased by €1.5 million, or 4.5%, to €35.0 million in the financial year 2013/2014 from €33.5 million in the financial year 2012/2013. Adjustments relating to our South-western Europe segment in the financial year 2013/2014 totaled €2.4 million (including the above mentioned adjustments with respect to rent increases in the amount of €1.5 million of which €0.9 million must be classified as recurring effects in light of the above described decision of the Austrian Supreme Court in the financial year 2014/2015) and €0.2 million in the financial year 2012/2013, respectively, and in each case related primarily to bad debt provisions. Expressed as a percentage of sales (net), our Adjusted EBITDA for our South-western Europe segment increased from 6.6% in the financial year 2012/2013 to 7.2% in the financial year 2013/2014 mainly due to the effects from the implementation of the above described store closure program, enhanced in-store selling efforts, change in product mix more tailored to local markets, purchasing savings through a group-wide program and a store staff efficiency program.

EBITDA of our Eastern Europe segment increased by €3.1 million, or 21.0%, to €16.9 million in the financial year 2013/2014 from €13.8 million in the financial year 2012/2013. The main reason for this development was an improved business performance in Poland. Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) of our Eastern Europe segment increased by €2.8 million, or 20.1%, to €16.7 million in the financial year 2013/2014 from €13.9 million in the financial year 2012/2013. Adjustments relating to our Eastern Europe segment in the financial year 2013/2014 totaled €-0.2 million and €0.1 million in the financial year 2012/2013, respectively, and in each case related primarily to bad debt provisions. Expressed as a percentage of sales (net), our Adjusted EBITDA for our Eastern Europe segment improved from 6.5% in the financial year 2012/2013 to 7.3% in the financial year 2013/2014, mainly driven by efficiency improvements, as well as economies of scale due to higher sales.

Comparison of the Financial Years 2012/2013 and 2011/2012 (Combined)

In the financial year 2012/2013, our combined EBITDA decreased by €5.4 million, or 3.2%, to €164.3 million from €169.7 million in the financial year 2011/2012, mainly due to the increase of our other operating expenses, primarily as a result of extraordinary expenses in connection with the First Douglas Acquisition, as described above.

Our Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) increased by €7.5 million, or 4.3%, to €180.7 million in the financial year 2012/2013 from €173.2 million in the financial year 2011/2012. Adjustments totaled €16.4 million in the financial year 2012/2013 and related primarily to consulting fees and restructuring costs as described above, whereas in the financial year 2011/2012 adjustments totaled €3.5 million and related primarily to consulting fees in connection with the First Douglas Acquisition, most of which were attributable to other services relating to consulting fees (including fees for legal and tax advice). The remaining part of the adjustments in financial year 2012/2013 related primarily to severance payments.

Expressed as a percentage of sales, our Adjusted EBITDA increased from 8.9% in the financial year 2011/2012 to 9.1% in the financial year 2012/2013.

On a segment level, EBITDA of our German segment decreased by €1.2 million, or 1.1%, to €108.5 million in the financial year 2012/2013 from €109.7 million in the financial year 2011/2012. The main reason for this development was the increase of consulting fees for transaction related costs and follow-on costs relating to the First Douglas Acquisition. Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) of our German segment increased by €12.8 million, or 11.5%, to €124.5 million in the financial year 2012/2013 from €111.7 million in the financial year 2011/2012. Adjustments relating to our German segment in the financial year 2012/2013 totaled €16.0 million and related primarily to consulting fees and restructuring costs as described above, whereas in the financial year 2011/2012 adjustments totaled €2.0 million and related primarily to consulting fees in connection with the First Douglas Acquisition. Expressed as a percentage of sales (net), our Adjusted EBITDA for our German segment improved from 10.4% in the financial year 2011/2012 to 11.4% in the financial year 2012/2013, resulting mainly from the optimization of our German store portfolio and the continuous centralization and systematization of functions such as assortment planning, procurement, pricing and campaigning, as well as through the improvement of support and administrative processes.

EBITDA of our French segment increased by €0.5 million, or 6.1%, to €8.7 million in the financial year 2012/2013 from €8.2 million in the financial year 2011/2012 due to the factors described above. The Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) of our French segment increased by €0.6 million, or 7.3%, to €8.8 million in the financial year 2012/2013 from €8.2 million in the financial year 2011/2012. Adjustments relating to our French segment in the financial year 2012/2013 totaled €0.1 million and related primarily to bad debt provisions, whereas in the financial year 2011/2012 adjustments totaled €0 million as there were no material extraordinary effects in that financial year relating to our French business. Expressed as a percentage of sales (net), our Adjusted EBITDA for our French segment decreased from 5.3% in the financial year 2011/2012 to 4.9% in the financial year 2012/2013.

EBITDA of our South-western Europe segment decreased by €5.9 million, or 15.1%, to €33.3 million in the financial year 2012/2013 from €39.2 million in the financial year 2011/2012. The main reason for this development were lower sales in our South-western Europe segment as described above. The Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) of our South-western Europe segment decreased by €7.2 million, or 17.7%, to €33.5 million in the financial year 2012/2013 from €40.7 million in the financial year 2011/2012, as adjustments relating to our South-western Europe segment in the financial year 2012/2013 totaled €0.2 million (€1.3 million less than in the previous financial year) and related primarily to bad debt provisions. In the financial year 2011/2012, adjustments totaled €1.5 million and related primarily to restructuring costs in Spain. Expressed as a percentage of sales (net), our Adjusted EBITDA for our South-western Europe segment decreased from 7.8% in the financial year 2011/2012 to 6.6% in the financial year 2012/2013. The implementation of the above described store closure program, enhanced in-store selling efforts, a change in the product mix more tailored to local markets, purchasing savings through group-wide program and a store staff efficiency program mitigated the negative margin impact from lost economies of scale.

EBITDA of our Eastern Europe segment increased by €1.2 million, or 9.5%, to €13.8 million in the financial year 2012/2013 from €12.6 million in the financial year 2011/2012. The main reason for this development was an improved business performance in Romania, the Czech Republic and Lithuania. Adjusted EBITDA (adjusted for non-recurring and extraordinary effects) of our Eastern Europe segment increased by €1.3 million, or 10.3%, to €13.9 million in the financial year 2012/2013 from €12.6 million in the financial year 2011/2012. Adjustments relating to our Eastern Europe segment in the financial year 2012/2013 totaled €0.1 million and related primarily to bad debt provisions, whereas in the financial year 2011/2012 we had no adjustments related to our Eastern European segment. Expressed as a percentage of sales (net), our Adjusted EBITDA for our Eastern Europe segment improved from 6.1% in the financial year 2011/2012 to 6.5% in the financial year 2012/2013 mainly due to higher sales (net) and a favorable costs development.

EBIT

Comparison of the Financial Years 2013/2014 and 2012/2013 (Combined)

In the financial year 2013/2014, our EBIT decreased by €28.0 million, or 30.9%, to €62.5 million from €90.5 million in the financial year 2012/2013.

The Nocibé Business, which was not part of the Douglas Group in the financial year 2012/2013, but was included in the financial year 2013/2014 for the period July 1, 2014 to September 30, 2014 contributed EBIT in the amount of €3.0 million in the financial year 2013/2014. However, this contribution was more than compensated by the negative impact in the amount of €9.1 million from PPA effects with respect to the acquisition of the Nocibé Business which affected our EBIT margin.

Including effects from the acquisition of the Nocibé Business, the decrease in our EBIT was predominantly attributable to the decrease of our EBITDA as described above. However, on an absolute basis, the decrease of our EBIT was lower than the decrease of our EBITDA, due to amortization/depreciation which decreased by €9.5 million, or 12.9%, to €64.3 million in the financial year 2013/2014 from €73.8 million in the previous financial year. This decrease related predominantly to reduced impairment losses on intangible assets and property, plant and equipment which decreased by €9.0 million, to €1.4 million in the financial year 2013/2014, from €10.4 million in the financial year 2012/2013, while scheduled amortization of intangible assets and depreciation on intangible assets and property, plant and equipment decreased to €62.9 million in the financial year 2013/2014 from €63.4 million in the financial year 2012/2013.

In the financial year 2013/2014, only property, plant and equipment, but not leaseholds and other intangible rights were subject to impairments, whereas in the financial year 2012/2013 we recorded impairments on goodwill of €4.8 million relating to our business in Italy.

Expressed as a percentage of sales, our EBIT decreased from 4.6% in the financial year 2012/2013 to 3.0% in the financial year 2013/2014.

Comparison of the Financial Years 2012/2013 and 2011/2012 (Combined)

In the financial year 2012/2013, our combined EBIT increased by €38.7 million, or 74.7%, to €90.5 million from €51.8 million in the financial year 2011/2012. This increase was primarily due to a decrease of amortization/depreciation which significantly decreased by €44.1 million, or 37.4%, to €73.8 million in the financial year 2013/2014 from €117.9 million in the prior financial year, thus positively impacting our EBIT and more than compensating for the negative EBITDA effect. This decrease in amortization/depreciation resulted from impairments on goodwill of €33.4 million in the financial year 2011/2012, while impairments on goodwill totaled €4.8 million in the financial year 2012/2013. The largest portion of the impairment on goodwill in the financial year 2011/2012 related to our business in France, Croatia, Portugal and the Baltic area, in each case primarily due to negative business trends and adjustments to our local business model. Furthermore, impairments on property, plant and equipment decreased to €4.8 million in the financial year 2012/2013, from €13.8 million in the financial year 2011/2012, in each case triggered by ongoing negative contribution margins and intended store closures, in particular in the financial year 2011/2012 in South-western Europe and in France. The remaining amount of €6.5 million was primarily attributable to a decrease in scheduled amortizations of intangible assets and depreciations of property, plant and equipment which decreased by €6.0 million to €63.4 million in the financial year 2012/2013 from €69.4 million in the financial year 2011/2012.

Expressed as a percentage of sales, our EBIT improved from 2.7% in the financial year 2011/2012 to 4.6% in the financial year 2012/2013.

Financial Result

Comparison of the Financial Years 2013/2014 and 2012/2013 (Combined)

In the financial year 2013/2014, our financial result decreased by €9.5 million, or 46.8%, to €-29.8 million as compared to €-20.3 million in the financial year 2012/2013, mainly due to significantly increased financial expenses, which increased in the financial year 2013/2014 by €56.5 million to €84.8 million, from €28.3 million in the financial year 2012/2013. This increase mainly related to an increase in expense for financial liabilities at amortized cost of €56.9 million due to the above mentioned debt push down, while a decrease in expenses for non-controlling interest options by €1.1 million slightly offset the increase.

This increase in financial expenses was only partly compensated for by the development of our financial income which increased by €47.0 million to €55.0 million in the financial year 2013/2014 from €8.0 million in the financial year 2012/2013, mainly due to an increase in financial income of €46.8 million related to a shareholder loan in connection with a debt push down in the financial year 2013/2014.

The Nocibé Business, which was not part of the Douglas Group in the financial year 2012/2013, but was included in the financial year 2013/2014 for the period July 1, 2014 to September 30, 2014, contributed a financial result of €-3.8 million in the financial year 2013/2014, resulting from financial expenses of €3.9 million.

Comparison of the Financial Years 2012/2013 and 2011/2012 (Combined)

In the financial year 2012/2013, our financial result decreased by €20.8 million to €-20.3 million from €0.5 million in the financial year 2011/2012, primarily because of additional financial expenses in connection with refinancing activities in 2012/2013 relating to the First Douglas Acquisition comprising the non-recurring up-front banking fees totaling €6.0 million as well as interest expenses on tax repayments in the amount of €4.0 million, in each case accounted for as expenses for financial liabilities at amortized costs. The remaining portion of our increased financial expenses related in particular to increased interest payments due to an increase both of financial liabilities and interest rates, resulting from the refinancing of financial liabilities at Douglas Holding AG in connection with the First Douglas Acquisition in the financial year 2012/2013.

Net Profit for the Year

Comparison of the Financial Years 2013/2014 and 2012/2013 (Combined)

In the financial year 2013/2014, our net profit for the year decreased by €20.9 million, or 52.1%, to €19.2 million as compared to €40.1 million in the financial year 2012/2013.

The Nocibé Business, which was not part of the Douglas Group in the financial year 2012/2013, but was included in the financial year 2013/2014 for the period July 1, 2014 to September 30, 2014, contributed losses in the amount of €7.5 million (including effects from PPA) to our net profit for the year.

Whereas including effects from the Nocibé Business our EBIT decreased by €28.0 million, or 30.9%, to €62.5 million in the financial year 2013/2014 from €90.5 million in the financial year 2012/2013 due to the factors described above, the main reason for the decrease of our net profit for the year was our decreased financial result, as described above. Reduced income taxes in the financial year 2013/2014 (€13.5 million) as compared to the prior financial year (€30.1 million) partly compensated for our decrease in net profit for the year, primarily due to a decrease in deferred taxes which mainly resulted from a decrease of deferred taxes from loss carry-forwards.

Adjusted net profit for the year increased by €26.8 million, or 40.0%, to €93.7 million in the financial year 2013/2014 from €66.9 million in the financial year 2012/2013 reflecting the above described value creation initiative and various efficiency measures undertaken. Adjustments totaled €74.5 million in the financial year 2013/2014, of which €72.7 million corresponded to the above described adjustments made with respect to our EBITDA, and the remaining part of €1.8 million related to impairment losses described above under EBIT. In the financial year 2012/2013, adjustments totaled €26.8 million of which €16.4 million corresponded to the adjustments made with respect to the EBITDA, €10.4 million to impairment losses on intangible assets and property, plant and equipment as described above under EBIT and €5.4 million to upfront banking fees. Our adjusted net profit for the year, on a combined basis, was not adjusted to include tax effects in connection with the adjusted exceptional items and neither for the extraordinary effects from PPA. When further adjusting our net profit for the year for extraordinary effects in the financial year 2013/2014 of €1.0 million in PPA related amortizations, our net profit for the year would have increased even further by €27.8 million, or 41.6%, to €94.7 million in the financial year 2013/2014 from €66.9 million in the financial year 2012/2013.

Comparison of the Financial Years 2012/2013 and 2011/2012 (Combined)

In the financial year 2012/2013, our net profit for the year increased by €27.1 million, or 208.5%, to €40.1 million from €13.0 million in the financial year 2011/2012. Our EBIT in the financial year 2012/2013 increased by €38.7 million as compared to the financial year 2012/2013 due to the factors described above, our financial result was significantly lower in the financial year 2012/2013 due to the reasons set out above. This decrease of our financial result was, however, to a certain extent compensated by lower income taxes in the financial year 2012/2013 of €30.1 million, as compared to €39.3 million in the prior financial year, mainly due to a decrease in corporate income tax by €5.8 million.

Adjusted net profit for the year increased by €1.9 million, or 2.9%, to €66.9 million in the financial year 2012/2013 from €65.0 million in the financial year 2011/2012. Adjustments totaled €26.8 million in the financial year 2012/2013 of which €16.4 million related to the above described extraordinary effects adjusted with respect to the EBITDA and €10.4 million related to impairment losses, whereas in the financial year 2011/2012, adjustments totaled €52.0 million and related in an amount of €3.5 million to the above described extraordinary effects adjusted with respect to the EBITDA, and in an amount of €48.5 million to impairment losses. Our adjusted net profit for the year, on a combined basis, was not adjusted to include tax effects in connection with the adjusted exceptional items and neither for the extraordinary effects from PPA.

Liquidity and Capital Resources

Overview

Our business has required, and will continue to require, liquidity primarily to meet our debt service requirements, to fund capital expenditures, to fund our operating activities, to pay our taxes and to fund our working capital requirements.

Historically, our principal sources of liquidity have been cash generated from our operating activities and cash on our balance sheet. Following the Transactions, we anticipate that our primary sources of liquidity will be cash flow from operations and drawings under our Revolving Credit Facility. The proceeds from the Offering of the Notes and our drawings under our Senior Secured Credit Facilities will be used to fund the purchase price for the Acquisition, consummate the related Transactions and pay related fees and expenses. Our ability to generate cash from our operating activities depends on future operating performance, which in turn depends to a certain extent on general economic, financial, competitive market, legislative, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in the section entitled "*Risk Factors*." We believe that our cash flow from operating activities, cash on hand the availability of borrowings under our Revolving Credit Facility (which will be subject to certain conditions precedent) will be sufficient to fund our operating, capital expenditures and debt service for at least the next twelve months. See "*Description of Certain Financing Arrangements—Senior Secured Facilities Agreement*."

The ability of our subsidiaries to pay dividends and make other payments to us may be restricted by, among other things, legal prohibitions on such payments or otherwise distributing funds to us, including for the purpose of servicing debt.

We anticipate that we will be highly leveraged in the foreseeable future. Our high level of debt may have important negative consequences for you. See "*Risk Factors*." There are also limitations on our ability to obtain additional debt or equity financing. See "*Description of the Senior Secured Notes—Certain Covenants—Limitation on Indebtedness*," "*Description of the Senior Notes—Certain Covenants—Limitation on Indebtedness*" and "*Description of Certain Financing Arrangements*." In addition, any additional indebtedness that we do incur could reduce the amount of our cash flow available to make payments on our then existing indebtedness, including the Notes offered hereby, and increase our leverage.

Statements of Cash Flows for the First Half of 2014/2015 and for the First Half of 2013/2014 (Consolidated)

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

Consolidated statements of cash flows (in €million)	Six-month period ended March 31,	
	2015[1]	2014[2]
	(consolidated, unaudited)	
EBIT[3]	**98.5**	**55.1**
Amortization/depreciation of non-current assets	42.3	34.4
Increase/decrease in provisions	9.7	9.9
Other non-cash income/expense	-7.2	17.0
Profit/loss on the disposal of non-current assets	-1.5	-0.1
Changes in inventories, trade accounts receivable and other assets not classifiable to investing or financing activities	-27.5	-37.1
Changes in trade payables and other liabilities not classifiable to investing or financing activities	73.7	22.3
Paid / reimbursed taxes	-18.4	-21.3
Net Cash Flow from operating activities in discontinued operations	0	33.5
Net Cash Flow from operating activities	**169.6**	**113.7**
Proceeds from the disposal of non-current assets and disposal of stores	5.0	0.6
Investments in non-current assets	-33.8	-19.7
Proceeds from the disposal of consolidated companies	0	0
Payments for the acquisition of consolidated companies and other business units	-28.4	0
Net Cash Flow from investing activities in discontinued operations	-64.7	-10.9
Net Cash Flow from investing activities	**-121.9**	**-30.0**

Consolidated statements of cash flows (in €million)	Six-month period ended March 31,	
	2015[1]	2014[2]
	(consolidated, unaudited)	
Free Cash Flow[4]	**47.7**	**83.7**
Payments for the repayment of borrowings	-18.1	-17.9
Proceeds from borrowings	12.1	5.3
Interest paid	-35.6	-29.4
Interest received	0.2	3.1
Other change from financing activities	-3.5	0
Net Cash Flow from financing activities in discontinued operations	0	-0.2
Net Cash Flow from financing activities	**-44.9**	**-39.1**
Net change in cash and cash equivalents[5]	2.8	44.6
Net change in cash and cash equivalents due to currency translation	0.2	-0.1
Cash and cash equivalents at the beginning of the period	283.5	226.3
Cash and cash equivalents as of March 31	**286.5**	**270.8**

[1] Data including the Nocibé Business for the entire period and excluding the Non-Acquired Business (whereby the Books Business, the Jewelry Business and the Fashion Business which were accounted for in accordance with IFRS 5 were separated as the first booking entry on October 1, 2014 and were deconsolidated on that date). For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements*".

[2] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group) and adjusted in accordance with IFRS 5 to exclude the Non-Acquired Business. For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Unaudited Interim Condensed Consolidated Financial Statements*".

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

[4] Free cash flow is defined as the sum of the net cash flow from operating activities and the net cash flow from investing activities.

[5] Net change in cash and cash equivalents is defined as the aggregate of net cash flow from operating activities, net cash flow from investing activities and net cash flow from financing activities.

Comparison of Cash Flows from Operating Activities of the First Half of 2014/2015 and the First Half of 2013/2014 (Consolidated)

In the first half of 2014/2015, our net cash flow from operating activities increased by 49.2% to €169.6 million, as compared to €113.7 million in the first half of 2013/2014.

In addition to the €43.4 million higher EBIT and the €7.9 million higher amortization/depreciation of non-current assets in the first half of 2014/2015 due to the effects described above, the main reason for this increase was the change in trade payables and other liabilities not classifiable to investing or financing activities which resulted in cash inflows of €73.7 million in the first half of 2014/2015 as compared to cash inflows of €22.3 million in the first half of 2013/2014, mainly resulting from combined effects of the increase in tax liabilities, the optimization of payment terms, later payments of ancillary wage costs and value added tax liabilities. Furthermore, changes in inventories, trade accounts receivable and other assets not classifiable to investing or financing activities resulted in decreased cash outflows in the amount of €27.5 million in the first half of 2014/2015 as compared to €37.1 million in the first half of 2013/2014 due to seasonal fluctuations. As counter effects, the net cash flow from operating activities in discontinued operations decreased in the first half of 2014/2015 to €0 from €33.5 million in the first half of 2013/2014 due to the sales and transfers of the Books Business, Fashion Business and Jewelry Business effective as of October 1, 2014. In addition, other non-cash income/expense resulted in cash outflows in the amount of €7.2 million in the first half of 2014/2015, whereas other non-cash income/expense contributed cash inflows of €17.0 million in the first half of 2013/2014 primarily due to increased non-cash effective tax expenses.

Comparison of Cash Flows from Investing Activities of the First Half of 2014/2015 and the First Half of 2013/2014 (Consolidated)

In the first half of 2014/2015, our net cash flow from investing activities amounted to €-121.9 million, as compared to €-30.0 million in the first half of 2013/2014, mainly due to increased net cash flow from investing activities in discontinued operations which resulted in cash outflows of €64.7 million in the first half of 2014/2015 as compared to cash outflows of €10.9 million in the first half of 2013/2014. This increase in cash outflows mainly resulted from transfer of cash and cash equivalents pertaining to the Book Business, Fashion Business and Jewelry Business. Furthermore, increased payments for the acquisition of consolidated companies and other business units affected our net cash flow from investing activities, totaling €28.4 million in the first half of 2014/2015, with no such payments in the first half of 2013/2014. These payments in the first half of 2014/2015 related primarily to the acquisition of Himmer and Clin d'Oeil in December 2014 and February 2015, respectively. In addition, we incurred increased cash outflows in relation to investments in non-current assets of €33.8 million in the first half of 2014/2015 as compared to cash outflows of €19.7 million in the first half of 2013/2014 due to an overall increased investment volume, in particular, related to investments in connection with the Nocibé Business.

Comparison of Cash Flows from Financing Activities of the First Half of 2014/2015 and the First Half of 2013/2014 (Consolidated)

In the first half of 2014/2015, our net cash flow from financing activities amounted to €-44.9 million, as compared to €-39.1 million in the first half of 2013/2014, mainly due to increased cash outflows in connection with interests paid which totaled €35.6 million in the first half of 2014/2015 as compared to €29.4 million in the first half of 2013/2014, mainly due to the additional interest payments of the Nocibé Group and in relation to the acquisition of the Nocibé Group. In addition, other financial changes led to cash outflows of €3.5 million in the first half of 2014/2015 due to the purchase of outstanding shares in DPB Achats and, to a lesser extent, to dividends paid to minority shareholders with no such cash effect in the first half of 2013/2014. Furthermore, lower cash inflows from interest received impacted our net cash flow from financing activities, totaling €0.2 million as of March 31, 2015 as compared to €3.1 million as of October 1, 2014, mainly due to the discontinuation of interest payment by the Non-Acquired Business in relation to loans granted to the Non-Acquired Business. As a counter effect, our proceeds from borrowings contributed cash inflows in the amount of €12.1 million in the first half of 2014/2015 as compared to cash inflows of €5.3 million in the first half of 2013/2014, mainly due to the utilization of certain current account credit lines in France and Latvia.

Statements of Cash Flows for the Financial Years 2013/2014, 2012/2013 and 2011/2012 (Combined)

The following table shows our combined statements of cash flows for the periods indicated:

	Financial year ended September 30,		
Combined statements of cash flows (in €million)	**2014[1]**	**2013[2]**	**2012[2]**
	(combined, audited)		
EBITDA[3]	**126.8**	**164.3**	**169.7**
Increase/decrease in provisions	13.9	6.8	6.4
Other non-cash income/expense	-5.0	2.7	2.5
Profit/loss on the disposal of non-current assets	0	-0.2	0.3
Changes in inventories, trade account receivables and other assets not classifiable to investing or financing activities	21.8	-7.3	-59.0
Changes in trade payables and other liabilities not classifiable to investing or financing activities	-14.4	45.4	-7.3
Paid/reimbursed taxes	-5.8	-35.0	-42.1
Net cash flow from operating activities	**137.3**	**176.7**	**70.5**
Proceeds from the disposal of non-current assets and disposal of stores	3.8	1.5	3.7
Investments in non-current assets	-51.9	-40.3	-65.6
Payments for the acquisition of combined companies	-147.3	0	0
Net cash flow from investing activities	**-195.4**	**-38.8**	**-61.9**
Free cash flow[4]	**-58.1**	**137.9**	**8.6**
Proceeds from equity	255.0	0	0.9
Repayments of equity	0	-156.3	0
Dividends paid	0	0	-43.4
Payments for the repayment of financial liabilities	-431.8	-25.5	-64.4
Proceeds from borrowings	274.8	62.0	142.7
Payments for granting of loans	0	-3.0	0
Proceeds from repayments of granted loans	0	5.0	41.5
Interest paid	-5.0	-16.3	-5.0
Interest received			

Combined statements of cash flows (in €million)	Financial year ended September 30,		
	2014[1]	2013[2]	2012[2]
	(combined, audited)		
	4.5	0	1.0
Change in short term debt and other financial activities	64.9	77.2	-78.5
Net cash flow from financing activities	**162.4**	**-56.9**	**-5.2**
Net change in cash and cash equivalents[5]	104.3	81.0	3.4
Net change in cash and cash equivalents due to currency translation	-0.1	-0.2	0.1
Cash and cash equivalents at the beginning of the year	**113.3**	**32.5**	**29.0**
Cash and cash equivalents as of end of year	**217.5**	**113.3**	**32.5**

[1] Data including the Nocibé Business as from the effective date for accounting purposes of the Nocibé Acquisition, *i.e.*, for the months July to September 2014, and excluding the Non-Acquired Business. For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

[2] Data excluding the Nocibé Business (which at the time had not yet been acquired by the Douglas Group), as well as the Non-Acquired Business. For further details see "*—Presentation of Financial Information Used in this Offering Memorandum and Factors Affecting Comparability—Presentation of the Financial Information Used in this Offering Memorandum—Audited Combined Financial Statements*".

[3] EBITDA (calculated as sales less cost of raw materials, consumables and supplies and merchandise plus other operating income less personnel expenses less other operating expenses and plus income from other investments) is not defined as a measure under IFRS. Therefore, EBITDA should be viewed as supplemental but not as a substitute for data from the combined or consolidated income statements, statements of financial position or cash flow statements determined in accordance with IFRS. Since not all companies define EBITDA in the same way, EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. EBITDA as shown in the table above is unadjusted.

[4] Free cash flow is defined as the sum of the net cash flow from operating activities and the net cash flow from investing activities.

[5] Net change in cash and cash equivalents is defined as the aggregate of net cash flow from operating activities, net cash flow from investing activities and net cash flow from financing activities.

Net Cash Flow from Operating Activities

Comparison of the Financial Years 2013/2014 and 2012/2013 (Combined)

In the financial year 2013/2014, our net cash flow from operating activities decreased by €39.4 million, or 22.3%, to €137.3 million, as compared to €176.7 million in the financial year 2012/2013. In addition to the €37.5 million lower reported EBITDA in the financial year 2013/2014 due to significantly increased extraordinary expenses and one-off costs, changes in trade payables and other liabilities not classifiable to investing or financing activities contributed to this decrease, as we recorded a cash outflow of €14.4 million in the financial year 2013/2014, while we recorded a cash inflow of €45.4 million in the financial year 2012/2013. This development was mainly due to a transitory optimization of our tax liabilities which resulted from netting of tax liabilities and tax assets. Furthermore, other non-cash income/expenses led to cash outflows of €5.0 million in the financial year 2013/2014, as compared to contributing a cash inflow of €2.7 million in the financial year 2012/2013. These further outflows were mainly due to a high non-cash tax income. These effects were in part compensated by increased cash inflows from changes in inventories, trade account receivables and other assets not classifiable to investing or financing activities, which provided cash inflows of €21.8 million in the financial year 2013/2014, after cash outflows of €7.3 million in the prior financial year, mainly due to the transitory optimization of our tax assets as described above. In addition, a significant reduction in taxes paid resulting in cash outflows of €5.8 million in the financial year 2013/2014 as compared to cash outflows of €35.0 million in the previous financial year also positively impacted our net cash inflow from operating activities. This reduction in taxes paid was mainly related to Douglas Holding AG which benefited from a high tax refund exceeding the tax payments (net tax refund) in the financial year 2013/2014.

Comparison of the Financial Years 2012/2013 and 2011/2012 (Combined)

In the financial year 2012/2013, our net cash flow from operating activities increased to €176.7 million, as compared to €70.5 million in the financial year 2011/2012. While our reported EBITDA decreased from €169.7 million in the financial year 2011/2012 to €164.3 million in the financial year 2012/2013 due to significantly increased extraordinary expenses and one-off costs, the main driver for the increase of our net cash flow from operating activities was a decrease in cash outflows from changes in inventories, trade account receivables and other assets not classifiable to investing or financing activities which tied up €7.3 million in the financial year 2012/2013, as compared to €59.0 million in the financial year 2011/2012. This development was primarily due to stock optimization and reduced receivables from credit card providers as a result of shortened payment terms. Furthermore, changes in trade payables and other liabilities not classifiable to investing or financing activities released cash inflows of €45.4 million in the financial year 2012/2013 whereas, in the financial year 2011/2012, €7.3 million had been tied up. This development mainly resulted from agreeing on extended payment terms with our suppliers in the financial year 2012/2013 as compared to the previous financial year. Also, cash inflows from other non-cash income/expenses increased in the financial year 2012/2013 to €2.7 million, as compared to €2.5 million in the financial year 2011/2012. In addition, cash outflows relating to taxes paid decreased to €35.0 million in the financial year 2012/2013 as compared to €42.1 million in the financial year 2011/2012, primarily as a result of our reduced earnings before taxes.

Net Cash Flow from Investing Activities

Comparison of the Financial Years 2013/2014 and 2012/2013 (Combined)

In the financial year 2013/2014, our net cash flow for investing activities amounted to €-195.4 million, as compared to €-38.8 million in the financial year 2012/2013, mainly due to increased cash outflows relating to payments for the acquisition of combined companies of €147.3 million made in 2013/2014 in connection with the Nocibé Acquisition, equaling the purchase price of €165.2 million less the acquired cash and cash equivalents. Furthermore, investments in non-current assets also caused higher cash outflows in the financial year 2013/2014 where €51.9 million were tied up, as compared to the financial year 2012/2013 where €40.3 million were tied up, mainly due to an increase in capital expenditures in intangible assets (primarily relating to acquired and internally generated software) and property, plant and equipment (mainly regarding the opening and acquisition of new stores and investments in the design and re-design of existing stores). These capital expenditures mostly related to investments in the refurbishment, maintenance, design and re-design of existing stores which were relatively stable in the financial years 2013/2014 and 2012/2013.

Comparison of the Financial Years 2012/2013 and 2011/2012 (Combined)

In the financial year 2012/2013, our net cash flow for investing activities amounted to €-38.8 million, as compared to €-61.9 million in the financial year 2011/2012, mainly due to reduced cash outflows for investments in non-current assets of €40.3 million in the financial year 2012/2013 as compared to cash outflows of €65.6 million in the financial year 2011/2012.

Net Cash Flow from Financing Activities

Comparison of the Financial Years 2013/2014 and 2012/2013 (Combined)

In the financial year 2013/2014, our net cash flow from financing activities increased, releasing cash inflows of €162.4 million, as compared to tying up cash outflows of €-56.9 million in the financial year 2012/2013. This development resulted in particular from increased cash inflows from proceeds from equity in the amount of €255.0 million in the financial year 2013/2014 which related to the above-described capital increase in Douglas Holding AG, with no corresponding effect in the prior financial year. In contrast, in the financial year 2012/2013, cash outflows for repayments of equity of €156.3 million were recorded which related to a capital increase related to the Books Business in the amount of €15.0 million and to loss coverage from the previous financial year related to the Books Business in the amount of €141.3 million and which had no corresponding effect in the financial year 2013/2014. Furthermore, proceeds from borrowings also contributed additional cash inflows with €274.8 million released in the financial year 2013/2014, as compared to €62.0 million released in the financial year 2012/2013 due to the extension of the loan amount of a syndicated loan by a further tranche in the amount of €275.0 million, effective as of December 20, 2013, mainly to allow for the Nocibé Acquisition. As an opposing effect, payments for the repayment of financial liabilities resulted in significantly increased cash outflows of €431.8 million in the financial year 2013/2014, as compared to cash outflows of €25.5 million in the financial year 2012/2013 resulting mainly from the redemption of the operational financing of the Nocibé Group amounting to €372.7 million and, to a lesser extent, caused by the partial early redemption of €47.0 million in debt in connection with the above described extension of the syndicated loan by another tranche.

Comparison of the Financial Years 2012/2013 and 2011/2012 (Combined)

In the financial year 2012/2013, our net cash flow from financing activities amounted to €-56.9 million, as compared to €-5.2 million in the financial year 2012/2011, mainly due to significantly increased cash outflows in relation to the repayments of equity in the amount of €156.3 million in the financial year 2012/2013 as set out above, whereas, in the prior financial year, no corresponding effect was recognized. In addition, cash inflows from proceeds from borrowings decreased to €62.0 million in the financial year 2012/2013, as compared to €142.7 million in the financial year 2011/2012. Furthermore, cash inflows relating to proceeds from repayments of granted loans decreased, totaling €5.0 million in the financial year 2012/2013 relating to the repayment of a loan extended to the Jewelry

Business, as compared to cash inflows of €41.5 million in the financial year 2011/2012 resulting from the repayment of loans extended the Books Business, the Jewelry Business and the Confectionery Business. As a counter effect, we recorded cash inflows of €77.2 million relating to change in short term debt and other financial activities in the financial year 2012/2013, after we had cash outflows relating to this item of €78.5 million in the prior financial year. This development was primarily a result of the financing of the Non-Acquired Business. Moreover, while no dividends were paid in the financial year 2012/2013, we had cash outflows from dividends paid of €43.4 million in the financial year 2011/2012. In addition, payments for the repayment of financial liabilities resulted in cash outflows of €25.5 million in the financial year 2012/2013, whereas cash outflows amounted to €64.4 million in the financial year 2011/2012.

Investments and Capital Expenditures

The investments we made in the periods under review mainly relate to (i) acquisitions of businesses, including the First Douglas Acquisition, the acquisition of the Nocibé Group and several smaller acquisitions, as well as (ii) capital expenditures which we define as additions made to intangible assets (primarily relating to acquired and internally generated software) and property, plant and equipment (mainly regarding the opening and acquisition of new stores and investments in the refurbishment, maintenance, design and re-design of existing stores) (in each case irrespective of whether the respective payments were effected in the period indicated).

The main source of our historic, on-going and future investments has been, is and is expected to continue to be, with respect to on-going capital expenditures, the positive cash flow from operating activities and, with respect to acquisition of businesses, additional acquisition financing.

On-Going and Future Investments (Consolidated)

In the first half of 2014/2015, we recorded payments for investments in the amount of €121.9 million of which €27.8 million related to the acquisitions of Himmer and Clin d'Oeil and €33.8 million related to capital expenditures which mainly related to investments in the refurbishment, maintenance, design and re-design of existing stores.

Of the payments for investments, €17.5 million related to Germany, €9.8 million related to France, €3.8 million to South-western Europe and €3.0 million to Eastern Europe.

Between March 31, 2015 and the date of this offering memorandum, we have continued to incur capital expenditures mainly related to other equipment, operating and office equipment with a geographical focus on Germany. Other than that, we have not made any significant investments.

For the rest of the financial year 2014/2015, we expect a slight increase in investments. On-going investments predominantly relate to capital expenditures for other equipment, operating and office equipment with a geographical focus on Germany and France. Other than that, we have not decided on any significant future investments.

Investments in the Financial Years 2013/2014, 2012/2013 and 2011/2012 (Combined)

In the financial year 2013/2014 we recorded investments of €199.2 million. This mainly related to the Nocibé Acquisition in connection with which payments of €147.3 million were recognized, equaling the purchase price of €165.2 million less acquired cash and cash equivalents. The remaining part of our investments in the financial year 2013/2014 mainly related to capital expenditures in an amount of €48.6 million, in particular relating to payments made for the purchase of other equipment, operating and office equipment as well as land and buildings in connection with refurbishments and store openings. Of such capital expenditures, €22.7 million related to Germany, €8.2 million related to France, €11.0 million to South-western Europe and €6.7 million to Eastern Europe.

In the financial year 2012/2013, we recorded investments of €45.1 million, all of which related to capital expenditures and of which €25.4 million were recorded with respect to Germany, €3.8 million with respect to France, €9.2 million with respect to South-western Europe and €6.7 million with respect to Eastern Europe.

In the financial year 2011/2012, we recorded investments of €65.6 million, of which €64.3 million related to capital expenditures and of which €39.6 million related to Germany, €5.9 million to France, €12.2 million to South-western Europe and €6.6 million to Eastern Europe.

For the major portion, our capital expenditures in the financial years 2013/2014, 2012/2013 and 2011/2012 related to investments in the refurbishment, maintenance, design and re-design of existing stores, whereas the level of these refurbishment and maintenance related capital expenditures was relatively stable over the last three financial years.

We currently expect in the short to medium term, our capital expenditures expressed as a percentage of sales to increase slightly to approximately 3.0% to 3.5% although actual capital expenditure could be higher.

Financing

Financial Liabilities (Combined)

The following table provides a breakdown of our financial liabilities as of the balance sheet dates indicated according to their maturation as based on our Audited Combined Financial Statements:

	As of September 30, 2014 With a remaining term of			As of September 30, 2013 With a remaining term of			As of September 30, 2012 With a remaining term of			As of September 30, 2011 With a remaining term of		
Financial liabilities (in €million)	Up to 1 year	Btw. 1 and 5 years	More than 5 years	Up to 1 year	Btw. 1 and 5 years	More than 5 years	Up to 1 year	Btw. 1 and 5 years	More than 5 years	Up to 1 year	Btw. 1 and 5 years	More than 5 years
	(combined, audited)											
Liabilities to banks	20.3	0	1,058.5	13.2	42.1	152.8	153.4	17.0	0	66.6	25.5	0
Advance payments received	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities from put options of non-controlling interests	0.6	2.0	0	1.1	1.7	0	2.9	1.9	0	78.8	1.8	0
Derivative financial instruments	0	5.1	0	0	0	0.9	0	0	0	0.7	0	0
Payables from trade and cash-pooling	2.0	0	0	6.1	0	0	2.1	0	0	12.5	0	0
Other liabilities	25.3	0	0	13.7	0	0	14.9	0	0	10.9	0	0
Total	**48.2**	**7.1**	**1,058.5**	**34.1**	**43.8**	**153.7**	**173.3**	**18.9**	**0**	**169.5**	**27.3**	**0**

Financial liabilities from the put options of non-controlling interests are related to non-controlling shareholders with cancellation rights and rights of disposal.

The payables from trade and cash-pooling include payables arising from the cash-pooling system implemented as part of our cash management system. Douglas Holding AG is the pool leader and holds a central cash account, where all cash balances of the pool participants are transferred on a daily basis depending on a surplus or lack of cash. Such cash sweeps create receivables from, or payables to, the pool participants.

As of September 30, 2014, assets with a total volume of €1,372.8 million (September 30, 2013: €649.3 million; September 30, 2012: €0 million) were pledged to a banking syndicate as collateral for bank loans.

Provisions for Pensions

Pension provisions are formed for commitments arising from pension entitlements and ongoing payments to employees and former employees and their surviving dependents. The pension entitlements usually relate to a payment for contractually agreed old-age pensions as a monthly amount. These commitments are accounted for in accordance with the requirements of IAS 19—"Employee Benefits". The Group has applied the provisions of the revised IAS 19 early. Consequently, actuarial gains/losses are recognized directly and in full via a separate equity component.

Our pensions are primarily based on defined benefit plans. Perfumery Douglas Nederland B.V. also takes part in a multi-employer plan, which basically qualifies as a defined benefit plan. However, due to the lack of necessary information, this plan qualifies as a defined contribution plan. The recognized expense due to this plan amounts to €1.7 million (in the financial year 2012/2013: €1.5 million). In addition, interest expenses were accounted for under financial expenses.

The following table presents the reconciliation of our defined benefit obligation and our defined benefit liability as of the balance sheet date indicated, split between funded and unfunded obligations:

Reconciliation of our defined benefit obligation and our defined benefit liability (in €million)	As of September 30, 2014		As of September 30, 2013	
	Unfunded obligation	Funded obligation	Unfunded obligation	Funded obligation
	(consolidated, audited)			
Defined benefit obligation	**29.8**	**16.8**	**31.7**	**39.0**
Fair value of plan assets	0	-13.8	0	-31.5
Currency translation adjustment	0	0	0	0
Defined benefit liability	**29.8**	**3.0**	**31.7**	**7.5**

The following table presents the development of our defined benefit obligations in the period indicated, split between funded and unfunded obligations:

Development of defined benefit obligation (in €million)	Financial year ended September 30, 2014		Financial year ended September 30, 2013	
	Unfunded obligation	Funded obligation	Unfunded obligation	Funded obligation
	(consolidated, audited)			
Defined benefit obligation as of October 1	**31.7**	**39.0**	**0**	**0**
Changes in the scope of consolidation	1.0	0	31.8	38.8
Disposals	0	-22.0	0	0
Actuarial gains or losses from changes in financial assumptions	2.4	1.0	0.2	-0.3
Service costs	0.4	0.6	0.3	2.5
Interest costs	1.0	0.5	0.8	0.9
Past service costs	0	0.1	0	0
Plan curtailments/settlements	0	0	0	0
Insurance premiums	0	0	0	0
Contributions	0	0	0	0
Pension payments	-1.7	-0.7	-1.4	-2.5
Currency translation adjustments	0	0.1	0	-0.4
Reclassification of discontinued operations	-5.0	-1.8	0	0
Defined benefit obligation as of September	**29.8**	**16.8**	**31.7**	**39.0**

The following table presents our defined pension expenses for the period indicated, split between funded and unfunded obligations:

Personnel expenses (in €million)	Financial year ended September 30, 2014		Financial year ended September 30, 2013	
	Unfunded obligation	Funded obligation	Unfunded obligation	Funded obligation
	(consolidated, audited)			
Service costs	0.4	0.6	0.3	2.5
Interest costs	1.0	0.5	0.8	0.9
Expected returns on plan assets	0	-0.4	0	-0.8
Past service costs	0	0.1	0	0
Income/expense from pension plan changes	0	0	0	0
Period pension expense	**1.4**	**0.8**	**1.1**	**2.6**

The following table presents the development of our plan assets in the financial years indicated, split between funded and unfunded obligations:

Development of plan assets (in €million)	Financial year ended September 30, 2014	Financial year ended September 30, 2013
	(consolidated, audited)	
Plan assets as of the date of the opening balance sheet	**31.5**	**0**
Changes resulting from business combinations	0	31.5
Disposals	-17.3	0
Expected return on plan assets	0.4	0.8
Actuarial gains/losses	0.3	0.8
Contributions	1.1	0.9
Currency translation adjustments	0	-0.3
Planned costs	0	0
Payments	-0.9	-2.2
Reclassification of discontinued operations	-1.3	0
Plan assets as of the date of the closing balance sheet	**13.8**	**31.5**

Plan assets are primarily composed of reinsurance policies.

An increase of 0.7 percentage points in the discount rate would reduce the value of the defined benefit obligations as of September 30, 2014 by €4.1 million (September 30, 2013: reduction of €6.7 million). In contrast, a decrease of 0.7 percentage points in the discount rate would increase the benefit obligations as of September 30, 2014 by €4.8 million (September 30, 2013: increase of €8.0 million). An increase or a decrease of 0.5 percentage points in the expected pension trend, while other parameters were unchanged, would increase the value of the defined benefit obligations as of September 30, 2014 by €2.3 million (September 30, 2013: reduction of €3.5 million) or decrease the value of the defined benefit obligations as of September 30, 2014 by €2.1 million (September 30, 2013: reduction of €3.3 million).

Calculation parameters (in %)	Financial year ended September 30, 2014	Financial year ended September 30, 2013
Interest rate	2.7	3.3
Pension benefit increase rate during expectancy period	2.5	2.5
Increase in consumer price index	1.5	2.0

Off-Balance Sheet Commitments / Contingent Liabilities

Contractual Obligations

As of March 31, 2015, on an unaudited pro forma basis to give effect to the Transactions, the principal payment of our material long-term financing and payments on our other contractual financial obligations would have been as follows:

€ in millions	Less than one year	1-4 years	5-10 years	Total
Borrowings under the Senior Secured Credit Facilities[1]	—	—	1,220.0	1,220.0
Senior Secured Notes	—	—	300.0	300.0
Senior Notes	—	—	335.0	335.0
Total	—	—	1,855.0	1,855.0

[1] In addition to the €1,220.0 million Term Loan B Facility, the Senior Secured Credit Facilities also provide for a committed revolving facility of up to €200.0 million under the Revolving Credit Facility of which we expect approximately €15.0 million to be drawn on the Completion Date and the amount of the Revolving Credit Facility available for borrowings will also be reduced by €10.2 million of outstanding letters of credit, which are not reflected in the table above.

Off-Balance Sheet Commitments

Information on Operating Leases

As of March 31, 2015, based on our Consolidated Financial Statements, we recorded minimum lease expenses from operating lease agreements (mostly comprising store rental agreements) of €104.2 million.

The following table provides a breakdown of the maturity structure of our commitments from operating leases relating to our continuing operations, *i.e.* the Acquired Business, as of the balance sheet dates indicated, as based on our Consolidated Financial Statements:

Commitments from operating leases (in €million)	**As of March 31,**	**As of September 30,**	
	2015	**2014**	**2013**
	(consolidated, unaudited)	**(consolidated, audited)**	
Up to 1 year	183.8	180.8	152.8
1 to 5 years	381.4	356.7	333.5
Above 5 years	87.5	78.8	85.3
Total lease payments	**652.7**	**616.3**	**571.6**

Contingent rent payments resulting from sales-based lease agreements with respect to operating leases, as based on our Consolidated Financial Statements, amounted to €3.6 million as of March 31, 2015.

Based on our Combined Financial Statements, we recorded minimum lease expenses from operating lease agreements amounted to €180.0 million in the financial year 2013/2014 (€170.6 million in the financial year 2012/2013, €165.4 million in the financial year 2011/2012).

The following table provides a breakdown of maturity structure of our commitments from operating leases as of the balance sheet dates indicated, as based on our Combined Financial Statements:

Commitments from operating leases (in €million)	**As of September 30,**		
	2014	**2013**	**2012**
	(combined, audited)		
Up to 1 year	180.8	152.7	154.2
1 to 5 years	356.7	333.5	352.8
Above 5 years	78.8	85.3	107.0
Total lease payments	**616.3**	**571.5**	**614.0**

Contingent rent payments resulting from sales-based lease agreements with respect to operating leases as based on our Combined Financial Statements amounted to €2.8 million (2012/13: €1.0 million, 2011/12: €1.2 million).

Information on Contractual Obligations

As of March 31, 2015, based on our Consolidated Financial Statements, we had commitments with respect to approved investments in tangible assets amounting to €27.2 million.

Based on our Combined Financial Statements, we had commitments with respect to approved investments in tangible assets amounting to €19.8 million as of September 30, 2014 (September 30, 2013: €16.8 million; September 30, 2012: €16.5 million).

Information on Factoring

In the financial year 2013/2014, we entered into a factoring agreement and sold €1.1 million receivables from Germany, Austria and Switzerland which mainly related to invoice payments and direct debits. The factor assumed the default risk under the factoring agreement.

Quantitative and Qualitative Disclosure of Market Risks

Overview

We are exposed to liquidity risks, default/credit risks as well as market risks, such as foreign currency and interest rate risks. The following description presents information about our exposure to each of the foregoing risks and our objectives, policies and processes for measuring and managing risks, as based on the respective notes to our Audited Consolidated Financial Statements for the financial year 2013/2014.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due, *e.g.,* settlement of our financial debt and paying our suppliers. Our approach is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due, under normal but also under stressed conditions, without incurring unacceptable losses or risking damage to our reputation. We generally have access to various sources to finance operations, investments and potential acquisitions. This includes existing cash and cash equivalents, operating cash flow and bank credits. By signing up to the acquisition financing of Beauty Holding Three AG (which, effective as of February 20, 2013, was merged as the transferring entity upstream into Beauty Holding Two GmbH as the absorbing entity) in December 2012, we gained access to parts of the contractually agreed loans totaling €1,030.0 million. We used these loans to redeem our existing bank debt and to partly finance the acquisition of the shares of Douglas Holding AG by Beauty Holding Three AG. Beauty Holding Three AG's liabilities to banks could be assumed to offset the dividends and profits payable to Beauty Holding Three AG by our subsidiaries.

All of our German subsidiaries and some foreign subsidiaries are linked to a cash management system (cash pooling). By combining financing volumes, short-term liquidity surpluses of individual Group companies can be used to finance the cash requirements of other Group companies. This leads to a reduction in borrowing and an optimization of cash investments, thus having a positive impact on our net interest result.

Future cash outflows arising from financial liabilities are recognized in the statement of financial position. For further information, see the "*Liquidity Risk*" section in our Audited Consolidated Financial Statements presented in this offering memorandum. See also "*Risk Factors—Risks Relating to Our Financing—We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.*"

Interest Rate Risk

The interest rate risk is the result of fluctuations in interest rates on the money and capital markets and market-related fluctuations of exchange rates.

After giving effect to the Transactions, we anticipate that only the amounts that we borrow under the Senior Secured Credit Facilities will be subject to variable interest rates. Following the Transactions, we anticipate entering into interest rate hedging agreements in respect of a portion of the new Senior Secured Credit Facilities.

For further information see the "*Interest Rate Risk*" section in our Audited Consolidated Financial Statements presented in this offering memorandum. See also "*Risk Factors—Risks Relating Related to our Financing—The loans under our Senior Secured Credit Facilities Agreement bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.*".

Foreign Currency Risk

The operative companies of our Group largely conduct their activities in the respective functional currency. Currency risks within the Group are estimated to be low since approximately 93% of our sales were effected in Euros in the financial year 2013/2014, and merchandise was purchased almost exclusively in Euros. In order to monitor the residual currency risks, our financial management regularly reviews our currency items and analyzes the advantages and disadvantages of implementing derivative financial instruments. We did not enter into currency hedging contracts in the periods under review.

Within the scope of IFRS 7, a sensitivity analysis was conducted for foreign currency risks. The sensitivity analysis shows the effects from foreign currency exchange rate fluctuations in financial instruments denominated in foreign currency and not designated as hedged items. In total, we would be exposed to a net risk of €-0.3 million in the financial year 2013/2014 (2012/2013: €-0.4 million, 2011/2012: €+0.1 million) following an appreciation in value of the

Euro of 5% and €+0.3 million in the financial year 2013/2014 (2012/2013: €+0.4 million, 2011/2012: €-0.1 million) as a consequence of a devaluation of 5%.

For further information see the "*Foreign Currency Rate Risk*" section in our Audited Consolidated Financial Statements presented in this offering memorandum.

Default/Credit Risk

A default risk could exist if a banking partner defaults on payments and bank deposits. We mitigate this risk by exclusively investing in monetary deposits and entering into financial instruments with first-rate banks. At the same time, the volume is distributed among several contracting parties in order to avoid a concentration of risks. Larger monetary deposits are avoided or only made with first-rate German banks.

Due to the increased focus on internet sales, the companies of our Group are exposed to credit risk, which is a system-inherent risk in the mail order business. For this reason, the companies of our Group operate an effective and constantly optimized debtor management system including consistent dunning procedures.

Selected Critical Accounting Policies regarding the Preparation of Our Consolidated Financial Statements

The preparation of our Consolidated Financial Statements requires the Company's management to make judgments, estimates and assumptions that affect the reported amounts of income or sales, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period.

The following section discloses selected critical accounting policies for the application of which the Company's management was and is required to exercise judgment and make estimates and assumptions. For more information on accounting policies, see the note on "*Accounting and valuation principles*" included in our Audited Consolidated Financial Statements.

Intangible Assets

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill impairment testing is performed annually or if there is an indication of impairment. Goodwill arising from a business combination is allocated to cash generating units ("**CGU**") or groups of CGUs that are expected to benefit from the synergies of the combination. The ceiling for the allocation is generally the operating segment in conformity with IFRS 8.5. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of sale. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

Other intangible assets are carried at cost. Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

Intangible assets with indefinite useful lives are not subject to scheduled amortizations. They are tested for impairment at least once a year. An impairment loss is recognized if the carrying amount of such an asset exceeds its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the asset to the location and condition necessary for it to be put into operation as well as the initial estimate of the costs of an obligation of dismantling and removing the asset.

As in the past rights from restoration obligations were generally not exercised against our Group's companies, these obligations are generally not recognized in the acquisition costs of the leasehold improvements. If indications of impairment exist, an impairment test is performed for the corresponding asset. The impairment tests are generally performed on the basis of the CGU, which is the individual retail store. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

The estimated useful lives for significant items of property, plant and equipment as well as intangible assets are 3 to 5 years for software, 5 to 15 years for leasehold, 5 to 10 years for customer bases, 5 years for non-competition clauses, 10 to 50 years for buildings, and 3 to 10 years for store fittings, office and operating equipment.

Leases

At inception of an arrangement, we determine whether the arrangement is or contains a lease. Assets held by us under leases that transfer to us substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognized in our statement of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities and unused tax losses for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax we take into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes us to change our judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Inventories

Inventories are measured at the lower of cost and net realizable value. In general, the cost of inventories is based on the moving average price principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. In individual areas, acquisition costs are determined based on the retail method making reasonable deductions from the selling price.

The net realizable value is the estimated selling price in the ordinary course of business less estimated costs of selling. To the extent required, sales risk as well as fashion and other risks were taken into account respectively.

Provisions

A provision is recognized if, as a result of a past event, we have a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Non-current provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized in finance cost.

A provision for restructuring is recognized when we have approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. Non-current provisions are discounted and carried on the statement of financial position at their present value.

Our net obligation in respect of defined benefit plans is calculated based on actuarial valuations. The actuarial valuation requires assumptions to be made about discount rates, expected rates of return on assets, future salary increases, mortality rates, and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. We recognize gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Financial Liabilities

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. Financial liabilities are recognized at the inception of the contract and are derecognized when our contractual obligations are discharged, cancelled or expire.

All trade accounts payable have a maturity of less than one year and are non-interest bearing. Liabilities arising from finance leases are recorded as other liabilities. We did not choose to recognize financial liabilities at fair value through profit or loss.

Revenue Recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The Company’s revenues are predominantly related to cash transactions.

Revenue relating to customer loyalty programs is allocated between the loyalty program and the other components of the sale. The amount allocated to the loyalty program is deferred, and is recognized as revenue when we have fulfilled our obligations to supply the discounted products under the terms of the program or when it is no longer probable that the points under the program will be redeemed.

Use of Assumptions and Estimates

The preparation of the financial statements in conformity with IFRSs requires the making of judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in our Consolidated Financial Statements comprise determination of useful lives, classification of leases as operating or finance leases, valuation of restoration obligations, impairment tests for goodwill, measurement of provisions, assessment of the probability that future tax refunds will be realized and determination of fair values associated with business combinations.

MARKET AND COMPETITIVE ENVIRONMENT

Unless otherwise stated, the statements on market and competition provided below are based on our internal market observations and estimates—some of which are, in turn, derived from various sources we believe to be reliable, including industry publications and from surveys or studies conducted by third parties—and/or studies commissioned by us, in particular a study prepared by OC&C Strategy Consultants GmbH, Düsseldorf, Germany ("OC&C") entitled "Selective Beauty Market and Competitive Environment" (April 2015) (the "OC&C Report"). While we did not verify or modify any of the market data or other data provided by OC&C, we have delivered, upon OC&C's request, certain factual information to OC&C and have discussed the underlying assumptions with OC&C. We compiled our estimates for the market and competitive data in part on the basis of available historical data and in part on the basis of assumptions and methodologies which we believe to be reasonable, as well as various sources we believe to be reliable.

Because publicly available information on the selective beauty markets in the different countries is only available to a very limited extent, the data included in the OC&C Report and shown in this offering memorandum is based on a modeling methodology described in greater detail under "—The European Selective Beauty Market—Definition of the European Selective Beauty Market; Key Characteristics" below. In addition, OC&C made assessments regarding the selective beauty sales of competitors using different approaches and methodologies, especially where published results for the different competitors (e.g., with respect to the respective sales of selective beauty products) were not available; in certain cases, sales for our Group and for competitors were considered for different periods, thus limiting comparability. Therefore, the following data, especially on market sizes, past and projected growth rates and competitive position should be viewed with caution and in light of such limitations, and may differ from market and competitive data contained in other analyses or calculations of selective sales of competitors. Additional factors, which should be considered in assessing the market and competitive data, including the projected growth rates, are described elsewhere in this offering memorandum, in particular those set out in the section entitled "Risk Factors".

OC&C's sales assessments are, unless otherwise stated, based on net sales at current prices (i.e., not adjusted for inflation), excluding VAT and using a fixed exchange rate for non-Euro currencies for 2013.

Introduction

As a European specialist retailer of selective beauty and personal care products, our assortment comprises fragrances, skin care and color cosmetics, complemented by products from adjacent categories, such as beauty-related accessories. From a product type perspective, we focus on selective beauty products from third-party, mostly premium brands (selective products), some of which are distributed exclusively by us on a European basis or for a specific region and for an agreed period of time (exclusive products), and on private label (own-brand) products, with which we target different segments within the European beauty and personal care market. The vast majority of our sales are generated within the selective beauty distribution channel, which is a channel based on a distribution model requiring compliance with specific criteria and formal approval of suppliers before a retailer can carry a selective product, as opposed to the mass distribution channel. We believe that this is an attractive and fast-growing market segment benefitting from positive market dynamics, and that it is thus a solid base for our future growth.

Therefore, the following market description is based on the selective beauty distribution channel (herein also referred to as "selective beauty market"), which is a market segment within the broader European beauty and personal care market. For the purposes of the OC&C Report, the selective beauty market, as assessed by OC&C, includes beauty products pertaining to the selective type of products (including exclusive products) and also the beauty categories—fragrances, color cosmetics and skin care—pertaining to the private label type, although private label products, strictly speaking, do not represent selective products as they are not supplied by premium brand suppliers through the selective distribution channel, but rather directly sourced by the respective retailer from third-party manufacturers. For more information; see "*—The European Selective Beauty Market—Definition of the European Selective Beauty Market; Key Characteristics—Definition*" below.

The European selective beauty market amounted to approximately €15.6 billion in 2013 and thus accounted for approximately 19% of the total European beauty and personal care market in that year.

From a regional perspective, our most important markets are Germany and France, in which we generated approximately 44% and 27% of our sales, respectively, on a pro forma basis in the financial year 2013/2014. These two markets are also the two largest within the European selective beauty market and together accounted for over a third of the total European selective beauty market in 2013, according to the OC&C Report. Our other core markets are the Netherlands, Italy, Poland and Austria. According to the OC&C Report, the six core markets, which together contributed over 90% of our sales in the financial year 2013/2014, accounted for approximately 50% of the total European selective beauty market in 2013.

Therefore, this section first provides an overview of the European selective beauty market (*i.e.,* the selective distribution channel for beauty products in Europe) and then focuses on the selective beauty markets in our six core countries. Finally, we provide a brief overview of the key market characteristics in other countries in which we operate.

The European Selective Beauty Market

Definition of the European Selective Beauty Market; Key Characteristics

Definition

The selective beauty distribution channel in Europe is a particularly attractive and fast-growing segment within the larger European beauty and personal care market. In the selective distribution channel of the European beauty and personal care market (as opposed to the mass market), brand manufacturers approve retailers to sell their products if they fulfill certain specific qualitative criteria, aiming at ensuring an appropriate premium sales environment for their brands; for example:

- an adequate product and brand presentation in store (online players are required to have a physical store presence in order to be able to source their products through the selective distribution channel);
- appropriate service levels through qualified and trained employees;
- breadth of product assortment and product availability;
- specialist advice and testing opportunities;
- appropriate appearance and composition of stores;
- the possibility to develop and market product innovations; and
- minimum sales on a product level.

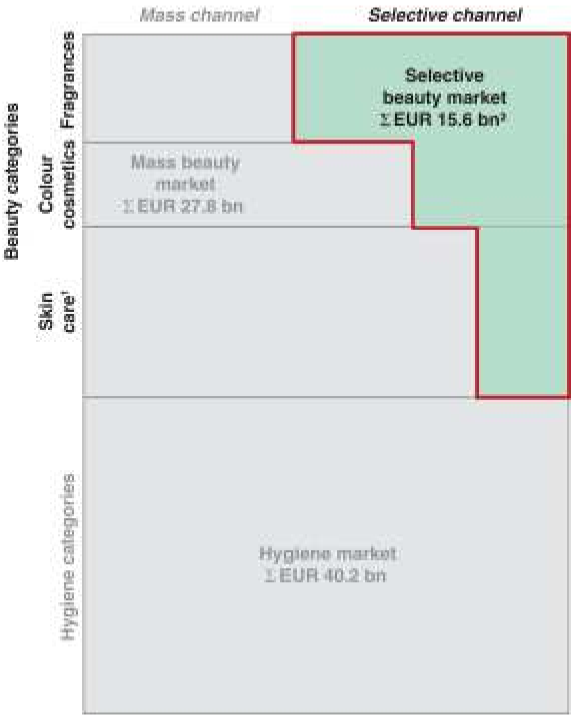
Through such requirements, brand manufacturers select the retailers who they approve for the sale of their products. Selective distribution is a key means through which suppliers protect the often upscale reputation of their products and brands and exert control over the distribution of their branded products by using only distribution channels that fit the desired brand image. In general, the level of brand usage rights depends on the level of fulfillment of the different requirements. Suppliers, however, do not impose minimum price obligations on retailers.

Fragrances, skin care and color cosmetics (make-up) are typical product categories sold via the selective distribution channel. By contrast, in the mass market, which includes hygiene products such as oral hygiene or bath and shower products, and also mass beauty products, there is no such selection of retailers and no selection of certain distribution channels.

In the OC&C Report, the selective beauty market was derived from the total market for beauty and personal care per market region using a modeling methodology defining, firstly, the selective "channels", which are market players with a substantial share of sales of selective beauty products, within the respective regional total beauty and personal care markets (for example, depending on the country, beauty specialist retailers (excluding monolabel stores), department stores and online players). Secondly, OC&C defined the key product categories sold, though not exclusively, through the selective distribution channel, *i.e.,* the beauty product categories skin care, color cosmetics and fragrances, as opposed to hygiene product categories (which are not included in this definition of the selective beauty market). An estimation was made regarding the percentage of sales pertaining to selective beauty products within each of the defined channels (*i.e.,* the share of selective products sold by department stores, e-commerce players, drugstores, etc.) in order to arrive at an approximation of the resulting "selective segment" value for each country, which also includes e-commerce sales of selective beauty products. When available, more detailed selective country data and other market derivation methods were used (for example, a bottom-up approach for France). Market size is based on net sales.

The following chart illustrates the size of the European selective beauty market within the broader European beauty and personal care market as used throughout this section:

The European selective beauty market within the larger European beauty and personal care market (2013):



Total European beauty and personal care market = €83.5 billion

Source for the market split and figures: OC&C Report. Includes 47 countries.

[1] Includes sun care.

[2] The selective beauty market has a marginal overlap with hygiene categories, *e.g.*, regarding soaps, shower and bath products. These were, due to their small size, not considered in OC&C's analysis as part of the European selective beauty market.

Note: Hygiene categories include hair care, oral care, bath and shower and other categories (deodorant, men's shaving, baby care, and similar).

Substantial Success Factors in the European Selective Beauty Market and Advantages for Larger Players

Within the European selective beauty market, large beauty retailers are typically in a better position to fulfill the criteria required by premium fragrance, cosmetics and skin care suppliers to protect their brands and luxury image through a dense store network and established brands, since suppliers generally prefer retailers with strong brand awareness, high service level and well-trained staff, customer reach and assortment width as well as their nationwide store networks and market penetration. In addition, larger beauty retailers also benefit from certain economies of scale, such as advantages in purchasing conditions, as well as the ability to support promotions and other marketing activities on a larger scale. Large and influential manufacturers also often rely on large retailers to bring product innovations to the market. Large beauty retailers with cross-country presence can also significantly benefit from their established and long-term contractual relationships with premium fragrance, color cosmetics and skin care suppliers.

Because only a limited number of retailers can meet the high demands of suppliers of selective beauty products, new (especially small) players face challenges when trying to enter the stationary or the online market. As a result, the selective environment supports relatively large market shares and, in many markets, consolidation opportunities, in particular in markets where there is still a relatively high level of fragmentation or where smaller players (such as independent retailers) are losing market share.

Other advantages of large beauty retailers relate to e-commerce operations, since investments in e-commerce capabilities, for example*,* for the operation of the online platform, as well as multi-channel offerings may be leveraged across many countries. In addition, larger, well-known retailers with an e-commerce presence profit from their high brand recognition *vis-à-vis* customers, since consumers often seek a trusted and established partner, especially in times of almost infinite product variety, when familiarity and guidance regarding their choice of product is particularly important to them.

Legal Framework of the Selective Distribution Model

The current legal framework in the EU with respect to selective distribution is provided by EU Regulation No. 330/2010 (EC). This regulation provides for an exemption from the prohibition of anti-competitive restrictions for selective distribution agreements if certain conditions are met. Such conditions aim to ensure, *inter alia*, fair competition between small and large retailers. They require, for example, that there be no guidelines and specifications setting the selling price of products (other than the permitted suggestion of a non-binding selling price), no guidelines as to which exact products to sell and to whom, and no behavior or distribution system that discriminates online retailers.

For more information, see "*Business—Regulatory Environment", and "Risk Factors—Legal, Regulatory and Tax Risks—We may be adversely affected by changes in antitrust and competition laws and regulations, in particular with respect to selective distribution contracts.*".

Past Development and Prospects

Overall Development and Prospects for the European Selective Beauty Market

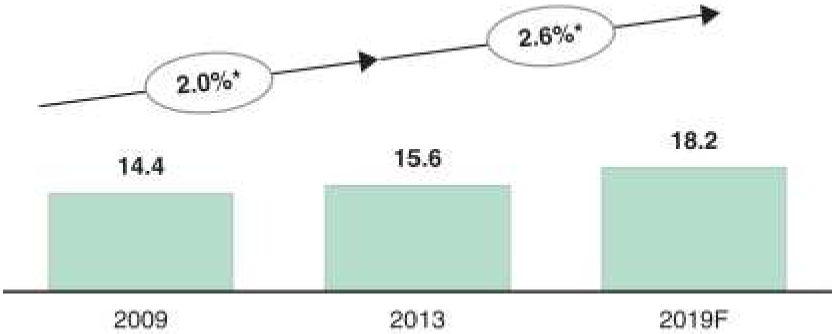
In Europe, the selective share of the beauty and personal care market accounted for approximately 19% of the total market of €83.5 billion in 2013 and amounted to approximately €15.6 billion (in terms of sales) in 2013, according to the OC&C Report. Historically, the European selective beauty market has grown at a stable CAGR of 2.0% between 2009 and 2013, with a CAGR of 1.7% for the 2008-2013 period. Generally and overall, the selective beauty market in Europe is demonstrating a strong resilience: For example, although GDP in Europe dropped by approximately 3.4% during the downturn in 2009, the selective beauty market remained stable in that year, according to OC&C Report (see also "*—Development and Prospects for the European Selective Beauty Market by Region*" below).

The selective beauty markets in Germany, France, the Netherlands, Poland and Austria (*i.e.,* five of our six core countries) outperformed the mass market segment in the 2009-2013 period. In many European countries (including Germany and France), the selective beauty market is expected to continue outperforming the mass market segment and the broader beauty and personal care market, which includes the mass distribution of beauty and personal care products (source: OC&C Report). For more information on the development of the selective beauty markets as compared to the mass segment in our core markets, see "*—The Selective Beauty Market in Our Core Countries*" below.

The OC&C Report estimates that the European selective beauty market will exhibit attractive and sustainable growth at a CAGR of 2.6% for the 2013-2019 period and reach an overall market size of €18.2 billion in 2019, but the level of growth is expected to vary regionally. Certain more mature regional markets, including Germany and France, are expected to continue their growth—in Germany's case, at a 2013-2019 CAGR of 4.9%, and in France, at a CAGR of 2.0% over the same period. Stronger growth acceleration is expected in less mature countries such as those in Eastern Europe (for example, in Poland).

The following chart provides an overview of the past and forecast development of the European selective beauty market:

European selective beauty market: size and development (2009-2013 and 2013-2019F)



Source: OC&C Report

Note: All figures not expressed as a percentage are in €billion. Market figures relate to net sales.

*   CAGR

Development and Prospects for the European Selective Beauty Market by Region

The European selective beauty market, as well as the larger European beauty and personal care market, can broadly be divided into three regional clusters with different market dynamics, namely (i) Western Europe (including Germany, France, the United Kingdom, Iceland, Belgium, the Netherlands, Luxembourg, Switzerland, Austria, Sweden, Finland, Norway, Denmark, Andorra, Cyprus, Gibraltar, Ireland, Lichtenstein, Malta and Monaco), (ii) Eastern Europe (including Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Albania, the Republic of Macedonia, Serbia, Turkey, Bulgaria, Romania, Ukraine, Russia, Moldova, Belarus, Lithuania, Latvia, Estonia, Georgia and Kosovo) and (iii) Southern Europe (including Portugal, Spain, Italy and Greece).

The selective beauty market in Western Europe experienced stable development even in the challenging economic environment during the European financial crisis, with a CAGR in the 2008- 2013 period of 2.4% (compared to a GDP CAGR of 1.7% for the region during the same period, according to the OC&C Report), and exhibited a higher growth rate than the mass channel for beauty and personal care products, which grew at a CAGR of 1.7% in the 2008-2013 period.

The selective beauty market in Eastern Europe also maintained its strong growth trajectory (CAGR for the 2008-2013 period was 6.0%; GDP CAGR for the period was 7.7%), driven by high inflation levels in Russia, Ukraine, Belarus and Turkey, according to the OC&C Report.

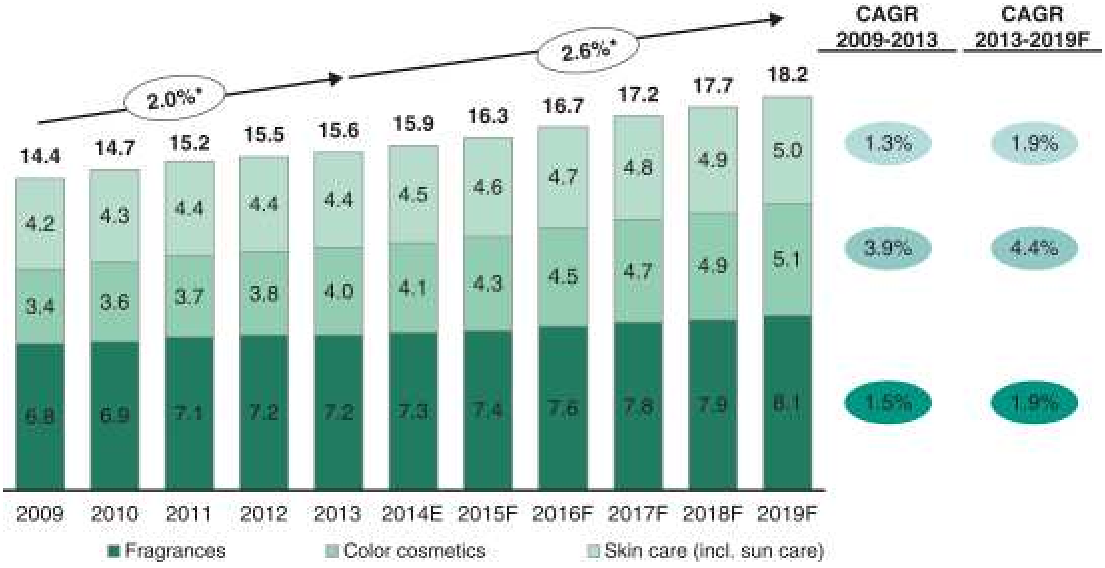
From an overall perspective, the growth in Eastern Europe helped compensate for the market compression in Southern Europe, where the decline of GDP per capita was so persistent and unprecedentedly long that even the typically resilient selective market was affected: The CAGR of the selective beauty market in Southern Europe for the 2008-2013 period was -3.1%, while GDP decline was 0.9% per year in the region during this period. With a CAGR of -13.3% for the period, the selective beauty market in Greece had a disproportionally large negative impact on the development of the region; excluding Greece, the selective beauty market in Southern Europe only declined by 2.4% (on a CAGR basis) from 2008 to 2013, according to the OC&C Report.

In the next few years, the OC&C Report expects that growth in the European selective beauty market will be primarily driven by growth in Western and, especially, Eastern Europe (CAGRs for the 2013-2019 period are expected to be 2.7% and 6.6%, respectively), while the decline of the selective beauty market in Southern Europe is expected to slow down through to 2019, compared with the 2008-2013 period (CAGR for the 2013-2019 period is expected to be -2.2%). In all of our core countries except Italy, the OC&C Report expects the selective beauty market to grow and outperform the corresponding mass beauty markets. For more information on the development of the selective beauty markets as compared to the mass segment in our core markets, see "—The Selective Beauty Market in Our Core Countries" below.

Development and Prospects for the European Selective Beauty Market by Product Category

From a product category perspective, the European selective beauty market is expected to benefit from a positive growth contribution of all key product categories (fragrances, color cosmetics and skin care), as shown in the following chart:

European selective beauty market by product category (2009-2019F)



Source: OC&C Report.

Note: All figures not expressed as a percentage are in €billion. Sets or kits are split among fragrances, color cosmetics and skin care according to the respective category sizes. Market figures relate to net sales.

* CAGR

Fragrances represent the largest product category within the selective beauty market, and the OC&C Report expects this product category to grow at a CAGR of 1.9% over the 2013-2019 period, driven by increased living standards and rising disposable income. In addition, fragrances are propagated as an integral part of lifestyle of modern consumers by advertising campaigns. Furthermore, these products are often used as gifts and as a first entrance into the luxury products market. We see further growth drivers for the category in the continuous high level of product innovation as well as the increasing relevance of unisex fragrances and an increased interest of men in fragrances.

Color cosmetics are expected to grow at a CAGR of 4.4% over the same period, representing the largest growth contributor. The increased demand for color cosmetics is driven by fast-changing fashion trends, a higher innovation rate driven by the demand for individual looks and seasonal themes, as well as an increased demand of younger consumers coupled with increased interest in a flawless appearance across all age groups (source: OC&C Report). We also believe that extended private label offerings shall contribute to the growth of this category.

The skin care (including sun care, face, body and hands and feet) segment is expected to grow at a CAGR of 1.9% in the 2013- 2019 period due to an increased demand for anti-aging products as a result of favorable socio-demographic trends, with a high share of product innovations allowing for a successful differentiation among suppliers (source: OC&C Report). We also believe that a stronger demand for high-end/premium skin care products and a trend towards natural formulas shall contribute to the growth of the skin care category.

For further information on market-relevant trends and key growth drivers, see also "*—Key Trends*" below.

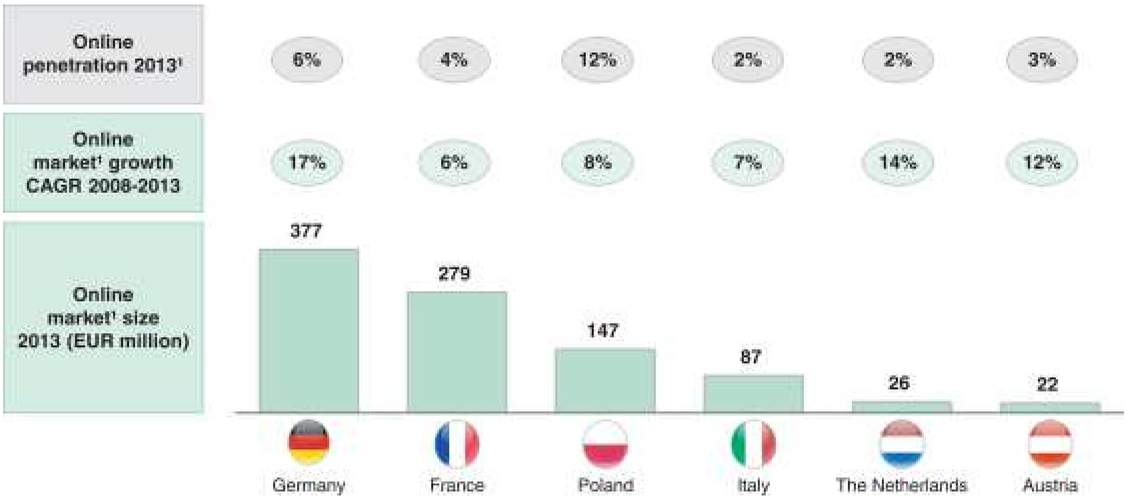
The Online Selective Beauty Market Segment

The online segment (which in OC&C's analysis includes, besides traditional online orders, sales via mobile devices, such as smartphones and tablets, as well as products that are ordered online and picked-up in stores) accounts for a relatively small share of the total European beauty and personal care market. According to the OC&C Report, online penetration of the total beauty and personal care market in our six core countries in 2013 ranged between 1%

(Italy) and 7% (Poland) of the total beauty and personal care sales for the respective countries, while online penetration of the key beauty categories fragrances, color cosmetics and skin care generally ranged between 2% and 6% for the same year (including both mass and selective products for such categories), except for Poland, which had a penetration rate of 12%. Thus, the online segment in our core countries is still at an early development stage and offers significant upside potential, according to the OC&C Report.

The following chart shows, for our core countries, an overview of the online penetration and online market growth and size of the online segment that includes both selective and mass products of our key beauty product categories:

Online penetration, market size and growth for the online segment (mass and selective) relating to key beauty categories



Source: OC&C Report.

[1] The figures relate to the percentage of total sales of selective and non-selective products of our relevant key beauty categories fragrances, color cosmetics and skin care (including sun care) (sets and kits included) that were generated through e-commerce (online penetration) and the growth of the aforementioned online segment in the different core countries during 2013.

Our six core countries alone accounted for over a third of the total European online market for beauty and personal care products and a 37% share of the European online market for the relevant beauty categories in 2013 (this calculation includes both selective and mass products for the key beauty product categories of fragrances, color cosmetics and skin care (including sun care); sets and kits included), according to the OC&C Report.

The German and French selective beauty online markets had a volume of approximately €263 million (Germany) and at least €92 million (France) in 2013, according to the OC&C Report, exhibiting strong growth for the 2009-2013 period, at a CAGR of 35.2% (Germany) and 31.1% (France). Going forward, they are expected to further benefit from substantial growth (the CAGR for the 2013-2019 period is expected to be 17.5% for Germany and 12.5% for France, according to the OC&C Report). We believe that there are a number of opportunities for us to exploit this growth, especially with our strong multi-channel positioning, which allows us to meet our customers' store-based and online requirements (see "*—Key Trends—Shopping as a multi-channel experience*" below).

For further information on the online selective beauty market in different European countries, see the description for each of our core markets under "*—The Selective Beauty Market in Our Core Countries*" below. For a description of the main types of players competing in the online segment of the European selective beauty market and relevant potential issues, see "*—Competitive Environment*" below.

Key Trends

The European selective beauty market benefits from a number of major, long-term general consumer trends that has driven the overall positive development and future growth of the market. According to the OC&C Report, these long-term trends, which also apply to our core countries with local variations, include:

Beauty and personal care products gaining importance/Evolving customer groups: Certain target customer groups have become increasingly important to beauty retailers: (i) the generation 50+, which is not only growing in size due to the demographic change, but also places an increasing emphasis on its appearance; this customer group shows, for example, a growing interest in anti-aging lifestyle products in order to maintain a young look and lifestyle; (ii) young and middle-aged customers, who wish to take preventive anti-aging measures; (iii) female adolescents as a newer target group for color cosmetics, who start to use make-up at an even earlier age; and (iv) male customers who increasingly care about their physical appearance, discovering beauty products as part of their lifestyle. For example, according to the OC&C Report, based on a customer survey carried out by Innofact AG in October/November 2014, in Germany, 27% of the surveyed male customers plan to spend more on beauty products in the future; surveys carried out in our other core countries revealed a similar trend.

Beauty products increasingly regarded as "personal rewards": In spite of, or even because of unstable economic perspectives, the demand for so-called small luxuries has grown: small, affordable "feel-good" products are being used on a more regular basis to compensate for uncertainty and a less stable income and as personal rewards (*e.g.,* when other, more substantial expenses have to be given up). In our view, selected fast-moving product categories such as fragrances are shifting to a more premium offering and serve as first entrance into the luxury products market.

Shopping as a multi-channel experience: Shopping is increasingly regarded not only as a strictly functional activity, but also as a leisure activity in itself, regardless of whether the customer purchases online or offline, as boundaries in an increasingly connected, multi-channeled world become less defined (for example, the integration of online/mobile and offline channels allows customers to browse online and buy in-store, or "click-and-collect"). On the one hand, customers increasingly purchase online, which may save them time, money and effort (for example, for customers who want to efficiently make pre-selected or replenishment purchases). Online shopping also allows customers to browse through a broad selection of products quickly. In this respect, a trend towards an increasing use of mobile applications (which enable easy access, anywhere and anytime) can also be observed. On the other hand, customers may also remain, with respect to beauty products, offline customers, because they wish to see, feel, smell and test many beauty products in person, and appreciate the physical store experience in attractive surroundings. Also, friendly, personal and competent customer advice are aspects of a shopping experience which cannot currently be provided to the same extent online. This underscores the increasing importance for beauty retailers of store location (particularly, of prime locations in urban centers) and appearance as well as qualified staff able to provide expert advice and an excellent online offering.

Customers becoming more discerning and requiring more individual products: Increasingly well-informed customers are demanding specific products that cater to their needs. This includes, in particular: (i) healthy products, natural, organic, sustainable or vegan products, (ii) innovative products, reflecting state-of-the-art scientific research, (iii) private label products, which are often an attractive option for customers at price-entry levels, and (iv) customized or individualized products and targeted services offers to address the increasing desire by customers to express personality and turn away from the mass, which is driving demand for a greater product variety. Even formerly standardized, everyday products are becoming more individualistic, catering to specific consumer needs and desires.

Competitive Environment

According to the OC&C Report, we are the leading European selective beauty and personal care retailer with a market share of approximately 16.5% based on aggregated sales for Douglas and Nocibé for the full calendar year 2013 (including both stationary store and e-commerce sales of third-party (selective), exclusive and private label products, as well as franchises), ahead of Sephora (Sephora SA, Boulogne Billancourt, "Sephora") with approximately 11.3%, and Marionnaud (Marionnaud SAS, Paris, "Marionnaud") with approximately 7.7%. We are also among the top 3 selective beauty retailers in all of our six core markets, holding market leading positions in Germany and Poland, second positions in France, the Netherlands and Austria, and third position in Italy, in each case based on 2013 net sales figures (source: OC&C Report; the calculation includes franchise and regional e-commerce sales, where applicable, and for our Group, both Douglas and Nocibé sales). For more information, see the respective "Competitive Environment" sections for the different regional markets below.

Within the European selective beauty market, our most relevant competitors include (i) other beauty specialist retailers/perfumeries with a presence in several European countries, such as Sephora and Marionnaud (there are relatively few selective beauty specialists with a substantial size), (ii) the selective beauty departments of selected department stores (such as GALERIA Kaufhof (GALERIA Kaufhof GmbH, Cologne, "Galeria Kaufhof") and Karstadt (Karstadt Warenhaus GmbH, Essen, "Karstadt") in Germany), including those of luxury department stores, such as those of Galeries Lafayette (Galeries Lafayette SA, Paris, France, "Galeries Lafayette"), as well as (iii) some drugstores with a separate section for selective products (such as Müller (Müller Holding Ltd. & Co. KG, Ulm-Jungingen, "Müller") in Germany). Most drugstores, as well as food retailers and other similar competitors offer predominantly mass market products in most countries, and thus typically do not directly compete with us in the selective beauty market.

In addition, we compete with duty free shops and monolabels such as Yves Rocher (Laboratoires de Biologie Végétale Yves Rocher SA, La Gacilly/Morbihan, France, "Yves Rocher") or Kiko (a label of KIKO S.p.A., Bergamo, Italy, "Kiko"). Monolabels represent significantly smaller businesses with a more limited product range of own brands and with their own distribution channel; however, we compete for customers with such monolabels, even if they are not part of the selective distribution channel.

We also compete with so-called online pure-play or primarily online-based competitors. Online players include (i) online perfumeries (such as the platform "Flaconi" of Flaconi GmbH, Berlin, Germany or "Escentual" (a trading name of Central Pharmacy, Perfumery and Clarins Gold Salon which operates from registered pharmacy premises located in Cardiff, Wales, United Kingdom)), which mostly focus on both selective and non-selective brands, and (ii) retail platforms (for example*,* amazon or eBay). Online perfumeries that fulfill the suppliers' requirements, such as a physical store presence, opportunities for customers to test products or the provision of comprehensive customer advice in the stores (even with a rather limited stationary presence) may source their products through the selective distribution channel. However, similar to monolabel competitors, online pure-play competitors or nearly pure-play online perfumeries tend to be small in size and currently typically lack the brand name and scale of major beauty specialist retailers such as Douglas and many cannot currently fully compete with multi-channel and store-based players in the selective beauty markets. Other online competitors, such as generalist retail platforms and marketplaces (which offer other products besides beauty and personal care products), mostly operate in the mass market segment.

A limited "grey market" exists in some of the typically non-selective retail formats, such as drugstores, food retailers or online marketplaces, in which certain selective products are sold through channels other than those official channels explicitly allowed by the manufacturers, sometimes even at discount prices. For example, online players which are not duly authorized by the respective suppliers to distribute their selective products may obtain selective products from authorized retailers that want to dispose of excess or older stock. In addition, selective products that are sold more cheaply in not yet established regional markets or emerging markets may be introduced in established markets at lower prices through the re-import of products from other countries or otherwise. However, the grey market remains limited because suppliers of selective products and selective retailers such as our Group regularly adopt measures aiming at counteracting grey market activities as soon as they become aware of them (*e.g.,* by implementing tools and devices that allow for tracking of their stock, such as hidden codes). Grey market issues are also relevant, depending on the country, with respect to the stationary store business where we have noticed increased competition from grey market products in particular in Austria, Spain and Poland, especially in certain cases in which drugstores and discounters want to expand their selective offerings and source selective products from the gray market. Furthermore, these types of offerings sometimes also extend to counterfeit products. See also "*Risk Factors—Risks Relating to Our Market Environment and Business—We face competition in the markets in which we operate and such competition may intensify further.*"

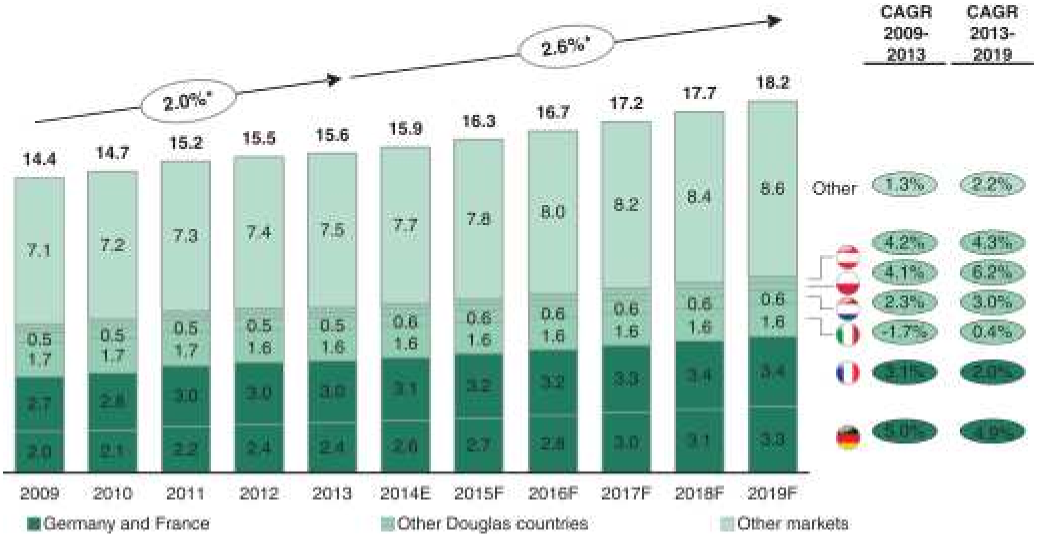
While the competitive landscape varies by country, the larger specialist beauty retailers that are present across several European countries (such as Douglas, Sephora and Marionnaud) are generally also the most important players in the respective selective beauty markets, with the top-2 or top-3 players typically commanding a significant market share. For example, in the six core countries for our business (Germany, France, the Netherlands, Italy, Poland and Austria), the respective top 2 players hold, on average, an aggregated market share of more than 60% (unweighted, *i.e.,* without weighing in the relative size of each regional market within the total European selective beauty market), based on 2013 sales. The level of concentration varies, in some cases substantially, among the six countries and points to further consolidation opportunities in markets where the concentration is still low. We also believe that, in part as a result of the above-mentioned significant selective distribution requirements of brand manufacturers, the market share of large and cross-country selective retail chains with a very large store network and high brand awareness has grown at the expense of smaller chains, as the market has progressively consolidated in recent years.

The Selective Beauty Market in Our Core Countries

According to the OC&C Report, Germany and France were the two largest markets within the European selective beauty market in 2013, with €2.44 billion and €3.05 billion, respectively. In both countries, the selective beauty market has outgrown the mass channel for both mass hygiene and mass beauty products in previous years (over the 2009-2013 period), in Germany by 3.5% per annum and in France by 1.9% per annum, on a CAGR basis. These two markets are also expected to remain the largest absolute growth contributors to the European selective beauty market in the coming years, with a 2013-2019 CAGR of 4.9% for Germany and 2.0% for France. Furthermore, our six core countries of Germany, France, the Netherlands, Italy, Poland and Austria together accounted for over 50% of the total European selective beauty market in 2013 (in terms of net sales in Euro). According to the OC&C Report, in five of our six core countries, the respective selective beauty market accounts for between 18% and 27% of the beauty and personal care market in the relevant country, with the selective beauty market in Poland accounting for 9% of the beauty and personal care market.

The following chart shows the past and expected future development of the selective beauty market in our six core countries within the European selective beauty market, according to the OC&C Report:

Development of the European selective beauty market per country (2009-2019F)



Source: OC&C Report.

Note: All figures not expressed as a percentage are in €billion. "Other markets" includes most notably Spain (€1.45 billion selective beauty market size in 2013; CAGR 2009-2013: -3.4%), Switzerland (€0.45 billion selective beauty market size in 2013; CAGR 2009-2013: 0.2%) and Turkey (€0.44 billion selective beauty market size in 2013; CAGR 2009-2013: 10.0%). Market figures relate to net sales.

* CAGR

The individual selective beauty markets in our six core countries and the growth opportunities therein are described in more detail below.

Germany

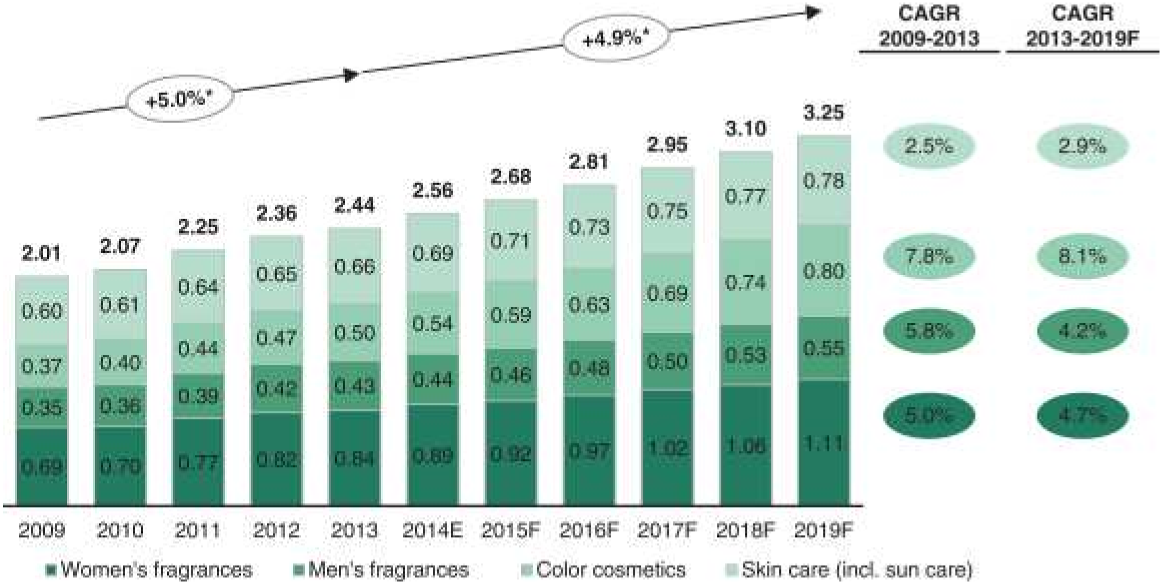
Market Size, Past Development and Prospects

The German selective beauty market amounted to €2.44 billion in 2013, or approximately 20% of the larger German beauty and personal care market, which amounted to €12.10 billion in the same year and included, besides selective beauty products, mass hygiene products, which accounted for €5.77 billion, and mass beauty products, which accounted for €3.89 billion (source: OC&C Report). In 2009, the German selective beauty market amounted to €2.01 billion, the mass channel amounted to €9.12 billion and the total German beauty and personal care market amounted to €11.13 billion. In 2019, the total German selective beauty market is expected to amount to €3.25 billion, the mass channel to €10.54 billion and the German beauty and personal care market to €13.79 billion.

According to the OC&C Report, the German selective beauty market is the second largest selective beauty market in Europe (after France) and has shown attractive growth rates with a 2009-2013 CAGR of 5.0%. It has demonstrated resilience against economic downturns and outperformed the German mass beauty market, which grew at a CAGR of only 0.4% over the same period, as well as the broader total mass channel, including both mass hygiene and mass beauty products, which grew at a CAGR of 1.4% over that period. Besides the key general growth drivers elaborated on above (see "*—The European Selective Beauty Market—Key trends*"), a positive economic development and the driving force of major beauty specialist retailers as well as the significant growth of the online segment contribute to the strong growth of the German selective beauty market.

The following chart shows an overview of the development and prospects of the German selective beauty market split by product categories:

German selective beauty market by product category (2009-2019F)



Source: OC&C Report.

Note: All figures not expressed as a percentage are in €billion. Market figures relate to net sales.

* CAGR

According to the OC&C Report, historical growth in the German selective beauty market was mainly driven by color cosmetics (with a CAGR of 7.8% in the 2009-2013 period) as well as fragrances (with a CAGR of 5.8% and 5.0% for men and women's fragrances, respectively, over the same period; the overall 2009-2013 CAGR for fragrances was 5.3%). Alongside the key general market growth drivers (see "*—The European Selective Beauty Market—Key trends*" above), within color cosmetics (a segment with a €0.50 billion value in 2013, according to the OC&C Report), growth was driven by a stronger demand among younger consumers, an increased importance attributed to looks across age groups, as well as select product innovations (especially in nail polish, with limited and seasonal editions). The color cosmetic products for eyes, face, lips and nails represented major growth sub-categories during the 2009- 2013 period. With respect to fragrances, men's fragrances (which accounted for approximately one third of the German market volume for selective fragrances with €0.43 billion in 2013) grew at a CAGR of 5.8% slightly faster than women's fragrances (market volume of €0.84 billion in 2013, CAGR of 5.0%) between 2009 and 2013, according to the OC&C Report. An increasing prestige consciousness among men and a stronger demand for in-store product experience and advice (compared to other product categories) are key drivers of the growth in fragrance sales. Skin care (including sun care and, for Germany, fragrance-related skin care, *e.g.,* body lotions with the scent of a particular fragrance) reached a market size of €0.66 billion in 2013 and a CAGR for the 2009-2013 period of 2.5%. Growth within this product category was primarily driven by the increased demand of an aging society, especially regarding facial care, and an increasing product differentiation trend, *e.g.,* natural cosmetics or products with special functions; products that experienced high growth rates within such period include daily cleansing, special care, anti-aging and daily care (source: OC&C Report).

The OC&C Report expects that major underlying, sustainable long-term consumer trends (see also "*—The European Selective Beauty Market—Key Trends*") will continue to foster growth across all categories of the selective beauty market in Germany, with an estimated CAGR of 4.9% for the 2013-2019 period. By way of comparison, the mass channel (including both mass hygiene and mass beauty products) in Germany is expected to grow at a CAGR of 1.5% over the same period (with mass beauty products expected to grow at a CAGR of 0.9% over such period). The OC&C Report also expects color cosmetics to remain the fastest growing category, with projected growth at rates similar to historic levels in the next few years. This growth is expected to be driven by continued demand from younger customers, fast-changing fashion trends and a growing interest in a flawless appearance across the different age-groups. According to the OC&C Report, growth in fragrances for men shall be encouraged by a higher prestige and physical appearance awareness among men, while female fragrances shall also continue their past growth trend, supported by innovative products and the persisting role of fragrances as first entry into the luxury market and as gifts. Overall, the fragrance category is expected to grow at a CAGR of 4.5% over the 2013-2019 period. The skin care category is expected to further benefit from the anti-aging trend and product innovations, which contribute to lasting differentiation success; furthermore, the increasing male awareness regarding their appearance is expected to lead to a rising number of men buying skin care products (source: OC&C Report).

The relevant online market for selective beauty products in Germany has demonstrated a strong growth trajectory, growing at a CAGR of approximately 35.2% during the 2009-2013 period, with sales of €263 million in 2013 (source: OC&C Report). The OC&C Report expects this online market to maintain its dynamic growth in the coming years and projects that it will grow at a 2013- 2019 CAGR of approximately 17.5%. Growth rates for the German online selective beauty market are thus expected to be strong, but lower than in the 2009-2013 period. This is due, in part, to the fact that new players are less likely to enter the market and the potential fade away of smaller players (source: OC&C Report). For calculations regarding the online market, OC&C made an assumption regarding the selective sales of multi-channel players, online generalists, shopping clubs and marketplaces and extrapolated the factored-in growth assumptions with respect to our Group from our business plan as part of its market growth estimate. The online penetration of the German selective beauty market amounted to 11% in 2013, according to the OC&C Report. The larger online market for beauty products is, compared to other retail segments, still somewhat underpenetrated with only 6% of the total beauty sales in Germany being generated from the online channel in 2013 (whereby for this purpose, sales for both selective and mass fragrances, color cosmetics and skin care (including sun care) were considered) and thus offers significant further upside potential, especially for multi-channel players (source: OC&C Report).

Competitive Environment

According to the OC&C Report, we are the market leader in the German selective beauty market, with a market share of 44% based on net sales for the calendar year 2013, including our regional e-commerce sales. OC&C calculated our share based on our total sales for 2013, *i.e.,* including selective and non-selective products and services (whereby non-selective products account for only a small portion of our sales). For the calculation of sales of competitors certain assumptions were made in the OC&C Report. For example, the beauty and care sales share of Karstadt was used as a proxy for the calculation of the total sales of department stores; for online players, the total sales of online pure players (including primarily online-based competitors) and an estimation for generalists (*e.g.,* amazon) were used. The remaining market is very fragmented: The next largest player is Müller (with an estimated market share in 2013 at least 8% to 10%, based on an estimation by OC&C of the share of Müller's sales that relates to selective beauty products, made on the basis of data included in a consumer survey and other sources), followed by Pieper (Stadt-Parfümerie Pieper GmbH, Herne, Germany, "Pieper") (with around 4% market share, according to the OC&C Report).

While mass market, non-selective products are primarily distributed by drugstores, department stores and online retailers in Germany, the selective market is covered by perfumeries, distinct selective beauty areas in department stores, to some extent by online retailers and by the drugstore chain Müller, which offers a range of selective beauty products in separate areas of selected stores. Müller and other perfumeries also offer mass beauty and personal care products. According to the OC&C Report, specialist beauty retailers (for this calculation, including the estimated selective beauty sales of Müller stores) account for approximately 75% of the selective market in Germany. The OC&C Report expects that these beauty specialist retailers will continue to play an important role in the market in the coming years. According to the OC&C Report, the online channel, which already grew strongly in the past few years, is expected to gain further importance in the coming years (see "*—Market Size, Past Development and Prospects*" above).

Other store-based perfumeries are significantly smaller and compete only locally. Players like Pieper, HC Parfümerie (Parfümerie H.C. GmbH & Co KG, Barsinghausen, Germany) and Parfümerie Becker (Schwanen-Parfümerie Chemikalien-Großhandel Willi Becker GmbH, Neuss, Germany) are the only cross-regional chains, but with much smaller store networks (around 130 stores, 80 stores and 70 stores, respectively, for 2014, according to the OC&C Report, compared to for example, 433 stores for Douglas as of September 30, 2014 and approximately 510 Müller stores in 2014). According to the OC&C Report, department stores are an alternative channel for the purchase of selective beauty and personal care products, although department stores are struggling with declining sales and are in a late life-cycle stage. Drugstores currently mostly sell discount or mass products. Monolabels such as Yves Rocher or The Body Shop (The Body Shop International plc, London, England, United Kingdom) represent significantly smaller businesses; many operate in rather niche segments (and thus rather act in a "parallel" market) (source: OC&C Report); some of these monolabels have shop-in-shop partnerships with us. Through these partnerships, we are able to further deepen our expertise (*e.g.,* through brand-specific beauty experts) and further strengthen our image; the shop-in-shop solutions typically have a premium layout that increases store traffic with customers looking for one of these brands and enhances the shopping experience of our customers.

With respect to the German online market for selective beauty products, the competitive landscape comprises online pure players and primarily online-based players (for example, Parfumdreams, a website operated by Parfümerie akzente GmbH, Pfedelbach, Germany, “Parfumdreams”, and Flaconi), multi-channel players (such as Douglas and Pieper), department stores, drugstores (such as Müller) and generalists, shopping clubs and marketplaces (such as amazon). We are the online market leader in the German market for selective beauty products, accounting for a share of approximately 51%, followed by amazon and Parfumdreams (based on net e-commerce sales for the calendar year 2013, which includes an estimate for sales of selective beauty products in the case of generalists such as amazon), according to the OC&C Report.

France

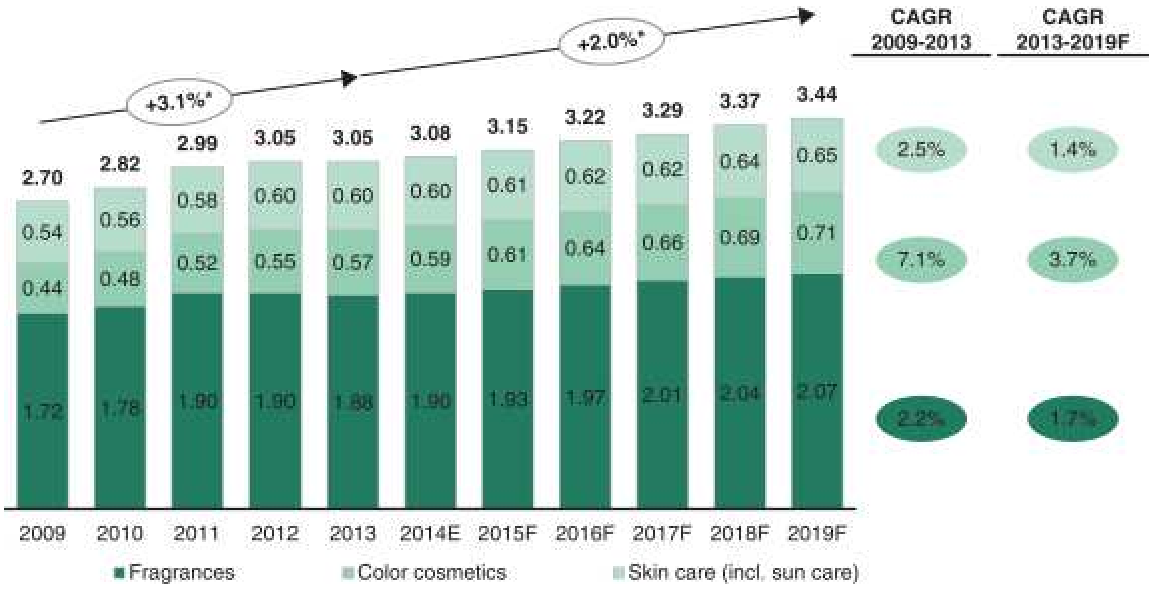
Market Size, Past Development and Prospects

With an estimated market volume of €3.05 billion in 2013, the selective market in France accounted for approximately 27% of the total French beauty and personal care market (which amounted to €11.50 billion in the same year and included, besides selective beauty products, mass beauty products, which accounted for €3.85 billion, and mass hygiene products, which accounted for €4.60 billion, according to the OC&C Report). In 2009 the French selective beauty market amounted to €2.70 billion, the mass channel amounted to €8.05 billion and the the larger French beauty and personal care market amounted to €10.75 billion. In 2019 the French selective beauty market is expected to amount to €3.44 billion, the mass channel to €9.10 billion and the French beauty and personal care market to €12.54 billion.

The selective beauty market in France is the largest selective beauty market in Europe and has historically grown at a stronger pace than the mass beauty market (2009-2013 CAGR of 3.1%, compared to 0.8%, respectively, according to the OC&C Report; the mass channel in France, including both mass hygiene and mass beauty products, grew at a CAGR of 1.2% over the same period). In our view, France is a key market for innovation and the country of origin of major prestigious beauty and cosmetic brands.

The following chart provides an overview of the development and prospects of the French selective beauty market split by product categories:

French selective beauty market by product category (2009-2019F)



Source: OC&C Report.

Note: All figures not expressed as a percentage are in €billion. Market figures relate to net sales.

* CAGR

Within the selective beauty product categories, color cosmetics have shown the highest growth with a 2009-2013 CAGR of 7.1%, reaching a volume of approximately €0.57 billion and accounting for approximately 19% of the total selective beauty market in 2013, according to the OC&C Report. Fragrances represented approximately 62% of total French selective beauty market in 2013 (or €1.88 billion) with a 2.2% 2009-2013 CAGR, while the skin care category (including sun care) grew at a CAGR of 2.5% during the same period (and with €0.60 billion accounted for approximately 20% of the overall French selective beauty market in 2013).

The OC&C Report expects that the selective beauty distribution channel in France will continue its growth through to 2019, driven by long-term consumer trends (see "*—The European Selective Beauty Market—Key Trends*" above) and the economic recovery, with an overall expected CAGR of 2.0% for the 2013-2019 period. By way of comparison, the mass channel (including both mass hygiene and mass beauty products) in France is expected to grow at a CAGR of 1.2% over the same period (with mass beauty products expected to grow at a CAGR of 1.7% over such period). Within the French selective beauty market, growth in color cosmetics (projected CAGR of 3.7% for 2013-2019) is mainly expected to be supported by innovation, more seasonal themes, and the development of private label and exclusive products. Skin care demand is expected to be supported through the development of new high-performance products, especially in the high-price segment (projected CAGR of 1.4% for 2013-2019). According to the OC&C Report, the market value for fragrances is expected to grow at a CAGR of 1.7% between 2013 and 2019, supported by slight price increases and stabilizing demand (especially if the expected increase in GDP materializes) as well as the launch of new formats and fragrances to increase differentiation in the market (especially for younger women). Market experts estimate that fragrances will further drive the French market development, as they are generally popular products in France, often used as gifts and as an entry point into the luxury goods market (source: OC&C Report).

The online market for selective beauty products in France is, with an estimated size of at least €92 million in 2013, smaller than the relevant online selective beauty market in Germany, and accounted for only 3% of the total French selective beauty market in 2013, according to the OC&C Report. However, both the historical growth and projected prospects of the French online market for selective beauty products (2009-2013 CAGR of 31.1% and expected 2013-2019 CAGR of 12.5%) are broadly comparable to those of the German online market for selective beauty products (source: OC&C Report; historic 2009-2013 values were approximated using our Group's historic growth rate; such values were—adjusted for the earlier market entry of key player Sephora (which entered the online market in 2005)—applied to competitors; the factored in growth assumptions for 2019 with respect to our Group were extrapolated by OC&C from our business plan). The online channel in France is, according to the OC&C Report, becoming increasingly important and consumers are set to discover the multi-channel proposition, as already seen in other regional markets. Furthermore, we believe that the online channel will also gain relevance as brands use opportunities to test innovations online.

Competitive Environment

Through the strategic acquisition of Nocibé, we have further strengthened our market position in France and established ourselves as the number 2 player with a market share of 26% (based on the above-mentioned assumptions and individual market shares prior to the Nocibé Acquisition for Douglas and Nocibé of 7% and 19%, respectively), after Sephora (at least 34%) and before Marionnaud (18%-20%), Beauty Success SAS, Marsac-sur-l'Isle, France (market share of around 6%), Galeries Lafayette (approximately 5%) and an association of independent perfumeries and beauty institutes acting under the brand "Passion Beauté", Nogent-sur-Marne, France (around 3%) (in terms of 2013 sales/estimated sales for competitors, according to the OC&C Report). With regard to points of sales, according to the OC&C Report, we are the largest player in France (approximately 640 points of sale), followed by Marionnaud (approximately 520 points of sale), Sephora (approximately 310 points of sale), Beauty Success (approximately 270 points of sale) and Passion Beauté (approximately 150 points of sale). The number of points of sale for us includes franchises, and is provided as of September 30, 2014 (whereby after such date, on the one hand, certain stores were disposed of as part of the conditions laid down for the approval of the Nocibé Acquisition by the competent antitrust authorities and, on the other hand, other stores were opened or acquired, including 43 Clin d'Oeil perfumeries in France (of which seven perfumeries are required to be divested to comply with national and EU competition law), which we acquired in February 2015 and which became part of our French network). After the Nocibé Acquisition, the vast majority of the remaining Douglas stores in France and Monaco, as well as Douglas's online presence, were rebranded under the "Nocibé" brand. As of the date of this offering memorandum, only a few remaining stores in France still operate under the "Douglas" brand, with the brand switch ongoing. The points of sale for our competitors were assessed by OC&C as of June 2014.

According to the OC&C Report, the large beauty specialist chains Sephora, Nocibé and Marionnaud together accounted for over 75% of the market in terms of net sales in 2013 (including e-commerce sales, private labels and exclusive brands; for department stores estimated based on share of selective market; net sales for Douglas and Nocibé calculated together for the calendar year 2013 and including—besides regional online sales—sales of franchised stores, but excluding sales from our subsidiary Douglas Passion-Beauté Achats SAS and other intra-group consolidations).

According to the OC&C Report, Galeries Lafayette and Printemps (Printemps SAS, Paris, France, “Printemps”) are the relevant department store formats in France, ranking behind the large specialist beauty retailers in terms of sales of selective beauty products. The store network of both chains is mainly focused on the Paris metropolitan area. As a nationally operating retailer, Nocibé has a stronger geographical reach outside the Paris metropolitan area, where department stores are seldom present. Pharmacies/parapharmacies and drugstores mainly offer non-selective beauty products and attract a different customer group. Monolabels operating in France such as Yves Rocher, L’Occitane (L’Occitane International S.A., Luxembourg, Luxembourg) or Kiko mostly target different customer groups, in our view, with limited product and price overlap compared to Nocibé (except for color cosmetics).

In the French online market for selective beauty products, the competitive landscape largely mirrors the situation in the overall selective beauty market in France. According to the OC&C Report, Nocibé holds a number 2 position and an estimated market share of approximately 25% (considering the aggregated sales of the online platforms of Douglas and Nocibé for the calendar year 2013, which at the time were operating separately, based on controlling reporting and excluding restatements). Sephora and Marionnaud hold the number 1 (more than 50%) and number 3 (below 10%) positions, respectively. Passion Beauté and Beauty Success have no online presence and the department stores Galeries Lafayette and Printemps, while engaged in the online distribution of selective beauty products, generate significantly lower e-commerce sales volumes compared to specialist beauty retailer, according to the OC&C Report. There are currently no large internet beauty pure players operating in France.

The Netherlands

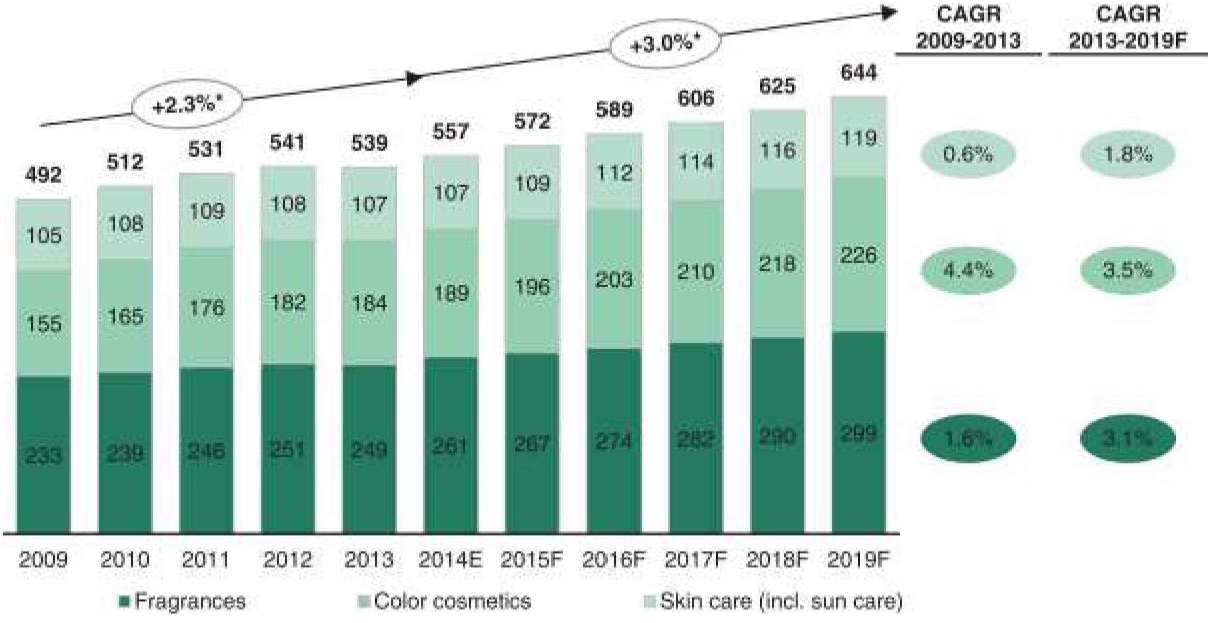
Market Size, Past Development and Prospects

The selective beauty market in the Netherlands accounted for approximately €539 million in 2013 (in terms of sales), representing a share of approximately 21% of the total Dutch beauty and personal care market (€2.61 billion), according to the OC&C Report. Mass beauty products accounted for 29% and mass hygiene products for 51% of the total Dutch beauty and personal care market in 2013, according to the same source.

Similar to the overall Western European market, the selective beauty market in the Netherlands has historically outgrown the mass market, growing at a 2009-2013 CAGR of around 2.3%. The CAGRs for the same period for the mass beauty segment and for the mass channel, which includes both mass hygiene and mass beauty products, were 1.5% and 1.3%, respectively, according to the OC&C Report.

The following chart provides an overview of the development and prospects of the Dutch selective beauty market split by product categories:

Dutch selective beauty market by product category (2009-2019F)



Source: OC&C Report.

Note: All figures not expressed as a percentage are in €million. Market figures relate to net sales.

*   CAGR

Regarding product categories, color cosmetics experienced the highest growth at a CAGR of 4.4% over the 2009-2013 period, reaching €184 million in 2013, followed by fragrances, the largest product category, with €249 million in 2013 and a CAGR of 1.6% in the same period. Skin care, which has grown at a CAGR of 0.6% over the 2009-2013 period to reach €107 million in 2013, experienced slower growth than other product categories due to the growth of private label and pharma brands in the mass distribution channel at the expense of premium brands, according to the OC&C Report.

The OC&C Report estimates that the selective beauty market in the Netherlands will grow at a 2013-2019 CAGR of approximately 3.0%, given the overall economic forecast and the expected continuation of key trends and drivers (see "*—The European Selective Beauty Market—Key Trends*" above), with growth expected from all key product categories. By way of comparison, the mass channel, which includes both mass hygiene and mass beauty products, in the Netherlands is expected to grow at a CAGR of 1.1% over the same period (with mass beauty products expected to contract by 0.4%, on a CAGR basis, over such period). Color cosmetics are expected to be the largest growth contributor over the forecast period with a CAGR of 3.5% in the 2013-2019 period, driven primarily by private label development and innovation. In addition, growth in fragrances, at a 2013-2019 CAGR of 3.1%, is expected to come from consumers' demand for luxury experiences rather than value-for-money offers; men's fragrances in particular show a substantial growth potential in light of the growing awareness of men regarding a well-kept appearance. The OC&C Report expects that growth of selective fragrances will also be less affected by the price consciousness of customers than the mass market products. Furthermore, the OC&C Report expects that skin care will be able to grow stronger than in past years (at a CAGR of 1.8% over the 2013-2019 period), for example through product innovations, and be less affected by promotion activity and a certain price competition—which are generally challenges for this product category given the relatively high sale share of supermarkets and other mass distribution channels that offer skin care products—compared with the overall skin care market.

Competitive Environment

The selective beauty market in the Netherlands is highly concentrated, with the two largest beauty specialists ICI Paris XL (ICI Paris XL Nederland B.V., Renswoude, the Netherlands, "ICI Paris XL") (market share: 39%; this share takes into account ICI Paris XL's acquisition of the "Pour Vous" perfumery chain in 2013 (*i.e.,* sales of these two players were aggregated for the full year 2013 for purposes of this calculation)) and Douglas (35%, market share includes franchises) holding a combined share of approximately 75% of the market (based on 2013 sales, source for all market shares: OC&C Report). Other perfumery players exited the Dutch selective market or were acquired in recent years (e.g., Sephora; its Dutch stores were acquired by ICI Paris XL).

According to the OC&C Report, department stores generally are also decreasing in terms of points of sale, but some have taken measures to increase their share of selective beauty products. Other competitors, although smaller in scale, include drugstore chains (especially the chain DA (DA Retailgroep B.V., Zwolle, the Netherlands), which expanded its selective beauty share through the acquisition of the "Mooi" perfumeries in 2014). Monolabel players are active with their own private labels and hence have limited competitive overlap with us, while pharmacies are predominantly focused on health care products and ecological cosmetics as private label products.

The major players in the Dutch online selective beauty market (which still has a low penetration and a limited share of the selective beauty market) are the multi-channel players, according to the OC&C Report: Our Group (which has the highest online traffic levels based on the number of visits for October 2014, assessed on the basis of data sourced from SimilarWeb, a traffic estimator tool by SimilarWeb Ltd., London, United Kingdom ("SimilarWeb")) and ICI Paris XL.

Italy

Market Size, Past Development and Prospects

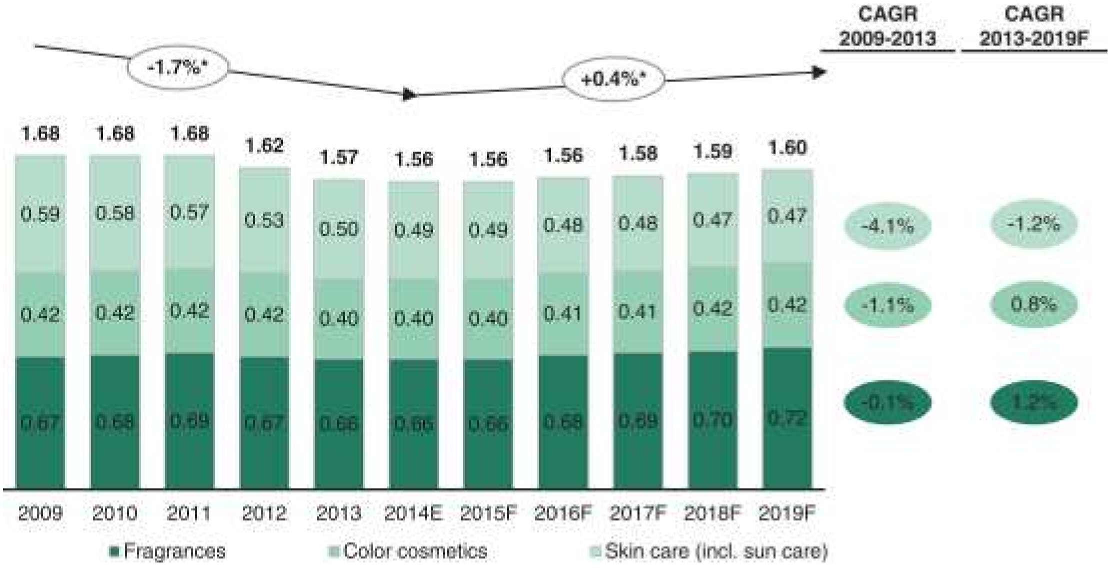
The selective beauty market in Italy amounted to approximately €1.57 billion in 2013, representing approximately 21% of the total Italian beauty and personal care market (€7.47 billion), according to the OC&C Report. Mass beauty products accounted for 29% and mass hygiene products for 50% of the total Italian beauty and personal care market in 2013, according to the same source. In recent years, as a consequence of the financial and economic crisis, Italy (as well as other countries in Southern Europe) has experienced an exceptionally difficult and prolonged period of weak economic development, which also negatively affected the selective beauty market, with a 2009-2013

CAGR of -1.7%. During the same period, the mass beauty segment grew at a CAGR of 1.9%, as consumers tended to rationalize their choices when buying beauty products and shifted to cheaper products and channels (source: OC&C Report, based on data contained in the "Beauty Report 2014" for Italy published by Cosmetica Italia, Milan, Italy, on June 17, 2014). Nevertheless, the mass channel, which includes both mass hygiene and mass beauty products, contracted by 0.2% per year (on a CAGR basis) during the same period. Within the Italian selective beauty market, the skin care product category showed a particularly adverse development during the 2009-2013 period (CAGR: -4.1%), since this category tends to be more affected by the shift to mass products in the context of an economic crisis, as a selective skin care brand is generally seen as less important by consumers than with the other selective product categories.

However, according to the OC&C Report, with the improvement of the overall economic situation, the Italian selective beauty market is likely to overcome its decline in the next few years: The OC&C Report expects a CAGR of 0.4% for the 2013-2019 period (the mass channel in Italy, including both mass hygiene and mass beauty products, is expected to grow at a CAGR of 1.1% over the same period, with mass beauty products expected to grow at a CAGR of 1.7% over such period).

The following chart provides an overview of the development and prospects of the Italian selective beauty market split by product categories:

Italian selective beauty market by product category (2009-2019F)



Source: OC&C Report.

Note: All figures not expressed as a percentage are in €billion. Market figures relate to net sales.

* CAGR

The OC&C Report expects that demand for fragrances, the largest product category, will grow over the 2013-2019 projection period (1.2% CAGR), especially regarding men's fragrances and new formats addressing younger women. With respect to color cosmetics, the OC&C Report expects innovations (*e.g.,* new ergonomic eye liner applicators) to allow this product category to grow moderately; a further product range extension in private label is expected to further support the category development (expected CAGR for 2013-2019: 0.8%). The future development of skin care in Italy remains challenging (2013-2019 CAGR: -1.2%, according to the OC&C Report), but technology-based anti-aging products as well as private labels could be expected to have a positive influence on the demand for skin care products, according to the OC&C Report.

Competitive Environment

The Italian selective beauty market is characterized by a stronger fragmentation than other European markets, according to the OC&C Report. The selective distribution channel comprises large beauty specialist chains such as the market leader Limoni (Limoni S.p.A., Milan, Italy, "Limoni"), which merged with La Gardenia in December 2013; combined market share for Limoni and La Gardenia: 24%, Sephora (number 2; 9% market share) and Douglas, holding the number 3 position with a market share of 9%, ahead of Marionnaud (4%) (all market shares and positions are based on the selective share of sales for 2013, as assessed in the OC&C Report, for our Group, including regional online sales; competitors' sales also include both stationary and online sales).

In addition, in contrast to many other European countries, a large number of independent perfumeries play a relevant role. However, the small independent players are likely to lose market share in the future, as larger chains with standardized concepts and processes become more widespread, as was already the case in other countries, according to the OC&C Report. In addition, some consolidation and co-operation has occurred; for example, the aforementioned acquisition of La Gardenia by Limoni. Other competitors include Italian department store chains La Rinascente (La Rinascente S.p.A., Milan, Italy) and Coin (Gruppo Coin S.p.A., Mestre/Venice, Italy), albeit with a relative small share of selective beauty sales compared to the total market. According to the OC&C Report, supermarkets and drugstores are focused on mass market products, especially skin care, and hence do not directly compete with beauty specialist retailers. Herbalists such as Bottega Verde (Bottega Verde S.r.l., Pienza, Italy) and monolabels like Yves Rocher generally offer lower-priced (non-selective) products with a focus on natural/organic products (source: OC&C Report).

In the online selective beauty market, multi-channel retailers are the most important players.

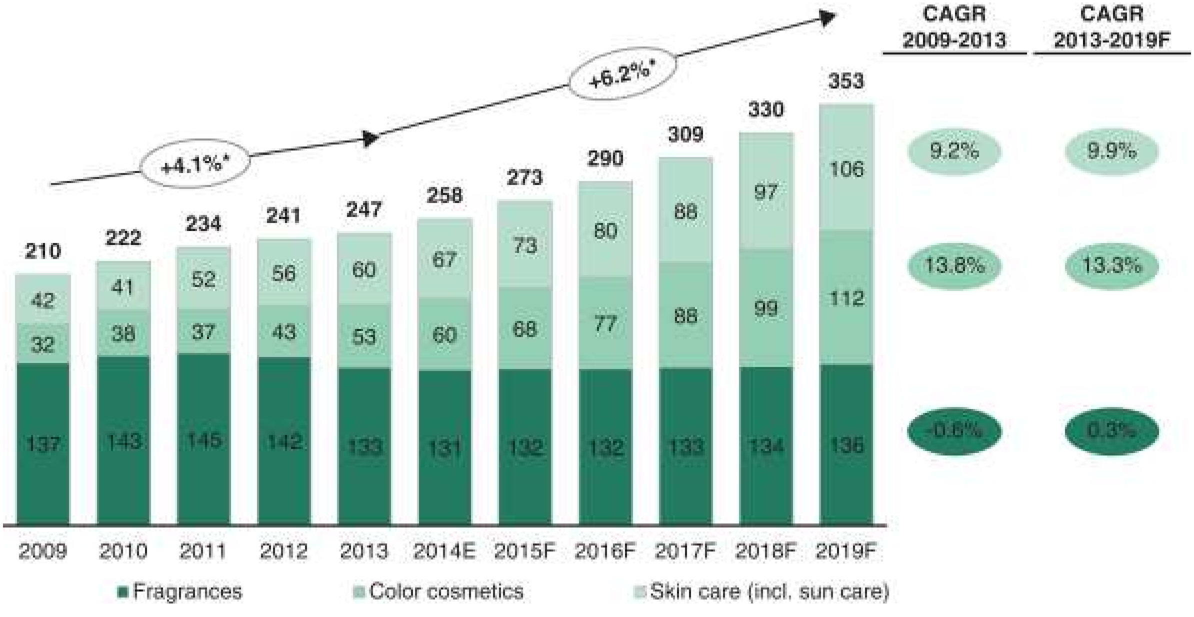
Poland

Market Size, Past Development and Prospects

Given the still relatively low household income levels, the selective beauty market in Poland had, with a market size of approximately €247 million in 2013 (based on sales), a comparably small share of approximately 9% of the total Polish beauty and personal care market, according to the OC&C Report. By way of comparison, mass beauty products accounted for 36% and mass hygiene products for 55% of the total Polish beauty and personal care market in 2013, according to the same source. However, the Polish selective beauty market has shown strong growth in the past few years (2009-2013 CAGR of 4.1%), and has outperformed the mass beauty segment and the mass channel (including both mass hygiene and mass beauty products), which grew at a CAGR of 2.2% and 2.9%, respectively, during the same period. Growth in the Polish selective beauty market is expected to accelerate further and the market is expected to grow at a CAGR of 6.2% over the 2013-2019 period (source: OC&C Report). By way of comparison, the mass channel (including both mass hygiene and mass beauty products) in Poland is expected to grow at a CAGR of 3.4% over the same period; mass beauty products are expected to grow at a CAGR of 3.2% over such period.

The following chart provides an overview of the development and prospects of the Polish selective beauty market split by product categories:

Polish selective beauty market by product category (2009-2019F



Source: OC&C Report.

Note: All figures not expressed as a percentage are in €million. Market figures relate to net sales.

* CAGR

With respect to product categories, both color cosmetics and skin care have shown attractive growth in recent years (2009-2013 CAGR: 13.8% and 9.2%, respectively, according to the OC&C Report). On the other hand, demand for fragrances slightly declined in the past few years (CAGR of -0.6% over the 2009-2013 period, according to the OC&C Report), as this category was affected by the shift to color cosmetics and skin care products. Alongside the key growth drivers (see "*—The European Selective Beauty Market—Key Trends*" above), the OC&C Report estimates that color cosmetics will benefit from increased spending for make-up going forward. It is also expected that the growing popularity of social marketing in Poland and a greater emphasis on the use of specialized cosmetics (such as formulations for the mitigation of skin irritation or for sensitive skin) will positively influence the spending for color cosmetics. Anti-aging products, as well as an increased demand for natural cosmetics, are expected to be the major growth drivers in the skin care category, while the improving economic situation and purchasing power is expected to stabilize the demand for fragrances, according to the OC&C Report.

Competitive Environment

The two largest beauty specialist chains Douglas (market share based on net sales for the calendar year 2013, including regional online sales: 45%) and Sephora (44% market share for 2013) (both stationary and online sales were considered), account together for almost 90% of the selective beauty market in Poland, according to the OC&C Report.

Following Marionnaud's exit of the Polish market in February 2014, there is no other store-based beauty specialist retailer with a comparable selective brand portfolio to Douglas and Sephora. Only a few smaller independent perfumeries are competing on a local level. Department stores were largely replaced by shopping malls and hence have no relevance in Poland, according to the OC&C Report.

Drugstores, which the OC&C Report expects to grow in Poland in the coming years, currently have only very limited price or product overlap with us, as the vast majority of their product range is non-selective, according to the OC&C Report.

The largest online shopping platform in Poland, Allegro, potentially creates a basis for a "grey market" for selective internet-based beauty retail, according to the OC&C Report (for more information on the grey market, see "*—The European Selective Beauty Market—Competitive Environment*" and "*Risk Factors—Risks Relating to Our Market Environment and Business—We face competition in the markets in which we operate and such competition may intensify further.*") In addition, online shops as a sales channel for beauty and personal care products have emerged in recent years (with iperfumery.pl being the largest online pure player, according to the OC&C Report) with Sephora launching a web-shop in 2014. According to the OC&C Report, we are the number 2 player in the Polish online market for beauty and personal care products, in terms of traffic (based on online traffic figures for October 2014 from a third-party survey), behind iperfumery.pl.

Monolabel players such as Yves Rocher or L'Occitane have emerged in the Polish market, but are not considered selective since they only sell their own brands, according to the OC&C Report.

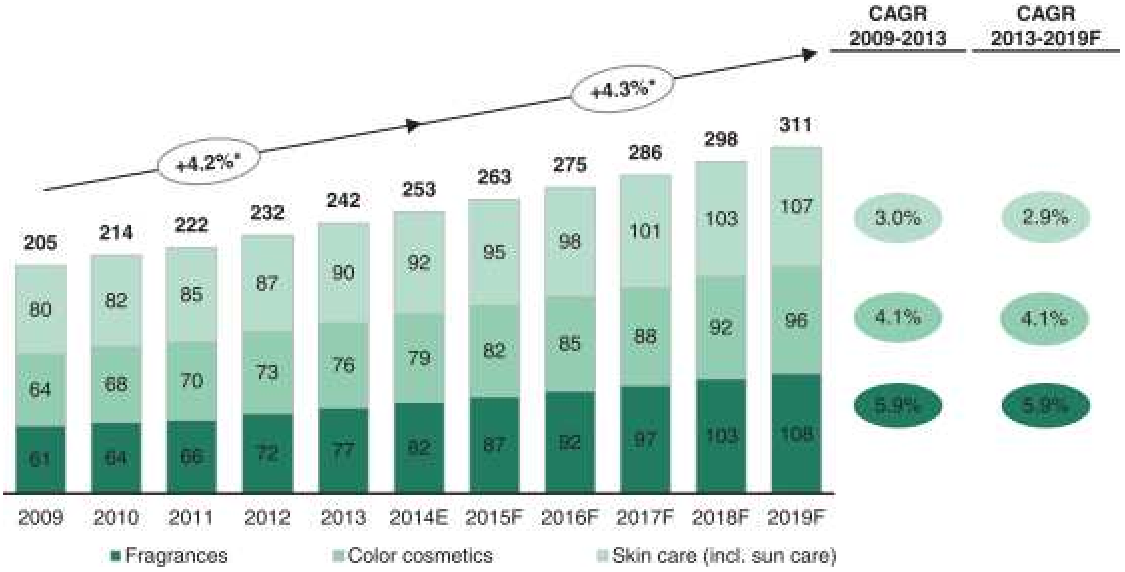
Austria

Market Size, Past Development and Prospects

The selective beauty market in Austria accounted for approximately 18% of the total beauty and personal care market, with sales of approximately €242 million in 2013, according to the OC&C Report. The selective beauty market in Austria has outgrown the mass market with a CAGR of 4.2% between 2009 and 2013 (compared to 3.3% and 2.9%, respectively, for the mass beauty segment and mass channel, which includes both mass hygiene and mass beauty products) (source: OC&C Report). Mass beauty products accounted for 30% and mass hygiene products for 52% of the total Austrian beauty and personal care market in 2013, according to the same source.

The following chart provides an overview of the development and prospects of the Austrian selective beauty market split by product categories:

Austrian selective beauty market by product category (2009-2019F)



Source: OC&C Report.

Note: All figures not expressed as a percentage are in €million. Market figures relate to net sales.

* CAGR

According to the OC&C Report, growth was driven by all three relevant product categories (*i.e.,* fragrances, color cosmetics and skin care) and is expected to continue at similar rates in the next few years (expected 2013-2019 CAGR of 4.3% for the selective beauty market). By way of comparison, the mass channel (including both mass hygiene and mass beauty products) in Austria is expected to grow at a CAGR of 2.5% over the same period (with mass beauty products expected to grow at a CAGR of 3.1% over such period).

The OC&C Report estimates that demand for fragrances has been positively affected by high-profile advertising campaigns promoting fragrances as "must-have" products and an integral part of an attractive lifestyle, and expects a continuing demand for best-seller fragrances and new innovative products, making this the strongest growing product category in the Austrian selective market (expected 2013-2019 CAGR: 5.9%). In addition, the demand for nail and eye products combined with an increasing brand assortment for such products, as well as the trend towards individual looks and social media and viral trends (*e.g.,* blogs) are considered major growth drivers for color cosmetics in the next few years (expected 2013-2019 CAGR: 4.1%, according to the OC&C Report). With respect to the skin care product category, an increasing demand for anti-aging as well as natural cosmetics has historically supported its growth; such demand is expected to continue to drive this category's future development, together with a growing demand for facial skin care with de-stressing features (expected 2013-2019 CAGR: 2.9%, according to the OC&C Report).

Competitive Environment

The selective beauty market in Austria mainly comprises the two large beauty specialists Marionnaud (market leader, with a market share of approximately 33%), and Douglas (number 2, also with approximately 33%) which together hold a share of around two-thirds of the market, followed by the largest drugstore chain Müller (number 3, 18% market share based on estimated share of selective sales) (source: OC&C Report; all market shares based on 2013 sales).

In Austria, there are only a few department store chains; however, there are a small number of independent luxury stores with selective brand offerings, according to the OC&C Report. The largest drugstore chains Müller and BIPA (BIPA Parfümerien GmbH, Wiener Neudorf, Austria, "BIPA") have expanded their store portfolio in recent years.

Overall, online traffic and penetration in Austria is low; online penetration relating to the key beauty categories fragrances, color cosmetics and skin care (including sun care) and including both selective and mass products was estimated by the OC&C Report at 3% for 2013. Online revenues are mostly generated by multi-channel players and generalists such as amazon (which offers selective beauty and personal care products via its marketplace, enabling a limited "grey" market). Austrian pure players currently have low competitive relevance; instead, there are small German-based online pure players present in the market. Besides amazon, which is the largest online shopping platform, BIPA and our Group are the leading players in the online selective beauty market (based on online traffic figures for October 2014, as analyzed in the OC&C Report, whereby a substantial portion of BIPA's product portfolio relates to non-selective categories). As in other European countries, some herbalists and monolabel players are slowly emerging in Austria with a focus on personal care products directed towards the mass market (source: OC&C Report).

Other Countries

Besides our six core countries, we also operate in Spain, Switzerland, Turkey, Portugal, the Czech Republic, Hungary, Romania, Lithuania, Bulgaria, Croatia, Latvia, Monaco and, since November 2014, Norway. These other markets currently represent a small portion of our business, accounting for less than 10% of our sales in the financial year 2013/2014. Similarly, compared to our core markets, the selective beauty markets in these other countries are rather limited in size, with the exception of Spain, with a selective beauty market size of €1.45 billion, followed by Switzerland (€0.45 billion) and Turkey (€0.44 billion) (source: OC&C Report, based on 2013 sales).

Growth dynamics in these other countries have historically been mixed, ranging from high growth rates in countries such as Romania and Turkey, to market stagnation or compression, for example in Southern European countries.

BUSINESS

Overview

We are the leading European specialist retailer of selective beauty and personal care products, with total pro forma sales of €2,494.3 million, pro forma EBITDA of €173.8 million and pro forma Adjusted EBITDA of €256.0 million in the financial year 2013/2014, in each case on a pro forma basis after giving effect to our acquisition of the Nocibé Group. The vast majority of our sales are generated within the selective beauty distribution channel, which requires the formal approval of a supplier to carry a selective product, as opposed to the mass market channel. As of the date of this offering memorandum, we operate in 19 European countries with over 1,700 stores (including franchised stores) and have e-commerce operations in 15 countries. In five of our six core countries (*i.e.,* in Germany, France, the Netherlands, Poland and Austria), we have a top 1 or top 2 market position. In those five core countries, we generated over 80% of our sales in the financial year 2013/2014 on a pro forma basis, after giving effect to our acquisition of the Nocibé Group.

Since being taken private in the financial year 2012/2013, Douglas has been transformed from a predominantly German diversified retail conglomerate into a leading pan-European selective beauty retailer. Our former non-beauty operating retail businesses were either sold to a third party or transferred to subsidiaries of Seller 1. Substantial operational improvement initiatives have been implemented over the past two years, particularly in the financial year 2013/2014 under a largely new management team, to further enhance our business model and position it for continued profitable growth going forward. In June 2014, we acquired the Nocibé Group, a leading beauty retailer in France to further strengthen our market position in France and as the leading specialist retailer of selective beauty and personal care products in Europe.

With an estimated compound annual growth rate ("CAGR") for calendar years 2013-2019 of 2.6%, the selective beauty market, which generally has shown a high degree of resilience even in periods of extended down cycles, is expected to exhibit attractive and sustainable growth and reach an overall market volume of €18.2 billion in 2019.

We primarily operate under the "Douglas" brand across countries. In France and Monaco, we are integrating all operations under the "Nocibé" brand after the acquisition of the Nocibé Group and its successful subsequent integration. As of the date of this offering memorandum, only a few remaining stores in France still operate under the "Douglas" brand, with the brand switch ongoing.

With up to 35,000 different articles (stock keeping units ("SKUs") as of March 31, 2015; based on our German online shop), we offer one of the industry's largest beauty and personal care product assortments available in our stationary stores and online. This assortment is complemented by a range of beauty-related accessories as well as selected service offerings. Our extensive product offerings across a wide range of price points make us a preferred brand for beauty and personal care in Europe. We believe that we distinguish ourselves by a customer-centric sales approach offering our customers high quality advice and services and that this, together with our reputation and our broad, well-invested store network in prime locations, as well as e-commerce capabilities, make us a "must-have" distribution platform for the major suppliers of selective beauty products.

We believe we are a pioneer in multi-channel selective beauty retailing in Europe, with highly integrated stationary store and e-commerce (including online and mobile) customer interfaces which allow our customers to browse online and buy in-store, or "click-and-collect". We have continuously invested in our e-commerce business with online shops in 15 countries and believe that we are one of the leading selective beauty online retailers in Europe. Particularly, we are the online market leader in the German market for selective beauty products, accounting for a share of approximately 51% in 2013, according to the OC&C Report. Going forward, the German selective beauty online market is expected to further benefit from substantial growth at a CAGR for the 2013-2019 of 17.5%, according to the OC&C Report. Our e-commerce sales pertaining to our centrally managed online shops amounted to €229.3 million in the twelve-month period ended March 31, 2015, corresponding to 9.4% of our total sales of which €22.4 million was attributable to the e-commerce sales from the Nocibé Business in the first half of 2014/2015. In the financial year 2013/2014, our e-commerce sales amounted to €180.0 million, or 8.6% of our total sales, corresponding to a CAGR of 30.4% during the financial year 2011/2012 to 2013/2014. We believe that our established German e-commerce platform can serve as a blueprint for our e-commerce activities in other countries, for example, through transposition of best practices.

As of March 31, 2015, we had more than 17,000 employees (including trainees).

Competitive Strengths

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

Market Leader in European Selective Beauty Market

With total pro forma sales of €2,494.3 million in the financial year 2013/2014, we are Europe's leading specialist retailer of selective beauty and personal care products, according to the OC&C Report, with a market share of 16.5% (based on 2013 sales), standing out among competitors, in our view, through our strong brand, unique store network of over 1,700 stores (as of March 31, 2015, thereof 1,559 directly operated stores and 152 franchised stores) in prime locations in 19 countries, online shops in 15 countries and, in our view, best-in-class customer service and unparalleled customer reach.

In Germany, with an estimated market volume of €2.44 billion in 2013, we are the clear market leader in the selective beauty market in terms of sales with respect to both stationary and e-commerce business. In France, with an estimated market volume of €3.05 billion in 2013, we established the No. 2 position, extending to stationary and e-commerce business alike, through the strategic acquisition of the Nocibé Group, becoming the selective beauty retailer with the largest store network in the country. We also hold leading market positions (top 1-3) in all of our other core markets (which include the Netherlands, Italy, Poland and Austria) and believe that we have strong positions in most of our other markets. In addition, we believe that we have a particularly strong competitive position in the strongly growing Central and Eastern European market, pioneering the selective perfumery business model in an extensive manner. In the financial year 2013/2014, we generated over 85% of our sales, on a pro forma basis, in countries where we rank first or second by market share (market shares based on sales for the calendar year 2013, according to the OC&C Report).

By leveraging our purchasing power resulting from our growing store network and increasing sales, we aim to constantly improve our purchasing terms and to negotiate further specific price reductions (such as higher year-end discounts). Suppliers value our unique scale as European market leader (source for European leadership: OC&C, based on 2013 net sales) and our pan-European presence, and we believe, as a result, that we are the retailer of choice for the established brands and for many new brands wishing to explore their market potential at an early stage. In particular, we cooperate with all major suppliers of selective beauty products to introduce new beauty-related categories and innovative products and services to the European beauty market. Smaller competitors that are in many instances focused on narrow regional markets also often have less financial resources and are limited in their marketing power.

We continue to gradually expand our geographical footprint through franchising, select acquisitions and partnerships, and we have a proven track record of integrating new stores, including those acquired from third parties and formerly franchised stores, in our network efficiently and quickly thanks to our flexible store format and brand architecture. We generally rebrand acquired stores as Douglas perfumeries only if beneficial for their performance while also maintaining a portfolio of smaller brands. We have built and continue to build a strong platform through acquisitions, including not only the Nocibé Acquisition but also smaller bolt-on acquisitions such as Himmer in Germany and Clin d'Oeil in France both of which have been recently acquired. With respect to the Nocibé business, we consider its integration and the realization of synergies to be well on track, having realized initial synergies in financial year 2013/2014. We expect a mutual sharing of best practices of the Douglas Group and Nocibé Group to further enhance our competitiveness. While the Nocibé Group already had an efficient cost structure, it can benefit from Douglas' economies of scale, in particular improved purchasing terms and conditions. In turn, the Douglas Group can benefit from the Nocibé Group's expertise and experience relating to a more centralized business model and efficient overhead management.

With our anchor brand "Douglas", we can build upon a strong brand heritage since the opening of the first Douglas perfumery in 1910 in Hamburg with excellent prompted and unprompted brand awareness (according to surveys carried out on behalf of our Group by the Innofact AG in December 2014/January 2015 for Germany and in December 2013/January 2014 for our other core countries, together the "Innofact survey") in all of our core markets with the exception of France. In France (and Monaco), following the acquisition of the Nocibé Group, we operate under the strong local brand "Nocibé".

Focus on Attractive Market Segment to Benefit from Strong Industry Economics

We focus on the selective beauty market, an attractive sub-segment of the broader beauty and personal care market which benefits from strong industry economics, based on the legal framework of the selective distribution channel provided by applicable EU legislation. It is therefore more attractive for us than the larger mass retailing market for beauty and personal care products which is characterized by greater competition and lower profit margins. In the selective beauty market, manufacturers of premium brands limit the distribution of their products to selected qualified retailers in order to enhance the often premium reputation of their products and brands, and control the distribution of their brands. In this regard, suppliers require, for example, adequate product and brand presentation in store, appropriate service levels through qualified and trained employees as well as breadth of product assortment, before approving distribution of their products by a specific retailer. Suppliers therefore generally favor retailers with strong brand awareness, customer reach and large nationwide store networks. Thus, the economics of the selective distribution channel typically do not work for drugstores, supermarket and similar retail formats and they mostly focus on the mass market instead (see also "*Market and Competitive Environment—The European Selective Beauty Market—Definition of the European Selective Beauty Market; Key Characteristics*" and "*—Regulatory Environment—Regulation on the Selective Channel*").

The total selective beauty market in Europe totaled €15.6 billion in 2013 and has shown a strong resilience even in a challenging economic environment. Beauty products (color cosmetics, skin care and also fragrances) are often perceived as accessible high-value gifts and so-called "personal rewards", which has contributed to the demand for such products in general remaining stable historically and showing resilience even during periods of extended economic downturns. In Europe's two largest economies, Germany and France, which are also our two largest markets and which together accounted for 71% of our pro forma sales in the financial year 2013/2014, after giving effect to our acquisition of the Nocibé Group, the selective beauty market has historically grown at a stronger rate than the larger mass market for beauty and personal care products (comprising beauty and hygiene categories) with respective CAGRs of 5.0% and 1.4% in Germany, and respective CAGRs of 3.1% and 1.2% in France, in each case in the 2009-2013 period, according to the OC&C Report.

According to the OC&C Report, in the coming years, the selective beauty market segment is expected to continue to outgrow the mass beauty and personal care market in many European countries. For example, according to the OC&C Report, in Germany, the selective beauty market is expected to grow at a CAGR of 4.9% in the 2013-2019 period, which compares to 1.5% for the mass market for beauty and personal care products in the same period, while in France the selective beauty market is expected to grow at a CAGR of 2.0% for the 2013-2019 period, while the mass market is expected to grow at a CAGR of only 1.2% CAGR in the same period. The selective segment in Eastern Europe also maintained a growth trajectory at a CAGR of 6.0% for the calendar years 2008 to 2013, according to the OC&C Report.

For additional information on the European selective beauty market and the selective beauty market in our core countries, see "*Market and Competitive Environment*".

Attractive and Broad Product Assortment makes Douglas one of Europe's Favorite Retailers for Beauty and Personal Care Products

We are Europe's leading specialist retailer for selective beauty and personal care products with an assortment of up to 35,000 different articles or SKUs as of March 31, 2015 (based on our German online shop) across a wide range of price points. We have a highly attractive and balanced product portfolio, with fragrances contributing more than half, color cosmetics and skin care approximately one fifth each and other products only a small portion to our total consolidated sales in the first half of 2014/2015. Our broad assortment range and a service offering, which we believe to be one of the largest in the industry, make us a trusted destination for customers of premium beauty care products.

Our product offering includes many different major national and international brands. These brands are sourced from suppliers with whom we maintain strong, often long-term relationships. We enhance our customer value through a customer-centric sales approach offering our customers high quality advice, service innovations and the introduction of new categories, to capture the latest trends in beauty as identified in our systematic trend scouting process. For example, we launched the Pantone-based "Douglas Color Expert" in August 2014, a feature that identifies the customer's individual skin tone and allows for personalized make-up recommendations, and introduced the new product sub-category "Professional Beauty" which includes electrical skin cleaning brushes.

We complement our broad assortment range of selective products with attractive exclusive and private label products which allow for differentiation *vis-à-vis* key competitors and act as an additional margin driver. Thus, we consider exclusive and particularly private label products to be key growth contributors, which, especially in the case of private label, have significantly higher gross margins than third party beauty products. As a consequence, in the last two years, we have put a strong focus on significantly expanding our exclusive and private label expertise.

Sales from private label products accounted for 2.8% of our total combined sales in the financial year 2013/2014 (figure on a combined basis; adjusted to include the Nocibé Business for the whole financial year 2013/2014). The Nocibé Group on a stand-alone basis (not including former Douglas and Clin d'Oeil stores rebranded to Nocibé) generated a higher sales share of approximately 8% from its private label products in the short financial year ended September 30, 2014 than the Douglas Perfumeries Business in the financial year 2013/2014, with both shares still being well below the private label sales share of best-in-class competitors with respect to private label products. Since the implementation of its dedicated private label strategy in April 2012, the Nocibé Group grew the number of private label SKUs to more than 1,400 (as of March 31, 2015), for example through the launch of Nocibé's professional private label make-up line "Artist" in 2014.

We believe that the strong growth of the Nocibé Group's private label assortment helped to further increase the attractiveness of the products, positively impacted store traffic, led to improved average purchase value and enabled Nocibé to access a more "trend-oriented" target group with new and younger customers, thereby rejuvenating and broadening Nocibé's customer base and image. Since the second half of calendar year 2014, we have begun to leverage these private label capabilities developed by the Nocibé Group in France increasingly across other European countries in order to further complement our assortment of products, attract new customers, drive customer loyalty and further improve our margins.

Furthermore, according to the OC&C Report, based on a customer survey carried out by Innofact AG in October/November 2014 and analyzed by OC&C, we were rated first among the selected competitors that were included in the survey with respect to staff friendliness and staff availability in Germany and France. Our beauty advisors are specifically trained to provide friendly and sound advice, which we believe is of critical importance in our sector and a differentiating factor *vis-à-vis* many competitors.

Unique, Modern and Well-invested Store Network in Prime Locations makes Douglas a "Must-have" Distribution Platform for all Major Brand Suppliers

In our view, we operate a unique store network across Europe comprising 1,559 well-invested directly operated stores as of March 31, 2015 in prime locations—mostly in prime high-street locations as well as in shopping malls—which, combined with our modern design and prestigious store appearance, make Douglas, in our view, a "must-have" distribution platform for all major brand suppliers. In our key markets of Germany and France our stores have nationwide coverage.

In Germany, we have an extensive store portfolio of 436 stores (as of March 31, 2015, all stores directly operated) in prime locations. In the calendar year 2013, we generated a multiple of the sales (regarding selective beauty products) of our next competitor, based on survey results and the competitor's estimated share of selective products, according to the OC&C Report. We have continuously invested in our store network as demonstrated by relatively stable expenses for store modernization and refurbishment, which accounted for the large part of our capital expenditures in the last three financial years.

In France, we have advanced to a second place market position, based on our aggregated sales for the calendar year 2013 for Douglas and Nocibé, including regional online sales and franchise sales but excluding certain intra-group consolidations (as assessed in the OC&C Report; calculation includes stationary and online sales). We have a nationwide store network with approximately twice as many stores as the market leader Sephora (our store number, as of September 30, 2014, including franchises, and prior to our disposition of a number of our French stores after such date in order to comply with requirements included in the antitrust approval of the Nocibé Acquisition; for Sephora's store number, as of June 2014). Our modular store concept allows for unique flexibility to adapt store sizes, assortment breadth, store layout and visual merchandising and enables us to successfully operate with smaller and medium sized stores in smaller towns where we may have less competition from operators focusing on larger stores.

Strong Multi-channel Operations with E-commerce Leadership Positions Across Key Markets in Europe

We see ourselves as a leading multi-channel retail trendsetter with high integration of our online and mobile interfaces with our stationary operations (physical stores). We believe that we can provide a highly integrated offering across all channels and have implemented state-of-the-art cross-channel services and customer relationship management. We consider this a competitive advantage, in particular *vis-à-vis* pharmacies, drugstores and smaller players that do not have the same multi-channel competency. We consider an attractive, easy to use multi-channel approach as particularly important in the beauty retail sector since customers increasingly purchase online to save time, money and effort, but at the same time most of them wish to see, feel, smell and test many beauty products in person. Also, store experience and friendly customer advice are parts of a shopping experience which we consider to be difficult to reproduce for a pure-play online retailer. Our multi-channel capabilities allow us to serve our customers across channels, and our size and seamless processes facilitate the necessary logistics and the realization of economies of scale. Furthermore, we believe that our online shops distinguish themselves from large unspecialized retail platforms through broad assortment and product presentation which we believe corresponds better to the premium reputation of the suppliers' brands, as well as through complementary service offerings such as the recently implemented Pantone-based Douglas Color Expert.

We believe that our e-commerce operations are a key contributor to our growth (see "*—Sales Channels, Multi-Channel Approach and Payment Methods—Our E-Commerce Platform*") and in the twelve-month period ended March 31, 2015, our centrally managed online shops (*i.e.,* our online shops in Germany, France—including, for the first half of 2014/2015, e-commerce sales of €22.4 million from the Nocibé Business—, the Netherlands, Austria, Poland, Italy and Switzerland) contributed sales of €229.3 million, or 9.4% of total sales. In Germany, we are the leader in the online market for selective beauty products (with a market share of approximately 51% in the calendar year 2013, based on net e-commerce sales, according to the OC&C Report). According to the same source, we held the second position in the online selective beauty segment in France (approximately 25%, based on 2013 e-commerce sales, aggregated for the Nocibé and the Douglas e-commerce platform, which at the time operated separately). Our French e-commerce activities are now consolidated under the Nocibé brand.

We believe that our e-commerce growth at a CAGR of 30.4% in the financial years 2012/2013 and 2013/2014 reflected the consistent implementation of our multi-channel strategy which we intensified and further improved over the last two to three years. Also, as a result of our increased e-commerce sales in the past three financial years, we improved our average fixed cost coverage and, thus, achieved what we consider to be an attractive profitability and benefits from scalability with respect to the cost base of our e-commerce business. In the recent past, e-commerce sales have had a higher profitability before overhead costs as compared to sales in our physical stores. In addition, we believe that we are well-positioned to benefit from the expected dynamic growth in the online segment of the selective beauty market in Europe as, for example, the German and French selective online markets are expected to continue on their growth trajectory at expected CAGRs for the period 2013-2019 of 17.5% and 12.5%, respectively, according to the OC&C Report.

We offer a number of highly integrated cross-channel services along the relevant customer touch points, covering pre-sales information, stock availability, consultation, payment as well as delivery of products and returns. With in-store orders, click-and-collect, online stock information, online appointment scheduling before store visits or cross-channel couponing, we have implemented innovative new service features. We use all channels—stationary stores and e-commerce (including online and mobile solutions)—in a jointly incentivized, integrated, manner to enhance our customer experience and brand loyalty by offering our customers increased convenience and a better, more personalized shopping experience. We believe that we were one of the first specialist beauty retailers to launch dedicated mobile applications for iOS devices and for Android devices (launched in 2010 in Germany, France and the Netherlands) that enabled our customers to purchase products directly on our websites from their iOS or Android devices. Since December 2013, we implemented these applications in Austria, the Netherlands, Italy, Poland, Switzerland, the Czech Republic, Spain and Norway. In April 2015, we launched an additional dedicated application for iOS-tablets in Germany, and, in October 2014, we introduced a guided selling application in certain pilot stores in Germany, which assists store personnel in the customer service processes by providing, for example, access to product and purchase recommendations, as well as customer reviews. We expect to further roll-out the guided selling application starting in the third quarter of financial year 2014/2015. We believe that this guided selling app may help to further integrate our sales channels, as well as to further improve our services.

Our multi-channel offering and cross-channel services are complemented through an, in our view, industry leading customer relationship management and loyalty program. Our Douglas loyalty card program has around 10 million cardholders across 16 countries across Europe. Nocibé has its own loyalty program with around 8 million additional holders in France and Monaco.

Proven and Resilient Business Model with a Strong Financial Track Record, Superior Cash Generation and Focus on Expansion

We have shown a strong financial track record for the last three financial years and the first half of 2014/2015, in terms of sales growth, further margin expansion and cash generation. In the last two financial years, and particularly in 2013/2014, we implemented a wide range of strategic and operational initiatives to achieve higher sales growth. Such initiatives included for our stationary business an improved assortment management process and the successful implementation of in-store activation measures, such as the introduction of a new visual design, the roll-out of new product displays, improvement of visual merchandizing and marketing concepts and the usage of professionalized space management. In addition, for our fast growing e-commerce business, we continued implementing operational excellence initiatives, introduced new online service offerings and accelerated the pan-European roll-out of e-commerce operations. As a result of these measures, our sales growth rate has significantly improved in the financial year 2013/2014 and particularly in the first half of 2014/2015. Our like-for-like growth rate increased from 1.6% in the financial year 2013/2014 to 3.9% in the first half of 2014/2015. This was driven both by an improvement of our stationary as well as our e-commerce business like-for-like growth rate, with our e-commerce operations benefitting from strong market momentum and our competitive position in the European online selective beauty market. In the first half of 2014/2015, our sales growth rate was positive across all of our four regional segments, with particularly strong growth in our regional segments of Germany and Eastern Europe (both increasing sales by 5.4% compared to the first half of 2013/2014). Our South-Western Europe segment returned to positive growth following a challenging period, with positive momentum being driven by significant actions undertaken in recent years.

Furthermore, since being taken private in the financial year 2012/2013, we have implemented a wide range of efficiency enhancing measures. These actions included sales efficiencies at store level, partly caused by store staff reductions across various regions, overhead personnel reductions, mainly in Germany and South-Western Europe, a stricter cost management throughout our organization, and an active management of our store portfolio in all four regional segments, including a store network re-shape in Spain and Croatia. Furthermore, we have recently focused on excellence in the execution of our processes, for example through the centralization and systematization of selected functions such as assortment planning, procurement, pricing and campaigning as well as through the improvement of support and administrative processes. These centralization and systematization measures allow for significant cost savings in our previously very decentralized organization. For example, in 2013/2014, we negotiated and implemented Europe-wide sourcing contracts with our most important suppliers of goods for resale in order to secure competitive margins. In addition, we launched a comprehensive sourcing program in the financial year 2013/2014 to optimize sourcing of indirect goods, such as energy, marketing materials or logistics, facility management and IT services.

We believe the first results of these measures, as well as of the growth and value-creation initiatives described above, were the main factors which led to the improvement of our Adjusted EBITDA, which on a stand-alone basis for the Douglas Perfumeries Business, *i.e.,* excluding the EBITDA contribution of the Nocibé Business in the financial year 2013/2014, increased by a CAGR of 5.6% across the last three financial years, and by a CAGR of 9.9% across the last three and a half years including the first half of 2014/2015. Our Adjusted EBITDA-margin for the Douglas Perfumeries Business also increased as a result of the first effects from the above described strategy of cost control and efficiency enhancement, but also from a better fixed cost coverage of our fast growing online operations, from 8.9% in the financial year 2011/2012 to 9.1% and 9.5% in the financial years 2012/2013 and 2013/2014 (all figures on a combined basis; figures for the financial year 2013/2014 adjusted to eliminate the effects of the Nocibé Business in the period July to September 2014, *i.e.,* only relating to the Douglas Perfumeries Business). On pro forma basis, our Adjusted EBITDA totaled €256.0 million and our Adjusted EBITDA-margin increased even stronger to 10.3% in the financial year 2013/2014. This positive margin trend accelerated in the first half of 2014/2015, with many of the strategic and operational measures successfully implemented in the financial year 2013/2014 now starting to have positive financial effects in all of our four regional segments. When adjusted to exclude effects from the Nocibé Business, our Adjusted EBITDA in the first half of 2014/2015 increased by €27.2 million, or 25.9% as compared to the first half of 2013/2014. As a result, our Adjusted EBITDA margin improved to 11.2% for the twelve-month period ended March 31, 2015, representing a margin increase of 0.9%-point over a half year period.

In addition, as a result of our continuous efforts to further enhance our operational excellence, we also improved our cash conversion (defined as the difference of Adjusted EBITDA and capital expenditures divided by Adjusted EBITDA, in each case for the respective time period) from 62.9% in the financial year 2011/2012 to 75.0% in the financial year 2012/2013 and 75.6% in the financial year 2013/2014 (all figures on a combined basis). In the twelve-month period ended March 31, 2015, our cash conversion improved further to 75.9%.

We have a long and proven track record of executing acquisitions, including both large-scale acquisitions, such as the Nocibé Acquisition, as well as a number of smaller bolt-on acquisitions of individual perfumeries or perfumery chains, *e.g.,* Himmer in Germany or Clin d'Oeil, with 43 perfumeries in France (in December 2014 and February 2015, respectively). Through the Nocibé Acquisition in June 2014, we substantially strengthened our market position in Europe, particularly in France, and expect further synergies from the integration of Nocibé, such as the sharing of best practices regarding private label excellence, standardized category management and store productivity optimization, and to benefit from economies of scale and scalability (*e.g.*, in negotiations with suppliers). In selected cases, we also entered into joint ventures and co-operations, such as the multi-channel co-operation with Thor Hauge in Norway in November 2014.

Experienced and Committed Management Team Ready to take Douglas to the Next Level

We have an experienced, international executive management team with more than 50 years of combined experience in the beauty retail industry, including CEO Dr. Henning Kreke who is a member of the founder family and our management team and has been CEO since 2001, and CFO Dr. Dennis Schulze who previously worked at the

Carlyle Group for 14 years and joined Douglas in 2013. Since being taken private in the financial year 2012/2013, our management team, also including Nicholas Denissen as the responsible managing director for our e-commerce activities, Claudia Reinery, who joined Douglas in 2013, as the responsible managing director for Germany and Switzerland, Isabelle Parize, president of Nocibé since 2011 and also the responsible managing director for Italy, Spain and Portugal, and Jules Abbenhuis, as the responsible managing director for 12 of our other international markets, transformed Douglas from a predominantly German diversified retail conglomerate into a leading pan-European selective beauty retailer.

Strategy

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

Extend Leadership in Channel Excellence and Front-run the Omni-Channel Opportunity

We intend to continuously expand our leading position in multi-channel excellence and exploit the industry's omni-channel opportunity. This includes driving excellence in each channel as well as strengthening cross-channel capabilities and customer relationship management.

To this end, we aim to further enhance our store design and introduce a series of activating elements, such as highlight areas to promote innovations or seasonal promotions, to drive customer visit frequency, average ticket sizes and conversion rates, and leverage our new standardized store design to achieve a more homogeneous look and feel across our stores. Another focus lies on enhancing the service experience for our customers along all customer touch points as a key differentiating factor as compared to our competitors. To further improve our operational excellence, we plan to further strengthen best practice sharing across countries and channels.

Within the e-commerce channel, an important goal is to further optimize our e-commerce platform to improve customer attraction, and in particular conversion and retention rates, for example through the implementation of new features and selected new services. We believe our market-leading e-commerce activities in Germany can act as a highly successful blueprint for all other countries in order to build upon existing market positions. To this end, we intend to internationally roll out and further extend our existing e-commerce functionalities with a focus on countries where we have identified particularly high growth potential. Leveraging on our recently launched Norwegian multi-channel joint venture, we currently plan to enter the online selective beauty market in Sweden in the financial year 2015/2016.

In addition, also with respect to our e-commerce operations, we intend to significantly expand our business by exploiting new e-commerce and omni-channel opportunities (*e.g.,* the launch of a dedicated tablet app, or an original product guarantee to counter competition through online beauty and personal care retailers operating in the grey market). Also, we plan to further extend our core assortment of fragrances, color cosmetics and skin care with additional adjacent categories and also evaluate the possibility to open a Douglas marketplace for beauty-related products to make our online shops the "One-Stop-Shop" in beauty. Furthermore, we plan to launch a proprietary social network to generate additional traffic on our webpages and increase customer engagement. Furthermore, we are looking at developing a second brand online besides Douglas, with a selective, yet highly reduced, product offering at competitive prices.

Mobile traffic generation (*e.g.,* "shop kick", geo location-based push campaigns and the mobile Douglas card app) and the development and roll-out of cross-channel services across our countries represent the focus of our strategy to further integrate our channels in the near future. This will also be supported by our CRM strategy, mainly focusing on the further enhancement of our customer lifecycle management, *e.g.,* through harmonization of customer data and customer journey tracking to allow more personalized services and campaigns. The differentiation and extension of our leading loyalty card programs is also part of our customer relationship management strategy and represent important measures to further enhance our multi-channel offering.

Further Strengthen Market Leadership by Expanding Footprint in Existing and New Markets in Europe

While we mainly focused on the optimization of our store portfolio in the past financial years, with only limited organic growth from new store openings, we now plan to increasingly focus on the expansion of our footprint, both from covering white spots in key existing markets, as well as through the expansion into new markets.

In particular, it is our strategic goal to reach or further strengthen No.1 or No.2 market positions in all of our core markets in which we operate. To this end, we plan to execute a multi-format expansion strategy, including the continued store roll-out, the implementation of new retail concepts (e.g., shop-in-shop concepts) as well as selected small-scale acquisitions. A particular focus in relation to our intended further expansion is on Germany, France and Poland, where a white spot analysis confirmed strong expansion potential. In addition, we continue to consider selected acquisitions of franchisees, particularly in France. Still, we strive to maintain discipline in our growth strategy and review our store portfolio on an on-going basis. We have a dedicated team responsible for reviewing our existing store network, managing lease negotiations and evaluating strategic entries into new geographic markets, as well as the opening of new stores and the potential closure of underperforming stores or markets. Generally, we consider opening a new store only if it can be opened in an attractive prime location at an appropriate cost. We investigate the demographics of a prospective location to ensure access to our target customers, while taking into account the expected impact of the opening on the sales of our existing stores in the surrounding area.

Furthermore, we have identified additional attractive markets where we determined promising roll-out and consolidation opportunities either due to market size or market dynamics. This includes the intended expansion of our store network and building of critical scale in Spain, but also further expansion in fast-growing markets such as Romania, Hungary, the Czech Republic, Croatia and Turkey. In addition, we intend to enter the selective beauty market in Sweden, building on the recently launched Norwegian joint venture model. Potential target markets include Belgium, Luxembourg, Denmark, Finland and select attractive regions outside of Europe such as the Middle East. However, as of the date of this offering memorandum, we have no specific plans to enter these markets.

Our expansion strategy also includes regular evaluation of new markets with a stable economic environment and attractive growth prospects.

Further Systematize and Centralize the Business Model and Drive Operational Excellence

We have begun, in particular since the taking private of the Group in the financial year 2012/2013, to successfully systematize and further centralize well selected key functions such as procurement and marketing and intend to continue and accelerate this process. This has been a key driver for the recent margin improvements, but we believe that further upside remains.

In Germany, we focus on further transforming our formerly rather decentralized business model into an effective, centrally-steered organization ready for future growth. In France, we aim to leverage on Nocibé's already highly systematized operating model and, as part of the continued integration effort, bring the store productivity of our former Douglas stores up to Nocibé level. We believe that this focused approach will act as a blueprint for the continuous improvement of operational excellence in all other countries in which we operate in order to realize the significant potential from the migration from a decentralized to a systemized scalable business model.

Another important goal is to further centralize specific marketing and customer relationship management activities either on a regional or pan-European level. This includes marketing activities such as consistent nationwide promotions and campaigns and strengthened best-practice sharing between countries. Also, we aim to further professionalize our media spending and the roll-out of new products across countries and regions.

We expect that the transformation towards a more system-based business model, more flexible contracting models and professionalized workforce planning will allow us to shift sales personnel within stores towards more productive tasks with positive customer impact.

Lead Sector Innovation and Exploit Private Label Upside

As a European market leader in selective beauty retailing, another important part of our strategy is to lead the selective beauty retail sector in product and service innovations and also to exploit the significant upside of a comprehensive private label product portfolio.

Therefore, we intend to further systematize our trend-scouting process with the goal to reliably identify the latest beauty and personal care related trends as well as the most attractive product innovations, and thereby methodically eliminate any remaining "white spots" in our assortment in our core categories (fragrances, color cosmetics and skin care). Also, we intend to grow our sales by introducing new and complimentary product sub-categories beyond the traditional fragrance, color cosmetics and skin care products (*e.g.,* the "Professional Beauty" category which includes *inter alia* electrical skin cleaning brushes).

Furthermore, we consider innovative service offerings, such as the recently implemented Pantone-based Douglas Color Expert, another important factor to enhancing our customers' shopping experience, and we intend to continue our strategy of prompt implementation of such innovations. Also with respect to our goal to enhance the shopping experience in our stationary stores and benefitting from our multi-channel capabilities, we intend to further optimize our product assortment physically available in our stationary stores, focusing more depth and less breadth.

To improve our gross margin and to further differentiate ourselves vis-à-vis competitors, in addition to our offering of exclusive products, we aim to expand our private label offering as one of the most important pillars of our strategy. Based on Nocibé's experience, we believe that a compelling private label offering will help us to rejuvenate our brand image, attract new, younger customers, further drive customer loyalty and act as an additional margin driver. We intend to systematically leverage the experience gained from the recently acquired Nocibé Business in France to rejuvenate and harmonize the look and feel of our private label portfolio offering and strengthen the roll-out of existing lines across all countries. We are also planning to introduce new lines and accelerate innovation cycles. In this respect, we have recently launched Nocibé's comprehensive private label make-up range, "Black," under the "Douglas" brand, which, after roll-out in March 2015 in eleven countries, is expected to become available in all countries in which we operate during the course of 2015.

Product Offering and Assortment

Product Categories

Our main product categories relate to fragrances, color cosmetics (*i.e.,* make-up) and skin care. We also offer complementary product categories relating to, for example, "living" (home accessories, such as home textiles, dishware or decoration articles) and "accessories" (for example, scarves and fashion jewelry). We aim to address all price levels and all relevant customer types through our comprehensive portfolio with a particular focus on selective fragrance and beauty products.

The following chart provides an overview of our main product categories and their respective sub-categories, as well as select brands for each category:

Fragrances	Color Cosmetics	Skin Care	Others
	Lips	**Body**	**Hair Care**
Women	**Nails**	**Face**	**Bath & Shower**
	Eyes	**Hand & Foot**	**Deodorants**
	Complexion	**Sun Care**	**Living**
Men	**Paintbrush**		**Other Accessories**
	Accessories		**Professional beauty**

Fragrances

Fragrances are our main product category accounting for slightly more than half of our total consolidated sales in the first half of 2014/2015. Our sales are typically driven by female fragrance products. While eau de cologne, eau de toilettes and eau de perfume account for the vast majority of our sales from this product category, auxiliary products such as bath lines and shower gel or body care products (which, for example, may be included as part of a gift set in combination with a fragrance) represent a small portion of the sales from fragrances.

Our product portfolio comprises a comprehensive assortment of fragrances for women and men as well as unisex fragrances. The focus of our fragrance offering is on selective fragrances, including fragrances from established beauty brands, premium and luxury fragrances, including fragrances by Chanel, Dior, Hugo Boss, Giorgio Armani and Paco Rabanne, as well as fragrances of so-called famous faces, lifestyle and sports fragrances, niche, funky and designer fragrances. Furthermore, our product portfolio includes so-called "masstige" (*i.e.,* affordable products intended for the mass market, but which through packaging and other characteristics are perceived as being prestige products) and, to a lesser degree, mass fragrance products.

Color Cosmetics

Our color cosmetics portfolio comprises a comprehensive range of cosmetic products for lips, such as lip sticks and lip glosses, nail products, such as nail polish and nail care products, eyes cosmetics, such as mascaras, eye shadows and eyeliners, complexion cosmetics, such as liquid make-up, concealer and compact powder and make-up accessories, such as make-up brushes. Color cosmetics generated about one fifth of our total consolidated sales in the first half of 2014/2015. Our most significant color cosmetics sub-category in terms of sales is complexion, followed by eye cosmetics and the rapidly growing nails category as well as lips.

We offer a full range of color cosmetics, with a focus on established beauty brands, premium and luxury color cosmetics (including from Lancôme and YvesSaintLaurent), artist and specialist products (of specialist brands such as Artdeco, Bobbi Brown and MAC). In addition, we offer masstige and mass products and natural color cosmetic products. Our offering also includes numerous color cosmetic products from our different private labels, for example, "Douglas Make-up" and "Nocibé Artiste", which generally aim at lower price segments (as compared to more premium selective products) in order to attract younger customers.

Skin Care

We offer a full range of skin care products, including day creams, night creams, serums, masks, tonics, firming and slimming products and auxiliary products such as cleansers, as well as sun protection. In the first half of 2014/2015, skin care products accounted for approximately one fifth of our total consolidated sales. The vast majority of our sales in this category are generated by women's skin care products in general and women's face care products in particular. Men's skin care products have gained importance and we expect this trend to continue due to the more pronounced awareness of men regarding their personal appearance. A further trend relates to increasing product differentiation, such as natural cosmetics or hybrid, multi-benefit skin care products (e.g. products combining the benefits of skin care and make-up into one).

Our portfolio includes products from the established beauty brands, premium and luxury skin care brands, for instance Biotherm, Clarins, Clinique, Estée Lauder, Kanebo, La Prairie and Shiseido, designer skin care and skin expert brands, brands specialized in wellness/natural products and some masstige and mass brands. In the skin care segment, we strive to increase the share of our private label products, such as Douglas Beauty System or Douglas Naturals, in our overall sales to attract younger and new customer groups.

Other Products

We offer a select range of complementary products under private labels, third-party brands or as unbranded articles and such products extend our core product portfolio. Sales of such other products represented only a small portion of our total consolidated sales in the first half of 2014/2015.

Besides typical auxiliary beauty and personal care products, such as make-up and hair accessories, bath and shower or hair care products, deodorants and gift sets, this category also includes professional beauty products, such as electrical skin cleaning brushes, home accessories, such as home textiles, dishware or decoration articles, personal accessories, for example, scarves and fashion or costume jewelry. In addition, we offer special seasonal and other themed products, such as Christmas or Easter decorations or products relating to particular events.

We believe that our complementary product portfolio strengthens our beauty competence, and theme-related or seasonal products constitute "small extras" that are often purchased by customers in addition to other beauty products.

Product Types

We have extensive product type offerings comprising a mix of selective, exclusive and private label (own-brand) products with which we target different segments within the European beauty and personal care market.

Selective Products

Selective products are fragrances, color cosmetics and skin care products from third-party, mostly premium brands sold only by selective retailers and are our most important product type and a key traffic builder for us. As part of our selective product offering, we market a full range of fragrances, color cosmetics and skin care products with a wide array of major national and international brands. Our historical strength within our selective products offering has been, and we believe will continue to be, fragrances. The distribution of selective products is limited to selected retailers which have to meet specific qualitative and quantitative criteria. For more information, see "*—Operations: Suppliers and Supply Chain Management, Logistics, and Information Technology—Suppliers and Supply Chain Management—Suppliers*".

We believe that the top brand suppliers consider us as an important strategic partner in the European selective beauty retail markets in which we operate, particularly in our key markets of Germany and France. We also believe that our core strength lies in the fact that we offer a broad and comprehensive assortment of selective products of different brands through a dense network of stores as well as online.

Exclusive Products

We offer certain selective products exclusively or are granted exclusive rights to offer such products in certain countries. Exclusive products are an important source of differentiation *vis-à-vis* competitors and we believe that the “Douglas” brand is particularly strong in this respect. Exclusive products typically have higher margins than other selective products while also contributing to increase customer loyalty. In the financial year 2013/2014, exclusive products accounted for 15.1% of our total sales attributable to the Douglas Perfumeries Business (figures excluding Croatia, Bulgaria, Lithuania and Latvia; adjusted to eliminate the effects of the Nocibé Acquisition in the period July to September 2014).

In Germany and France alone, our exclusive offering includes approximately 50 brands that range across all of our product categories, and in Germany, we exclusively offer products from more than 40 different brands. In addition, Nocibé’s exclusive offering in France comprises products from more than ten brands. For example, in Germany, we exclusively offer fragrances and color cosmetics by Michael Kors such as the fragrance “Sexy Amber” which only a few weeks after its launch ranked among our best-selling fragrances, as well as certain other fragrances, such as “That’s me” by Helene Fischer, “Stella” by Stella McCartney and several fragrances by Toni Gard. Furthermore, in Germany, certain color cosmetics by ANNY, Beyu, Isadora and NYX, as well as certain skin care products by Annayake, Artemis, Eisenberg and Rexaline are exclusively sold by Douglas.

Exclusivity is typically granted for one or two years, in particular for newer brands, in order to be able to retain flexibility, and a somewhat longer period (for example, three years) in the case of certain exclusive products of well-established brands. In many other respects, including the sourcing process, exclusive products are similar to the other selective products and are often provided by some of the same suppliers. We typically share part of the marketing costs for such products with the supplier and receive attractive tester/sample packages relating to the respective exclusive products. Potential exclusive partners typically value the possibility to co-operate and further develop their brand with us as their exclusive partner due to our leading market positions in many of the countries in which we operate and due to the advantages of having a single distribution channel.

Our exclusive products are selected on the basis of a trend scouting process and a related brand assessment that analyzes whether a potential new exclusive product fits well within our brand and assortment strategy. We are both receptive to proposals from the products’ suppliers and approach suppliers pro-actively when we identify a product or type of product that we consider to be attractive to offer on an exclusivity basis. Among the criteria that we consider when assessing potential exclusive products are the brand awareness, estimated sales and margin prospects, differentiation from competitors, the potential to attract new customers or reinforce the loyalty of existing customers and the period for which exclusivity is granted. In some cases, exclusive products are distributed only through our e-commerce platform. This allows us to test how a product performs before extending the partnership to our stationary stores.

Private Label Products

Our private label products, which focus on color cosmetics, skin care and accessories, are positioned in the entry-level segment and generally priced below comparable selective products. Such pricing increases the affordability of the products that we sell as a whole and we believe this improves the Douglas and Nocibé brands’ price/value perception among consumers. We believe private label products also help increase store traffic, and are more “trend-oriented” targeting, in particular, new and younger customers, thereby rejuvenating and broadening our target customer base and image. Given higher gross margins related to private label products, our private label offering also improves our average margins. In the financial year 2013/2014, when adjusted to combine the Nocibé Business and the Douglas Perfumeries Business, private label products accounted for 2.8% of our total aggregated sales (all figures on a combined basis; adjusted to include the Nocibé Business for the whole financial year 2013/2014).

While we do not manufacture or develop any products ourselves, we co-operate with manufacturers and suppliers of our private label products, who, in some cases manufacture the product exclusively for us. In this regard, we typically approach our private label suppliers with a concept based on the results of our trend scouting and also work with design agencies regarding, for example, packaging.

We offer a range of private labels that are both country-specific and international. In France, Nocibé reaunched its private label products in April 2012. These include a broad range of color cosmetics (make-up), combined with skin care and toiletry products and accessories. In this field, Nocibé has demonstrated differentiation and increased margin potential from developing a strong private label offering and generated a significantly larger share of its sales from private label products compared to the Douglas Perfumeries Business. We are currently rejuvenating and selectively expanding our private label portfolio and are beginning to harmonize our private label offerings across countries by building on the combined strengths of both the "Douglas" and "Nocibé" brands. For example, we are planning to harmonize and rejuvenate the look and feel of all other Douglas skin care brands over the next few months.

We source our private label products from a diversified portfolio of over 50 suppliers in Germany, France, Italy and Asia, in order to facilitate price benchmarking and assist with negotiations. Generally, we engage the same suppliers as the large established beauty brands to ensure the required product quality. Before selecting a supplier for a new private label product, we compare the price and quality of product of at least two potential suppliers. Our sourcing is based on an order-by-order concept, where we select our suppliers and enter into individual contracts for each private label product or product line. Such contracts are usually entered into for an indefinite period and may typically be terminated with six-months' notice.

Our sourcing contracts set demanding standards and incorporate provisions that require the supplier to comply with applicable laws and carry out certain tests relating to product safety (for example, suppliers may be required to carry out tests relating to the stability of a given recipe within an inert receptacle and the compatibility of the content with the receptacle) while other tests are carried out by our own product managers in co-operation with a third-party testing facility (for example, as to dermatological compatibility and to avoid detrimental skin reactions). In addition, depending on the designated specification of the product, we may demand further tests be executed by the respective suppliers and/or third-party testing facilities, for example to measure how effective products are (*e.g.,* the moisturizing qualities of a product) and regarding the product's response to transportation, and have processes in place to ensure appropriate product labeling. We currently implement a process to audit all new private label suppliers and existing suppliers every two years as well as, in case of repeated non-conforming products or other difficulties, as required.

We also apply strict quality standards to our private label products and notwithstanding their lower average price points, our private label products generally have significantly higher gross margins than selective or exclusive products because of lower sourcing costs making them highly attractive.

Beauty Services

In the past, we have introduced various formats for beauty services and continuously experimented with new service offerings. All our stores offer some services to customers free of charge as part of our overall service offering (for example, five minute make-up, skin type advice and quick nail polishing). Many stores also provide professional manicure and make-up services. In certain stores we offer even more extended beauty treatments, such as hairdressers or beauty centers/spas. We have hairdressers in 14 locations in Germany, 1 location in Austria and 1 location in Switzerland. Spas or beauty centers can be found in 12 stores in Germany, 23 stores in the Netherlands, 15 stores in Poland, as well as in a small number of stores in Austria, Hungary, Italy and Bulgaria. In France, most of our Nocibé stores are equipped with beauty cabins. Extended beauty services are also provided in our 4 Les Bellista stores in France and Germany.

Product Assortment Strategy, Product Development and Trend Scouting

Our strategy regarding product assortment is two-fold: while our new in-store concept is based on streamlining the product portfolio in stationary retail with the goal of more depth and less breadth, we strive to expand our already comprehensive offering online of up to 35,000 SKUs as of March 31, 2015 (based on our German online shop) to up to 50,000 SKUs in the coming years with the goal to offer our customers the broadest product range in the European selective beauty market. This strategy allows us to address the different demands of our customers with a representative product assortment in the stores and a broader assortment online. As a result of our cross-channel capabilities, our online product portfolio is accessible for our store personnel who can order products physically unavailable in the relevant store and have them delivered either to the store or directly to the customer.

Our stationary assortment concept is based on a modular store system including dedicated concepts for small, medium-sized and large stores, which allows for a high degree of automation in supply management (with benefits such as the automation of replenishment of stock, less resource used ordering out-of-stock products of our permanent portfolio in the individual stores and less stock-outs), yet includes enough flexibility to cater to the specific needs of certain stores. The three main assortment modules are based on luxury, mainstream and trend concepts, each with different breadth levels for large, medium and small stores. There are also complementary assortment modules, for example, for product lines of experimental organic cosmetics, which the individual stores can incorporate pursuant to agreed rules (*e.g.,* only the full module of products can be incorporated, not just individual products from complementary modules). This centrally managed assortment strategy also includes the management of so-called "fast turners", which are products with high turnover rates, as well as "slow movers", which are products with low turnover rates, across stores, including supporting processes such as limit and stock planning, mark-up and sale of old stock, as well as a centralized selection process regarding additions to our product portfolio.

We see ourselves as an innovation leader in the beauty and personal care industry, introducing many of the latest trends and new products into the European selective market for beauty and personal care products. In addition to the introduction of new products, we constantly aim to further develop and enhance our beauty and customer services offering in our stores as well as online. Due to the complexity of, and the dynamic changes in, the global beauty market, we have established an international competence center, where we have concentrated our corresponding expertise, essential for discovering and evaluating the latest customer trends and needs in the context of the overall beauty and lifestyle environment. We have a dedicated trend scouting team which constantly assesses new innovative brands and products and also cooperates with a global trend scouting agency. Recent examples regarding selective products include the introduction of the "eos—evolution of smooth", a lip balm enriched with natural conditioning oils, moisturizing shea butter and antioxidant vitamins, for which we acquired exclusive rights for Germany in June 2014, launched comprehensive public relations campaigns in September 2014 and sold the first products in our stores in November 2014. We are currently in the process of launching the DouBox, another recent new feature which is a further development of the Douglas Box of Beauty concept.

Sales Channels, Multi-Channel Approach and Payment Methods

We operate both through an extensive network of over 1,700 stores across Europe, which includes primarily directly operated stores, but also franchised stores (see "—*Our Store Network*" below) and through our e-commerce activities with online shops in 15 countries.

The following table provides an overview over the number of stores, the online shops, both as of March 31, 2015, and the year of our market entry in the markets in which we operate:

Country	Market entry	Number of stores[1]	Online shop
Germany	1910	436	Yes
France	1986	629[2]	Yes
Italy	1989	125	Yes
Netherlands	1980	110[3]	Yes
Poland	2001	113	Yes
Austria	1973	45	Yes
Spain	1997	58	Yes
Portugal	1998	19	No
Hungary	2001	19	Yes[4]
Latvia	2007	27	Yes
Lithuania	2007	28	Yes
Croatia	2008	30	Yes
Switzerland	1991	9	Yes
Bulgaria	2008	16	No
Czech Republic	2004	14	Yes
Romania	2007	17	No
Turkey	2006	11	No
Monaco	2002	4	Yes
Norway	2014	1[5]	Yes

[1] Number of stores including franchised stores.

[2] Including 137 franchised stores.

[3] Including 14 franchised stores.

[4] Externally operated by Shopline.

[5] Including one franchised store.

Our Store Network

We operate an extensive, modern and well-invested retail network comprising 1,559 directly operated stores and 152 franchised stores in 19 European countries, as of March 31, 2015. As of March 31, 2015, approximately 60% of our stores were located in Germany (436 stores) and France and Monaco (496 stores, excluding 137 franchised stores), with a strong presence in Italy, Poland and the Netherlands. We target highly frequented locations for our stores such as city centers and shopping malls. More than 50% of our stores were located in city centers as of March 31, 2015. In terms of geographical spread, we operate in a vast number of European cities, primarily in urban locations and have nationwide coverage in our key markets of Germany and France—the largest selective beauty markets in Europe. In France, our presence, now channeled through our Nocibé branded stores, given that the vast majority of Douglas stores have already been re-branded following the acquisition of the Nocibé Group, is concentrated in the North and East of France, and we have a lesser presence in the Paris city center compared to our competitors, where we have identified a number of white spots supporting a further expansion.

The size of the selling surface of our stores (both Douglas-branded and Nocibé-branded stores) typically ranges between around 100 m^2 and around 250 m^2 with an average store size of approximately 220 m^2. However, we also operate select stores with less than 100 m^2 and well above 300 m^2 of selling surface, with our largest store having a selling area of approximately 3,000 m^2. A typical store offers approximately 10,000 to 15,000 SKUs.

We also operate several franchised stores, primarily in France, but also in the Netherlands. While our franchisees operate between one and seven stores (with the exception of one franchisee operating 15 stores), as of March 31, 2015, about half of our franchisees owned only one store. We consider our franchise network as being complementary to our own stores. For example in France, the franchised stores complement our network of owned stores to ensure a nationwide footprint. We frequently make use of the franchise model when entering a new country, as was recently the case in Norway with our multi-channel franchise co-operation with Thor Hauge.

The standard length of a franchise contract is five years, typically including a renewal clause for our benefit. Our franchise contracts grant the franchisee the right to operate a store using the Nocibé store brand (in France) and the Douglas brand (in the other countries). The franchisees in France have their own purchasing processes with suppliers under the commercial conditions negotiated by the franchisor and—except for private label and certain exclusive products—we do not sell any products to them; however, in other countries, we do supply our franchisees with other selective products. We normally provide certain commercial and marketing assistance to our franchisees (such as coordinating store window displays during the Christmas or Mother's Day period). Most of our franchise contracts provide us with preemption rights to purchase the store in case a sale is envisaged by the franchisee. The criteria that we consider when deciding whether to purchase a franchised store or not includes the sales of such store, store location, the number of customers and the length of time that the store has been our franchise.

We review our store portfolio on an on-going basis in order to systematically enhance our network of stores. During the period from October 1, 2011 to March 31, 2015, we added 394 own stores to our network on a net basis (including 373 stores that were acquired as part of the acquisition of the Nocibé Group; other stores were acquired in the context of smaller bolt-on acquisitions of individual perfumeries or perfumery chains, such as the 5 Himmer perfumeries in Germany (in December 2014) or the 43 Clin d'Oeil perfumeries acquired in February 2015 in France (of which seven perfumeries are required to be divested to comply with national and EU competition law), which we now operate under the Nocibé brand). Further to the acquisition of Nocibé and other stores, the net increase of 394 stores resulted from 104 new store openings and the closure of 131 stores.

We strive to continuously improve our store network by implementing a number of operational and strategic initiatives to increase store productivity and like-for-like sales. In the recent past, such initiatives included the introduction of a new visual identity, continuous improvement of the in-store offerings, roll-out of new product displays, improvement of visual merchandizing and marketing concepts, the usage of more professional space management and best practice sharing across the countries in which we operate. In particular, in 2013, we developed and began the roll-out of a new brand design with a new visual identity to achieve a new and rejuvenated brand image. In addition, we recently developed a new store concept that we believe even better reflects the specific demands of a young, modern and trendy, urban customer group, for example through a more contemporary shop design, as well as state-of-the-art digital merchandizing. In November 2014, we successfully launched this new store concept in two test stores in Warsaw, Poland, and Düsseldorf, Germany. Both stores showed significantly increased customer traffic and sales as compared to the same period prior to the re-fitting. For example, the newly re-fitted test store in Düsseldorf, Germany, has shown a sales uplift since the re-fitting of more than 25% (analysis based on a week-by-week comparison of seventeen-week periods pre and post refurbishment, *i.e.,* calendar week 46 in 2013 to calendar week 63 in 2014 against calendar week 46 in 2014 to calendar week 63 in 2015). We plan to implement aspects of the new store concept into our store network across Europe when opening new stores and also as part of our regularly scheduled store refurbishments. On average, we perform smaller facelifts and/or maintenance measures every two to four years and larger refurbishments every six to nine years per store.

Our E-Commerce Platform

E-commerce is an integral and fast growing part of our sales platform, and one of our strategic objectives going forward is to continue to focus on developing our e-commerce platform and further enhancing our multi-channel capabilities. We had e-commerce sales of €105.9 million in the financial year 2011/2012, €145.1 million in the financial year 2012/2013, €180.0 million in the financial year 2013/2014 and €145.3 million in the half year ended March 31, 2015, representing 5.5%, 7.3%, 8.6% and 10.0% of total sales, respectively. We currently operate online shops in 15 different European countries, namely Germany, Switzerland, Austria, France, the Netherlands, Italy, Poland (the "centrally managed online stores"), Hungary, Lithuania, Latvia, Croatia, Monaco and, more recently, Norway (as part of a multi-channel franchise concept), the Czech Republic and Spain. We also plan to expand our online presence (see "*—Strategy—Extend Leadership in Channel Excellence and Front-run the Omni-Channel Opportunity*"). Furthermore, we improved our online offering through the introduction of Douglas "Beauty Profis," a periodically updated list of products delivering solutions to the most common beauty challenges, and "Look of the Month," a periodically changing website feature that showcases a particular make-up look and explains how to replicate it, to support our online-based advised capabilities and further drive customer inspiration.

Our e-commerce sales category mix (based on e-commerce sales pertaining to our centrally managed online shops) is similar to the stores mix, with fragrances comprising slightly less than 50% of consolidated sales in the first half 2014/2015, followed by skin care with approximately 25%, color cosmetics (make-up) with approximately 20%, and other products with approximately 5%. However, our online portfolio comprises more products than our store-based offering, since our stationary stores are subject to space constraints. For a description of our two-fold strategy regarding product assortment, see "—Product Offering and Assortment Strategy—Assortment Strategy".

As of March 31, 2015, our German online shop, available under "douglas.de", offered up to 35,000 different SKUs from more than 1,400 brands.

In Germany, our e-commerce and multi-channel customers are on average younger than our store-only customers (based on an analysis of our Douglas Card customers). In the financial year 2013/2014, our German e-commerce business exceeded a customer retention rate of 80%; the average order size was slightly below €60 and the order frequency was around 2.5 orders per financial year per customer. Our average delivery costs amounted to approximately 11% of the average order volume.

Multi-Channel Approach

Our multi-channel approach is focused on a seamless concept with respect to the customer shopping experience across all available retail channels, including stationary stores, mobile internet devices, computers, and regarding marketing activities also encompassing television, radio, mailings, social media, etc. In order to address and track customers, their tastes and shopping patterns, through a variety of channels simultaneously, we use a multi-channel approach and offer cross-channel activities that include, for example, integrated databases of products, prices and promotions, and integrated interfaces linking mobile/online applications, the stationary stores and logistic processes, as well as more efficient marketing tools to be able to address customers with offers that are particularly relevant to a specific consumer, as determined by purchase patterns, social network affinities, website visits, loyalty programs, etc.

One major advantage for our multi-channel customers is the opportunity to get advice and other services or test products directly in the store, while ordering additional products from our full online product assortment which customers can access via online/mobile features in the store itself (or later from home) and can have them delivered to their home address or to the store, in some cases on the same day. For more information, see "*—Competitive Strengths—Strong Multi-Channel Operations with E-commerce Leadership Positions Across Key Markets in Europe" and "—Strategy—Extend Leadership in Channel Excellence and Front-run the Omni-Channel Opportunity*" below.

Payment Methods

We offer a number of customary payment methods tailored to meet our local customers' payment preferences. In our stores across Europe, customers can generally choose among payment in cash, with credit or debit card or with gift cards and in Germany and Austria also with their Douglas card. In addition, we also offer mobile payment services via Yapital or our digitized Douglas card (embedded in our mobile Douglas App) in Germany. Our e-commerce platform offers a variety of payment methods. While, for example, customers in Germany, Austria and Switzerland often pay by invoice (*i.e.,* they receive an invoice together with the delivered products, which is then paid by bank transfer; in Germany, in the financial year 2013/2014 approximately one third of our e-commerce sales were paid on invoice), most customers in France prefer to use credit cards for their payments. Customers in Italy prefer to pay cash-on-delivery, while customers in the Netherlands often use a local payment option called iDEAL (*i.e.,* direct online transfer from a bank account). As a result, our payment methods include, invoicing, credit and debit cards, PayPal, direct deposit, online bank transfer pursuant to the electronic payment standard, direct debit, checks, the Douglas card and gift cards. We offer these methods free of charge (other than charging a small annual fee for the Douglas card, which has a payment function). We believe that offering a wide array of payment methods according to local preferences enhances customer satisfaction and improves our check-out conversion with respect to our e-commerce sales (that is, the rate of customers who complete the check-out process after selecting products to buy from our websites and effectively pay for a product). Certain online shops also offer customers the option of currency choice, enabling them to pay in their local or another preferred currency. We also have tax free co-operations for Non-EU-residents shopping in the EU, such as Global Blue, China Union Pay, and JCB (for Japanese residents), who can obtain a refund of VAT paid.

As we take on credit risk associated with certain payment methods, we have implemented risk management systems to contribute to a reduction of the exposure to such risks, including fraud. For example, we are in the process of introducing a new activation feature in our Douglas card to improve its safety and avoid abuse risks, for example in case of theft or loss during transportation of new cards before the card reaches the customer.

Brand Strategy, Marketing and Customer Relationship Management

Brand Strategy

Our brand strategy is centered around further increasing the appeal of our Douglas brand (>1,000 stores) as a preferred platform for suppliers and the "partner in beauty" of our customers across Europe. We believe that we distinguish ourselves from competitors through our emotional, innovative and customer-centric approach. We believe some of our competitors focus more on price, such as Marionnaud, are less specialized, such as Müller, or are less receptive of the individual customer's needs. In France and Monaco, we use the strong Nocibé brand (>600 stores); following the acquisition of Nocibé we are rebranding our existing Douglas stores in these countries to "Nocibé". As of the date of this offering memorandum, only a few remaining stores in France still operate under the "Douglas" brand, with the brand switch ongoing. We currently concentrate our e-commerce activities under the Douglas brand (and Nocibé in France and Monaco).

In addition to the Douglas and the Nocibé brand, we use some smaller (sub-)brands as local company symbols to differentiate our offering and address different target groups, for example, Schnitzler (targeting luxury, high-end customers with three stores in Düsseldorf, Germany), HELA (targeting more price-sensitive customers with nine stores regionally focused in Southern Germany, particularly in Munich, Germany; also the five Himmer stores acquired are to be rebranded as HELA stores), Les Bellista by Nocibé (targeting trendy, younger customers with three locations in France and more recently a location in Germany), Sarma in Lithuania (17 stores) and Beautyzone in Bulgaria (11 stores). For more information on our portfolio of trademarks and other intellectual property rights, see "*—Intellectual Property*" below.

Marketing

We have a comprehensive marketing strategy in place, including the use of media, promotions and pricing strategies to attract new customers and improve customer loyalty. In the financial year 2013/2014, our total gross marketing costs amounted to €110.3 million representing 5.3% of our sales (figures for the financial year 2013/2014 adjusted to eliminate the effects of the Nocibé Acquisition in the period July to September 2014, *i.e.,* only relating to the Douglas Perfumeries Business). The largest portion of our gross marketing costs is financed by the brand manufacturers that supply their selective products to us in the form of so-called "market development funds", which significantly enhance our ability to advertise across classic channels, such as press (*e.g.,* advertisements in women's magazines), TV, radio and similar methods. In addition, we use newer media channels, including social media channels such as Facebook (with more than one million fans as of March 31, 2015), Instagram, Google+, Pinterest and YouTube and our own beauty blog (the German version of which is available under "*http://blog.douglas.de*") to support traffic to our stores and attract new customers, both for our stationary and our e-commerce business. Our multi-channel communication strategy furthermore includes in-store communication and joint advertising with suppliers.

Moreover, we have a partner program in place, under which operators of third-party websites that become part of the program receive access to various of our advertising and promotion tools (for example, banners, text links and similar), which the partners may then select to suit their target group and integrate as part of their own websites. Partners receive a commission when their users use the links to our online shop and complete an order (less cancellations and returns). We believe the program is an effective means to further promote our brand and especially our online shop. In addition, we often try to involve our suppliers in our marketing strategy and marketing campaigns.

Customer Relationship Management

Managing and maintaining the relationship that we have with our customers is an important part of our business. In this regard, we view our customer service as an important part of our strategy, as it provides direct feedback from our customer base and helps to interpret customers' satisfaction with our products and service and customers' needs. A systematic customer lifecycle management with dedicated measures to first win new customers, secondly activate, retain and develop existing customers, and, if necessary, re-activate and win back former customers is at the heart of our customer relationship management strategy.

As an important tool in our customer lifecycle management, we have an extensive industry-leading customer loyalty card program in place, with approximately 18 million loyalty card holders, including approximately 10 million "Douglas" card holders in 16 countries across Europe (2.8 million Douglas card holders in Germany, 2.2 million holders in Italy, 1.3 million holders in Poland, 1.1 million holders in the Netherlands, 0.2 million holders in Austria and 2.2 million holders in other countries) and around 8 million "Nocibé" card holders in France and Monaco (Monaco having a more sophisticated offering) as of March 31, 2015. The Nocibé Group operates three distinct variants of its loyalty card, including one which aims at younger customers and another which aims at their highest spending customers. The average usage of our customer loyalty cards varies between countries, for example, in the financial year 2013/2014 less than one-third of our sales in Germany were conducted on loyalty cards, whereas in France the share was significantly higher.

The "Douglas magazine", which is primarily available to Douglas card holders (with variations among countries; *e.g.,* in certain countries to active customers, and in other countries also to some extent to inactive or non-customers) across Europe, has a total circulation of around 4.8 million copies, including 2.6 million copies in Germany alone, thus exceeding the reach of many leading German beauty and fashion magazines, and circulations typically ranging between 40,000 and 600,000 copies in the Netherlands, Italy, Poland, Austria, Hungary, Turkey, Romania, Lithuania, Croatia, Latvia, the Czech Republic and Bulgaria. Douglas and Nocibé card holders also receive special and personalized offers via a broad spectrum of channels (including mailings and text messages).

In order to further expand the reach of our loyalty card program, we have introduced a mobile Douglas card in Germany which in connecting with the Douglas mobile application incorporates an in-store payment function via smartphone as well as additional features, such as couponing and purchase history functionality. We are currently evaluating options to extend our card program through the introduction of a "top", a "light" and a "teen" loyalty card in the near future.

Based on an analysis regarding sales via our German Douglas Card customers, we believe that loyalty card holders are particularly attractive customers, as the average ticket volume of our German Douglas Card customers grew significantly more in the past three financial years as compared to our German non-loyalty card customers. Furthermore, in the financial year 2013/2014, our German Douglas Card customers spend on average approximately 20% more per purchase at our stationary stores than our German non-loyalty card customers.

Our customer relationship management in Germany (which we handle internally and also serves our customers in Switzerland) includes a free-of-charge telephone hotline, which also takes orders placed by customers via telephone, as well as e-mail and postal correspondence with customers, postings and answers to postings in social media platforms and customer care in connection with our loyalty programs. In the other countries in which we are present, we also offer dedicated hotlines (in some cases free of charge), which mainly address queries about our loyalty program/bonus points, our online shops, questions about orders, customer complaints and similar. In many of these countries, we manage our customer service in-house, while in Italy, Austria, and Spain, we outsource these services. Moreover, we have a customer friendly return policy.

Customers

Our business model focuses on consumers and we therefore are not exposed to any single concentration of customers. Additionally, given the short payment terms of our sales, we have a low level of receivables and bad debt expense.

Women have traditionally been, and continue to be, by a large margin the gender with the largest spending for beauty and personal care products, and women tend to be the decision makers in terms of overall family health and beauty spending, in addition to buying products for themselves. Thus, we consider women as our most important customer group. However, men are increasingly dedicating more time to, and spending more money on, their personal appearance. As a result, men have also become an important target group of ours that we address through a dedicated space in our store layout as well as special product offerings such as the “Douglas Men” series.

Based on a customer survey conducted for Germany by Innofact AG in October/November 2014 and analyzed by OC&C, the average age of our German customers is 43 (for stationary store purchases only, *i.e.,* excluding e-commerce activities) with a relatively even spread between different age groups. Our Douglas card-customers tend to be slightly older than our average customer and prefer the shopping experience in our retail stores over online/mobile-shopping. Customers that use both or retail store and e-commerce platform channels for their purchases spend, on average, more than twice as much per annum compared to customers that use primarily one such sales channel.

Our strong brand, broad and deep product offerings and focus on personalized and professional customer service have created a very satisfied, loyal customer base, regarding both our store-based as well as our e-commerce business. Based on a survey conducted by Innofact AG in October/November 2014 and analyzed by OC&C, we have a high mean customer satisfaction rate of 3.97/5.0 in Germany, with 1 being “very unsatisfied” and 5 being “very satisfied”.

Operations: Suppliers and Supply Chain Management, Logistics and Information Technology

Suppliers and Supply Chain Management

Suppliers

We source our selective products from virtually all major national and international brands of beauty products, with which we have established close and long-standing relationships reflecting the inter-dependence of selective beauty suppliers and selective brand retailers like us. Taking Germany as an example, our top ten suppliers of selective products accounted for more than two thirds of our total purchasing volume in the financial year 2013/2014. Our Top-40 suppliers accounted for approximately 90% of our total purchasing volume in Germany in the financial year 2013/2014.

With respect to selective products, we basically enter into three different types of contracts with our suppliers, namely selective distribution contracts, international framework and local supply trading agreements:

- Firstly, we enter into often long-term selective distribution contracts (or authorized retail agreements) with suppliers of selective beauty products, under which we are, on a country-by-country basis, authorized by such suppliers to distribute products belonging to a particular brand both in our stores and online provided that certain quality standards and other criteria are met. Selective distribution contracts typically run for multiple years with some contracts having terms of up to ten years. By means of these agreements, which form the basis of our business model, brand manufacturers aim at ensuring an appropriate premium sales environment for their brands, for example by requiring an adequate product and brand presentation in stores, ensuring appropriate service levels through qualified and trained employees as well as breadth of product assortment (*i.e.,* the obligation to carry the entire product line rather than “cherry picking” only the most popular products) and testing opportunities. Selective distribution is thus a key instrument for suppliers to protect the exclusivity of their brands. In general terms, different stages of fulfillment of the different requirements lead to different levels of brand usage rights. For more information, see “*Market and Competitive Environment—The European Selective Beauty Market—Definition of the European Selective Beauty Market; Key Characteristics*”.

- Secondly, we enter into yearly international framework trading agreements, in particular with our top sixteen suppliers, which contain the basic commercial agreement between us and the relevant supplier, setting forth the general terms of sale, in particular regarding invoice conditions, bonus payment terms, promotional activities and marketing development allowances granted to us by the supplier, general logistic conditions as well as the conditions for returning goods (*e.g.,* of products that become de-listed by the supplier). The terms are generally negotiated every year on a case-by-case basis (whereby the contracts as such are typically automatically extended for a further annual term unless terminated with three-month’s notice). These international framework trading agreements form the basis for the local trading agreements entered into for each country or specific countries in which we sell the respective products.

- Lastly, annual local trading agreements transpose the basic commercial agreement contained in the international framework trading agreements for each country or specific countries (due to the relevance of the individual market situation in each country, *e.g.,* the different market position of each brand within such market) and set forth the specific terms of sale, details of marketing efforts and bonuses/discounts, merchandising (*e.g.,* additional payments for a prominent placement of a product in one or more stores) and other similar terms. The local trading agreements are typically entered into with the suppliers' local distribution subsidiaries and are governed by the respective national law. In addition, these contracts govern the product supply of our respective local online shops, if applicable. With suppliers other than our top 16 suppliers, we only enter into local supply contracts.

We aim to constantly improve our purchasing terms and to negotiate further specific price reductions (such as, higher year-end discounts) by leveraging our bargaining power resulting from our growing store network and increasing sales. Depending on the nature of the price reduction, the discount can be either a discount "on the invoice" by the supplier, a year-end bonus tied to certain sales targets or cash discounts for early payment. Some agreements also provide for cost sharing provisions under which the respective supplier participates in certain costs (for example, personnel or installation costs). We also aim to increase marketing-related investments (which are industry-typical, so-called "market development funds") from suppliers that support customer demand for their products, such as the co-financing of promotions (including specific incentives or "challenges" to our sales force as well as dedicated budgets for temporary promotional price reductions), co-advertising, in-store promotions, customer mailings and product placements in the Douglas magazine. This is particularly important for any product launches, where we typically incur higher promotion-related costs. Generally, payments for marketing-related investments are paid out after the implementation of the respective advertising measures. Furthermore, in some cases, suppliers are provided with sales figures and/or other data with regard to the suppliers' products and customers of those products. In consideration thereof, we are, for example, granted additional bonuses.

In the last two years, we negotiated Europe-wide framework trading agreements with several of our top suppliers in order to secure consistent margins, standardize terms and conditions streamline and allow for an efficient centralized contract management. We strive to expand this practice to other sourcing activities, including the procurement of personal care products and accessories.

In addition, we have implemented a suppliers' code of conduct which has the objective of ensuring compliance with relevant social and environmental standards. Our suppliers' code is based on the Conventions of the International Labour Organization (ILO), the UN Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises. Our suppliers' compliance is verified at the initial stage of the business relationship and also, in the case of existing business relationships, on a regular basis and at any time without prior announcement. Generally, only those companies are accepted as partners which comply with the standards set out in our suppliers' code, or which at least strive for and ensure compliance within the specified time period.

Supply Chain and Product Portfolio Management

We manage our supply chain through an integrated information flow system. In the financial year 2009/2010, we rolled out the automated demand forecast tool SAF by SAP, which enables us to optimize merchandise inventories in our German stores. We subsequently introduced SAF in other countries such as Switzerland, Austria (both in 2012), the Netherlands and Italy (both in 2013). Since then, we have significantly reduced stock-outs and the high electronic data interchange penetration with almost full coverage in Germany facilitates order and invoice information exchange and further streamlines the automated replenishment process. We started to pilot the SAF program in Poland in 2015.

In recent years, we successfully introduced a number of measures to improve our supply chain management. In particular, we implemented standardized processes for our product portfolio, product inventory, order and product liquidation planning and controlling. The new concept consists of binding limit planning regarding our stock, a modular-based product portfolio compilation with clearly defined competencies and destocking of surplus products to streamline our portfolio, particularly in-store. Our goal is to eliminate the need for manual adjustments of our supply management and order process and rather operate with fully automated processes that require minimal human intervention. Through these measures we have significantly reduced out-of-stocks. Also, the high electronic data interchange penetration facilitates order and invoice information exchanges with our suppliers.

We carefully manage our inventory with a strong focus on identifying the most relevant brands for our discerning customers and maintaining an attractive overall inventory "age" profile. Thereby, we follow an approach strictly driven by our defined key performance indicators, tightly monitoring inventory turnover and out-of-stock products.

The centralized supply chain management department is also responsible for most strategic issues with regard to our logistics infrastructure. For example, it analyzes whether a certain location is appropriate for purposes of establishing a central warehouse or cross-docking center. Also, we employ a modern, uniform IT-based supply chain management system from SAP across most of the countries in which we operate. The selection process for suitable transport and logistics providers is carried out by our central supply chain management team through regular tenders and on the basis of standardized guidelines regarding the terms of the agreements. The decision regarding the selection of a service provider is then taken together with the local management in the individual countries on the basis of a proposal of the central supply chain management team.

We have continuously increased our efforts relating to quality assurance and now operate a strict quality management system in particular focused on the processes relating to our private label products (such as the careful selection of suppliers of our private label products, quality control of such products and handling of non-conforming products and any claims brought with respect to such products). This is complemented by quality assurance processes regarding selective and exclusive products offered by us (and, for exclusive products, we generally also control the quality with samples prior to ordering the products).

Logistics

We operate a state-of-the-art logistics network across all of our major markets. Our cross-docking centers approach allows for high flexibility levels and quick adaptation to shifts in our supply chain (*e.g.,* the flexibility to arrange for new contracts or to easily expand our store network).

In Germany, we operate five so-called cross-docking centers where the turnaround time for goods is very short, since incoming goods are processed—first by store, and later by SKU and product category utilizing reusable packaging—and forwarded to our stores on a "just-in-time" basis. While we operate some cross-docking centers ourselves, we also co-operate with logistic partners to run the cross-docking centers or e-commerce centers (for example, our e-commerce distribution center and two cross-docking centers in Germany, our cross-docking center in Italy, Poland and the Netherlands) and ship our products to our stores and directly to our e-commerce customers whenever this represents a more cost-efficient alternative. The cross-docking approach contributes to limiting fixed costs, as it virtually eliminates the need for stock keeping and larger warehouses. Products are instead constantly restocked by our suppliers according to a sophisticated weekly schedule. Within this system, our private label and exclusive products are supplied from our private-label dedicated warehouse in Zossen, Germany. In France, we employ a different logistics concept with a central warehouse in Villeneuve d'Ascq, which prepares the packages that are delivered directly to all of the "Nocibé" stores in France (including the stores in that country that originally operated under the "Douglas" brands and which were rebranded after the Nocibé acquisition) which is supported by an external warehouse operated by a logistics provider. With regard to the other countries in which we operate, our logistics approach is generally based on cross-docking centers and in some cases we have restricted our local logistics to a distribution hub which typically acts as a re-packaging and shipping location only (*i.e.,* products are supplied to the distribution hub and then forwarded to their final destination—the individual store).

We initially established our e-commerce operations, including the related logistics, as a separate organization. Our current logistics strategy with respect to e-commerce aims at centralizing the logistics for all our distribution channels. To this end, in May 2014, we opened our first combined logistics center in Oldenzaal, the Netherlands, servicing both our stationary and our e-commerce business, which allows for the optimal linkage of all our sales channels within our logistics operation. If successful, such combined logistics center can serve as the model for additional such centers we may open in the future. Our central e-commerce warehouse in Ennigerloh, Germany, which handles all logistic processes for our German e-commerce activities, is operated by an external service provider.

In Germany, several services, such as shipment, the handling and processing of inbound transportation of goods (*i.e.,* shipments from our suppliers to our warehouses), quality control, and handling and processing of outbound transportation of goods (*i.e.,* shipments from our warehouses to our stores) are typically subcontracted to local firms, while the management of our supply chain is centralized and controlled by our integrated supply chain management software.

The main transportation company that we use for shipments to our e-commerce customers within Germany is DHL, and for shipments within the French territory Chronopost, Colissimo and Relais Colis. We typically deliver to our e-commerce customers within 24-48 hours; in some cases, as a pilot project, express/same-day delivery is available.

As far as our franchised stores in France are concerned, selective products are supplied by the respective distributors directly to the franchised stores, while exclusive products and our private label products are supplied to the franchised stores by us from our central warehouse in Villeneuve d'Ascq. We deliver to our own stores on average two times per week with a much higher average delivery service in peak periods. Flagship stores receive up to daily deliveries from our logistic platforms.

The following table provides an overview of our key logistic facilities broken down by country and function:

Country	Cross-docking centers	E-commerce distribution center	Central warehouse	Distribution hub
Austria	Linz	Vienna		
Croatia	Zagreb	Zagreb		
France	Lille			
Germany	Aschaffenburg, Berlin, Unna, Hamburg, Renningen	Ennigerloh	Zossen (private label)	
Hungary	Budapest			
Italy	Somaglia	Calcinate		Southern Italy
Poland	Warsaw	Poznan		
Spain				Madrid
The Netherlands	Oldenzaal*	Oldenzaal*		

* Integrated cross-docking and e-commerce distribution center

Information Technology

Our scalable and integrated IT platform is designed and organized both to support our daily business processes and the financial management of the Douglas Group and to provide our management with financial and other information.

Our IT management comprises different aspects (IT security, data storage and protection, traceability, hardware and software management relating to internet, telephone, email and e-commerce applications, process stability, etc.), which aim at effectively supporting the different business processes and business areas, including product management, supply management and replenishment, logistics, customer relationship management, finance, controlling and human resources. Our IT platform allows us to track the sale of each individual product across all brands and all channels (internet, mobile or stationary stores). We have begun integrating formerly separated customer data from our online shops into our centralized customer relationship management system to allow for targeted marketing campaigns and customer analysis across all channels. We believe that our comprehensive IT platform enables us to be efficient and reactive to changes in demand and to respond in a timely manner to shifts in consumer preferences. We consider it as vital to maintain and continuously expand our internal know-how in order to remain independent from third party operators.

Our IT platform is primarily based on centrally hosted and harmonized enterprise resource planning systems running on SAP software. Several different SAP modules and related process templates are customized to fit requirements of the stationary and online-based perfumeries business. The enterprise resource planning systems are linked with a variety of additional IT systems, such as our data warehouse (based on an IBM data base solution) or our e-commerce platform (based on the well-established "hybris" software by SAP). The integrated IT system landscape can therefore support relevant processes and deliver information that is important to us as a multi-channel retailer, enabling capabilities such as "click-and-collect", online inventory information, promotion management or online couponing. We first rolled out the demand forecast tool SAF by SAP, which enables the optimization of merchandise inventories in stores, in Germany in the financial year 2009/2010, and then subsequently in other countries, such as Switzerland and Austria in 2012, the Netherlands and Italy in 2013 and the first pilots in Poland in 2015. (see "*—Suppliers and Supply Chain Management—Supply Chain Management*").

Furthermore, we use "MicroStrategy", a predictive analytics software tool interfaced with our data warehouse solution.

We maintain two independent IT centers, one at our headquarters in Hagen, Germany, and a second in Dortmund, Germany, which significantly mitigates the risks relating to a potential failure of our IT platform. Another data center for our French organization is hosted at Nocibé's headquarters in Villeneuve d'Ascq, France. Our centrally managed online shops (Germany, the Netherlands, Austria, Poland, Italy and Switzerland, and until recently the since discontinued Douglas online shop in France) are hosted under an outsourcing arrangement by a third party based in Stuttgart, Germany. The French online shop is hosted under an outsourcing arrangement by a third party based in Villeneuve d'Ascq, France. For risks relating to our IT infrastructure, see "*Risk Factors—Risks Relating to Our Market Environment and Business—Our operations may be interrupted or otherwise adversely affected as a result of failures in our information technology systems.*" In recent years, we experienced no significant downtime of our IT systems, neither in the German nor in the French data centers.

Our remote IT infrastructure—for example, IT systems in our retail stores—is generally connected to one of our IT centers via secure VPN connections. We have, for example, a cash register management system in place in our stationary stores, which directly links any new purchases to the profiles that we keep of our most loyal customers and which is also linked to our employee incentive system. As part of our Business Continuous Management (BCM), the IT infrastructure in our retail stores, in particular our cash register system, has full offline capability, allowing for an uninterrupted service even if the uplink to our IT center is lost, *e.g.,* due to damage to the copper or fiber optic lines for broadband data connections; there are only a limited number of exceptions, such as up-/ unload of Douglas e-vouchers, where we provide secure manual, technical and organizational back-up processes.

We believe the effective utilization of our IT platform and centralized big data solution is integral to our business as these enable the optimization and educated decision-making across our organization and facilitates the interconnectedness of our business model across all channels, stationary, online and mobile. We maintain sophisticated tools for gathering large amounts of data generated through our customers' browsing and shopping patterns in our online shops and on mobile applications. We then analyze this data and optimize a large array of business functions, including anticipating our customers' future shopping preferences, optimizing payment options, stock allocation in our e-commerce and centers, and personalizing our customers' experience. Wherever possible, we try to calculate and analyze this data in real-time.

Our IT infrastructure is supported by a team of internal IT experts predominately situated in Hagen, Germany, and, to a limited extent, by external service providers.

Employees

In the six-month period ended March 31, 2015, we employed an average total of 17,667 employees (on a consolidated basis, as headcounts, including trainees, apprentices, short-term employees and interns and excluding temporary agency employees). We also use temporary workers to meet the demands of the business during peak trading periods, in particular during the pre-Christmas and Christmas season. We employ part-time employees at the holding level and the store level, whereby the share of part-time employees at the store level is significantly higher.

The following tables show the average number of our employees (headcount) for the periods indicated, broken down by functions on a consolidated and a combined basis, respectively, whereas discrepancies primarily relate to the different treatment of DCS Douglas Corporate Service GmbH in the two sets of financial statements:

	Six-month period ended March 31,	**Financial year ended September 30,**	
Headcount by functions (average numbers)	**2015**	**2014[1]**	**2013**
	(consolidated, unaudited)	**(consolidated, audited)**	
Commercial and industrial employees	16,886	22,035	21,428
thereof attributable to Acquired Business	16,886	15,318	13,461
Trainees	781	1,822	2,085
thereof attributable to Acquired Business	781	1,020	1,051
Total employees	**17,667**	**23,857**	**23,513**

[1] With respect to the employees pertaining to the Nocibé Business, these were proportionally accounted by weighting the number of employees as of September 30, 2014 by one fourth.

	Financial year ended September 30,	
Headcount by functions (average numbers)	**2014**	**2013**
	(combined, audited)	
Commercial and industrial employees	15,318	13,461
Trainees	1,020	1,051
Total employees	**16,338**	**14,512**

The following table shows the headcount of our employees as of March 31, 2015 and as of September 30, 2014 and 2013, on a consolidated basis, broken down by regions:

	As of March 31,	As of September 30,	
Headcount by regions (average numbers)	**2015**	**2014**	**2013**
	(consolidated, unaudited)	**(consolidated, unaudited)**	
Germany	6,524	6,944	7,051
France	3,997	3,139	1,001
South-western Europe	3,662	3,565	3,924
Eastern Europe	3,484	2,690	2,536
Total employees	**17,667**	**16,338**	**14,512**
Employees attributable to the Non-Acquired Business	0	7,519	9,001

As of the date of this offering memorandum, there were no material changes since March 31, 2015 in the number of our employees.

Our sales staff compensation complies with the legal minimum wage, with an incentive system in place at the store level based on certain sales objectives that include monthly key performance indicators such as store sales and gross operating results (as compared to monthly/aggregated target figures), sales of top strategic brands, customer conversion rates or applications for our loyalty cards. This incentive system is being reviewed.

In some jurisdictions, we are subject to national or regional collective bargaining agreements. While none of our German entities are bound by collective bargaining agreements, a small number of employment agreements include a reference clause with respect to the collective bargaining agreements for the retail sector. Also, the employment conditions at our German entities are generally modeled after the respective regional collective bargaining agreements for the retail sector. In 2011, the Nocibé Group negotiated a collective agreement dealing with seniority leave and seniority bonus as well as working time (including overtime and compensatory leave) for its employees. However, employees associated with the former French business activities of Douglas perfumeries are not subject to this agreement. In certain other jurisdictions, for example Austria, the Netherlands and Italy, our employees are subject to collective bargaining agreements.

As part of the employment compensation package, we provide different retirement benefit arrangements or similar benefits. For a description of pension schemes see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Provisions for Pensions*".

Real Estate and Leases

The vast majority of our sites including nearly all our stores are rented. Only a very small number of the sites are owned by Group companies. In addition, certain sites, such as two external warehouses in Leers, France, are operated through service contracts. We have no ownership or leasehold interest in such sites, but rather pay an annual service fee to use the warehouses.

Our headquarters are located in Hagen, Germany, and are the only major real estate holding owned by our Group. There are no encumbrances and no known environmental issues with respect to the freehold of our headquarters.

The following table provides an overview of our major real estate holdings and leases:

Site	**Approximate Size**	**Ownership/Lease/ Service Contract**	**End of Lease Contract, if applicable**	**Primary Use**
Hagen, Germany	>25,000 m^{2}	Owned; partially sublet to third parties	—	Group headquarters
Zossen, Germany	>35,000 m^{2}	Owned	—	Central warehouse and administrative office
Villeneuve d'Ascq, France	>10,000 m^{2}	Lease	2015	Internal warehouse and administrative office
Oldenzaal, the Netherlands	>6,000 m^{2}	Service contract	2017	Cross-docking center and external warehouse for e-commerce

Site	Approximate Size	Ownership/Lease/ Service Contract	End of Lease Contract, if applicable	Primary Use
				activities
Unna, Germany	>8,000 m^2	Lease	2017	Cross-docking center and administrative office
Hamburg, Germany	>3,000 m^2	Service contract	2017	Cross-docking center
Aschaffenburg, Germany	>2,500 m^2	Service contract	2016	Cross-docking center
Somaglia, Italy	>2,000 m^2	Service contract	2015	Cross-docking center
Berlin, Germany	>7,000 m^2	Lease	2017	Cross-docking center
Renningen, Germany	>1,500 m^2	Lease	2016	Cross-docking center
"Geodis" site, Leers, France	>2,500 m^2	Service contract	2016	External warehouse
Piaseczno, Poland	>1,000 m^2	Service contract	2016	Cross-docking center
Linz (Lustenau), Austria	>1,000 m^2	Lease	2017	Warehouse and office space

Our stores (directly operated stores as well as franchised stores) are, with only very few exceptions, operated on leased premises, and are governed by the respective legal regimes relating to commercial leases in the different jurisdictions. The duration of our lease agreements is generally defined by a fixed term (typically, five or ten years), during which the lease may generally not be terminated by either party, in combination with either an extension option for us as lessee or a tacit renewal upon expiry of the fixed term. In addition to the fixed lease payments (on a monthly basis or, in some cases, every three months), many of our lease agreements contain sales-related additional variable lease payments, meaning that a portion of the lease payments is tied to the level of net or gross revenue, as the case may be, generated in the store concerned, subject to a minimum lease payment. The commercial leases that we sign with our landlords typically provide for an adjustment of the rent as a function of changes in certain indices, such as the *Verbraucherpreisindex* in Germany (adjustments either be based upon pre-assigned value thresholds or occur annually), the Austrian Consumer Price Index in Austria, the *Indice du coût de la construction* ("ICC"), in France the *Indice trimestriel des loyers commerciaux* ("ILC"), in Italy an index published by the Italian National Statistics Institute ("ISTAT") and in Poland the Harmonized Index for Consumer Prices ("HICP") or other indices. In addition to rent, operating expenses and special payments such as center-contributions or marketing contributions may be payable. Before sub-letting a facility, we are generally required to request the lessor's consent, which may be in some cases dependent on an additional rent. We regularly review our lease agreements and renegotiate their terms when possible.

Certain particularities of the agreements vary from country to country and are in part dependent on the different applicable legal regimes.

In Germany, for example, our lease agreements with regard to retail stores in shopping centers contain an obligation to operate a business on the leased premises (*Betreiberpflicht*) for the respective contractual term. Under this obligation, we must ensure that the respective retail store is opened during further specified opening times and the leased space is uninterruptedly used as a perfumery during the term of the respective agreement. Also, certain German lease agreements (but none of our current lease agreements with regard to retail stores in shopping centers) contain a provision pursuant to which we are granted a right of protection from competition, *i.e.,* pursuant to which the respective lessor is not allowed to lease space in the same premise to other companies with the same business focus.

In France, for example, regarding commercial leases governed by French law, the lessee has a right to security of tenure, which enables the lessee to ask for the renewal of the commercial lease upon its expiry. If the lessor refuses to renew the lease and to the extent the lessee is not in breach of its obligations under the lease, the lessor has to pay to the lessee an indemnity of eviction. This indemnity of eviction is a remedy for the loss suffered by the lessee as a result of the non-renewal of the lease. The indemnity of eviction is assessed on a case by case basis and entails a compensation for the decrease in the loss of the business carried out on those premises or a displacement indemnity as well as certain costs borne by the lessee.

In the Netherlands, the basic assumption of the legislator is that a lease should last for at least ten years. In practice, a lease is often entered into for a period of five years with a possibility to extend the lease for a further five-year period. Even if no second five-year-period has been agreed to, or if the original agreement is entered into for a shorter or longer term than five years, the lease will be extended by operation of law to a term of ten years. If no notice of termination has been given at the end of the ten-year-period, the lease will subsequently continue for an indefinite period of time.

In Italy, most of the lease agreements are prolonged by tacit renewals on the basis of the current applicable legal regime.

A portion of our store rental agreements qualify as operating leases. The lease installments under such operating leases are based on both variable and fixed rental payments.

Intellectual Property

Our portfolio of registered intellectual property rights consists of trademarks and design rights. Moreover, we possess several domain names. Most of the trademarks and domain names are registered with the Company's subsidiary Parfümerie Douglas GmbH, Hagen, Germany, although Douglas Cosmetics GmbH, Düsseldorf, Germany, also owns a substantial number of trademarks, and Douglas Marken- und Lizenzen GmbH & Co. KG, Zossen, Germany owns a European Community trademark "Douglas" protecting the Douglas writing, which is licensed by way of intra-group license agreements to other Group companies, in particular in Germany, France, Italy, Austria, the Netherlands and Poland. Furthermore, a few other trademarks are owned by other Group companies (for example, to protect designations in the language of their registered seat or designations with protection in such countries). Some design rights are owned by Parfümerie Douglas GmbH, some by Douglas Cosmetics GmbH. We also maintain a portfolio of registered intellectual property rights consisting of trademarks and design rights relating to our Nocibé business, which is independently managed by our Nocibé entities. Moreover, we possess several domain names for the Nocibé business. Most of Nocibé's trademarks are registered with Nocibé France SAS. The design rights and domains relating to Nocibé are mainly owned by Nocibé France SAS as well.

Douglas, as franchisor, typically grants the franchisee a non-exclusive and non-transferable license to use the "Douglas" trademarks and trade names as described in the handbook to the franchise agreement, exclusively for the operation of a cosmetic and perfumery store located at a concrete business address. In general, the franchisee may only use our trademarks, trade name or other materials protected for our Group companies on websites, weblogs or similar online presences after consultation and written approval by the franchisor.

Trademarks and Design Rights

We own a large portfolio of trademarks, including word trademarks and word/device trademarks used by companies of our Group, and some design rights, which we typically register as European word and/or word/design-trademarks and additionally as international word and word/design-trademarks with the World Intellectual Property Organization (WIPO, headquartered in Geneva, Switzerland). Most of the Nocibé Group's trademarks and design rights are registered in France with the *Institut National de la Propriété Industrielle* and are protected only in France.

As of March 31, 2015, we held over 650 trademarks (including trademark applications) globally. In particular, the trademarks that protect the designation "Douglas" as well as—for France (and Monaco)—the trademark "Nocibé" are important to us. Furthermore, we use some smaller local (sub-)brands or company symbols to differentiate our offering and address different target groups, for example, Schnitzler (targeting luxury, high-end customers in Düsseldorf, Germany), HELA (targeting more price-sensitive customers mainly in Munich, Germany), Les Bellista by Nocibé (targeting trendy, younger customers in France and more recently in Germany). In addition, we have registered trademarks relating to our private label products as well as other trademarks containing the word "Douglas" together with other elements, such as "Douglas—makes life beautiful", "Douglas macht das Leben schöner", "Douglas Academy", "Douglas Beauty Academy", "Douglas Beauty System", "J.S. Douglas Söhne", "Douglas Coiffeur", "Douglas Hairdesign", "Douglas Naildesign" and "Douglas Professionals", as well as the "Nocibé" and "La Beauté Libérée", the slogan used by our Nocibé stores. In addition, we own two national German word-/design trademarks protecting the stylized letter "D" for various goods and services (in particular perfumery, cosmetics and retail services).

Various EU community trademarks, both word trademarks and word-/design trademarks have been registered for us with regard to "Douglas", including the European Community word/design trademark "Douglas", which is protected in eighteen different classes of goods and services for a broad range of goods and services, in particular for perfumery and certain cosmetics as well as for various retail services, especially with regard to perfumery, and beauty advice, and a European Community word-/design trademark protecting the stylized letter "D" within a seal for various goods and services (in particular perfumery, cosmetics and retail services).

In addition, Parfümerie Douglas GmbH and Douglas Cosmetics GmbH entered into many prior rights and co-existence agreements with third parties to settle trademark disputes, including in connection with the "Douglas" trademarks owned by Parfümerie Douglas GmbH.

Domain Names

We own a large portfolio of approximately 600 domain names as of March 31, 2015. Several companies of our Group have registered internet domains with the second level domain name "douglas" (as opposed to "top level domain names", which refer to the ending of the domain, such as ".de", ".at", etc.) as well as many domain names which contain "douglas" as part of the domain name together with a generic term such as "douglas-onlineshop", "douglas-parfuem", "parfumeriedouglas", "meindouglas", "mydouglas" or "douglasbeauty". In particular, "douglas.de", and the other internet domains for the countries in which we operate play an important role in our business operations. However, we do not own the domain name "douglas.com", which is held by a U.S. company operating in a different industry.

Material Legal Disputes and Administrative Proceedings

Companies of our Group are involved in legal disputes and administrative proceedings as part of their ordinary business activities and this will likely continue to be the case in the future. It is impossible to determine or predict the outcome of cases pending or threatened. Legal disputes and administrative proceedings in which our Group companies have been involved during the past twelve months, or which are currently pending or threatened, mainly relate to employment matters, intellectual property, advertising or distribution practices, leases, and the adequacy of the squeeze-out compensation. The Company believes that other than the proceedings described below, during a period covering the previous twelve months, no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Company is aware) may have or have had in the recent past significant effects on the Company's and our financial position or profitability.

Following the squeeze-out which became effective in July 2013, pursuant to which the Company's wholly-owned subsidiary Beauty Holding Two GmbH acquired the remaining shareholding in Douglas Holding AG, 97 of the minority shareholders of Douglas Holding AG initiated appraisal proceedings (*Spruchstellenverfahren*) against Beauty Holding Two GmbH before the Regional Court (*Landgericht*) in Dortmund following registration of the squeeze-out in the commercial register (*Handelsregister*). At the time of the registration of the squeeze-out, 1,264,649 shares of Douglas Holding AG (approximately 3.21% of the total shares of Douglas Holding AG) were held by minority shareholders. The minority shareholders challenge the adequacy of the squeeze-out compensation stating a number of reasons. With court order dated January 20, 2014, the court consolidated all proceedings relating to this matter. On July 30, 2014, Beauty Holding Two GmbH filed a legal brief in which it replied to the minority shareholders' challenges to the squeeze-out compensation. With court order dated August 13, 2014, the court appointed a joint representative of the shareholders that are not formally a party to the proceedings. On February 3, 2015, Beauty Holding Two GmbH filed a legal brief responding to further legal briefs of the minority shareholders and the joint representative. The court has not yet provided the parties with an opinion regarding the substance of the case. No provisions have been formed to cover any risks associated with these proceedings.

We are also involved in proceedings regarding the Nocibé Group relating to concerted practices in the determination of resale price among fine perfume suppliers and retailers. In this respect, the Nocibé Group was fined €5.4 million by the French competition authority on March 13, 2006. Following a decision of the Court of Appeals (*Cour d'appel*) of Paris on January 26, 2012, the fine was reduced to €3.15 million. On June 11, 2013, the French Court of Cassation (*Cour de cassation*) overruled the decision of the Court of Appeals and referred the case back to that court regarding the fine imposed on Nocibé France SAS and upheld this decision concerning all other parties involved in this matter. The Court of Appeals upheld the €3.15 million fine in a decision dated April 10, 2014. On May 9, 2014, Nocibé lodged an appeal against this decision before the Court of Cassation, although the €3.15 million fine has already been paid, but on June 9, 2015, the Court of Cassation rejected Nocibé's appeal and upheld the €3.15 million fine.

Furthermore, a claim was brought on July 13, 2012 before the Commercial Court (*Tribunal de commerce*) of Paris by a competitor against Nocibé France and Nocibé France Distribution, in relation to alleged acts of unfair competition (*parasitisme*) committed by the Nocibé Group in commercializing since April 2012 products similar to those commercialized by the claimant since 2007. Damages claimed amount to €770,000. On December 20, 2013, the Commercial Court (*Tribunal de commerce*) of Paris dismissed the competitor's claim and fined it for abusive proceedings. The competitor appealed the decision in February 2014 and the appeal proceedings are pending. We have reserved an amount of €700,000 in respect of this dispute.

Also, on December 11, 2014, a claim was brought before the Commercial Court (*Tribunal de commerce*) of Lille, France, by Passion Beauté, France (an association of independent perfumeries and beauty institutes) in relation to alleged acts of wrongful termination of the sourcing agreement entered into on July 18, 2012, among Passion Beauté, Douglas-Passion Beauté Achats S.A.S., Parfumerie DOUGLAS France S.A. and Douglas Expansion SA (see also

"*Management's Discussion and Analysis of Financial Condition and Results of Operations—Selected Factors Affecting Results of Operations and Financial Position—Acquisitions and Joint Ventures*". Passion Beauté claims damages for alleged acts of wrongful termination and breach of contract of the sourcing agreement entered into on July 18, 2012 among Passion Beauté, Douglas-Passion Beauté Achats S.A.S., Parfumerie DOUGLAS France S.A. and Douglas Expansion S.A., which was terminated by us with effect as of January 21, 2015 in the context of the standardization of our supply agreements throughout Europe, observing the one year notice period provided for a termination without cause in the joint sourcing agreement. Passion Beauté alleged that the termination was wrongful because the sourcing joint venture was allegedly intended to be operational for a long-term period and claimed damages in the amount of €9.0 million for lost benefits of the joint venture as well as further damages of €920,500 in relation to the alleged non-compliance of DOUGLAS France S.A. and Douglas Expansion S.A. with an exclusive sourcing obligation contained in the joint sourcing agreement. As of March 31, 2015, an amount of €1.5 million has been reserved for this dispute.

Sarl Maryline Beauté (Corsica franchisee) filed a complaint before the Conseil d'Etat seeking the annulment of the clearance decision of the French competition authority. The case is still pending with the Conseil d'Etat and we await a response by the court. The final outcome of the proceedings initiated by Sarl Maryline Beauté before the Conseil d'Etat is not predictable at this stage, even if it is reasonably optimistic to expect that the Conseil d'Etat would not annul the clearance decision approving the acquisition of Nocibé by Advent International Douglas.

Following the taking private of our Group in the financial year 2012/2013, several Austrian landlords claimed an increase of the rent to an adequate market level pursuant to Section 12a para. 3 Austrian Act on Tenancy Law (*Mietrechtsgesetz*) based on the indirect change of control in Douglas Austria. Douglas Austria objected to all of the requested rent increases and has paid the increased rent amounts on a conditional basis.

Out-of-court settlements were reached with two landlords and in five other cases, court proceedings have been initiated to determine an adequate market level of the rent as of the time of the change of control. All these court proceedings are pending, four of them in the Court of First Instance. The dispute with one landlord in Vienna is pending before the Austrian Supreme Court.

We have, based on an opinion from an Austrian European law expert, argued that the right of the lessor under the Austrian Act on Tenancy Law to increase the rent based on a change of control occurring at the level of a holding company in another European Union country violates the freedom of establishment (*Niederlassungsfreiheit*) and the freedom of movement of capital (*Kapitalverkehrsfreiheit*) under the European Union Treaty and requested that the case be presented to the European Court of Justice. On February 24, 2015, the Austrian Supreme Court held in one of the proceedings in Austria that the right of the lessor under the Austrian Act on Tenancy Law to increase the rent based on a change of control occurring at the level of a holding company in another European Union country does not violate European law and therefore decided not to present the case to the European Court of Justice. Therefore, the court decisions in Austria now will be made solely on the basis of the wording of Section 12a of the Austrian Act on Tenancy Law. Therefore, the outcome in all proceedings will be to a high degree dependent upon the determination of the adequate market level of the rent for the stores concerned which will in turn largely depend on an expert opinion commissioned by the competent courts.

One additional landlord has only recently claimed an adjustment of the rent, arguing that the notification of the change of control made by Douglas Austria in 2013 was not in compliance with the requirements of the Austrian Act on Tenancy Law. Douglas Austria has rejected such increase on the basis that the notification was duly made and that the landlord's right for rent increase is forfeited. An amount of €945,000 for a potential retroactive rent increase (as from January 1, 2013) has been reserved as of March 31, 2015.

We are involved in various other proceedings many of which are rent-related. For example, a dispute about the amount of rent owed in connection with premises leased by us from the claimant and subleased by us to a third party, has been pending before the Regional Court of Essen since July 2014, with a claimed amount of approximately €650,000. The parties are in dispute about calculation of the rent increase, whereas the claimant argues that the rent adjustment is subject to the consumer price index only. In contrast, we argue that the rent adjustment is subject to the consumer price index and that, in addition, a limitation of the rent adjustment applies. With decision dated January 28, 2015, the Regional Court ruled in favor of the plaintiff. On March 20, 2015, we appealed to the Higher Regional Court (*Oberlandesgericht*) Hamm.

Insurance

We have taken out comprehensive insurance policies in relation to risks associated with our business activities, such as policies covering our general liability, product and environmental liability, insurance of property and merchandise (including product transportation and warehouse insurance), IT/electronic equipment as well as insurance covering business interruptions due to fire. Under these policies (and related underlying policies), insured losses include those resulting from natural and human risks such as business interruptions due to fire, product defects and events relating to the manipulation of products and losses relating to the handling of money, among others. In addition, we have worldwide coverage policies for D&O (directors & officers) liability and fidelity insurance, which are applicable for the Company and its subsidiaries. Furthermore, we have taken out certain additional insurance policies for our subsidiaries in certain countries (including, among others, Germany). Our insurance coverage is subject to usual exclusions, limits and deductibles. At the same time, we have identified several risks that cannot be insured on economically feasible terms and for which, therefore, we have chosen not to purchase insurance coverage. These risks include, for example, business interruptions caused by acts of terror and cyber-attacks. Also, we refrained from purchasing an all-risk insurance.

The management team believes that we have adequate insurance coverage against all material risks that are typically insured by similar companies with comparable risk exposure. Insurance coverage is regularly verified and adjusted when necessary.

Regulatory Environment

We are subject to the applicable laws and regulations of the respective jurisdictions in which we operate. Our regulatory environment is characterized by numerous national, supranational and international laws and regulations. These include, in particular, requirements with respect to product liability and consumer protection. EU regulations (*EU-Verordnungen*) apply directly in all member states of the European Union (the "EU Member States"). As a result, our business is subject to these rules in all EU Member States. In contrast, EU directives (*EU-Richtlinien*), while binding EU Member States as to the result to be achieved, need to be implemented into national law. Hence, regarding those standards contained in EU directives that are applicable to our business, national implementing rules can differ slightly from one EU Member State to another. To the extent governed by EU regulations or national laws that are based on EU directives, the regulatory environment in most other EU Member States and the member states of the EEA is similar to the regulatory framework in Germany. The regulatory requirements applicable to our business activities are subject to change, as they are continuously adapted at the national, European and international level. If we fail to comply with any of these laws and regulations, we may be subject to civil liability, administrative orders, fines, or even criminal sanctions.

The following provides a brief overview of selected regulations that are applicable to our business operations.

Foreign Trade and Customs Law

We source most of our products from Europe, but some of our suppliers are located in Asia.

Within the European internal market the principle of free movement of goods applies. With respect to import and export of goods from countries that are not members of the EU, we must comply with national and European foreign trade and customs regulations. At EU level our relevant regulatory framework is laid down in Council's Regulation (EEC) No 2913/92 of October 12, 1992 establishing the Community Customs Code ("CCC"). The CCC will be replaced by the Union Customs Code ("UCC") which was adopted on October 9, 2013 as Regulation (EU) No 952/2013 of the European Parliament and of the Council. This regulation entered into force on October 30, 2013 but the substantive provisions of the UCC will apply only as of May 1, 2016, once the UCC-related Commission acts (*i.e.* delegated and implementing acts) are adopted and in force. Until May 1, 2016, Council Regulation (EEC) No. 2913/92 of October 12, 1992 and its implementing legislation Commission Regulation (EEC) No. 2454/93 remains in effect. The modernized customs code (Regulation (EC) No. 450/2008) was repealed pursuant to Art. 286(1) of Regulation (EU) No. 952/2013. The UCC shall, among other, simplify customs rules and procedures and facilitate more efficient customs transactions in line with modern-day needs, completing the shift by customs authorities to a paperless and fully electronic environment.

Whereas imports and exports within the European Economic Area ("EEA") are in principle not liable to customs duty, the movement of goods beyond the frontiers of the EEA is subject to customs control between the customs union of the EU and EEA member states which are not EU Member States. The customs control charges, among other things, statutory import duties. Customs offices may from time to time initiate customs inspections to assess whether customs regulations have been infringed.

Consumer Protection Law

We must further comply with various consumer protection regulations with respect to the marketing and sale of products to customers, including our online selling activities.

Throughout the EU, consumer protection is extensively regulated in particular on the basis of the following EU directives:

- the Council Directive 93/13/EEC of April 5, 1993 on unfair terms in consumer contracts;
- the Directive 1999/44/EC of the European Parliament and of the Council of May 25, 1999 on certain aspects of the sale of consumer goods and associated guarantees;
- the Directive 2000/31/EC of the European Parliament and of the Council of June 8, 2000 on certain legal aspects of information society services, in particular electronic commerce, in the internal market (Directive on electronic commerce);
- the Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on Privacy and Electronic Communications);
- the Directive 2005/29/EC of the European Parliament and of the Council of May 11, 2005 concerning unfair business-to-consumer commercial practices in the internal market (Unfair Commercial Practices Directive), which prohibits, among others, certain particularly aggressive or misleading commercial practices or advertising; and
- the Directive 2011/83/EU of the European Parliament and of the Council of October 25, 2011 on consumer rights (the "Directive on Consumer Rights") which replaced the Directive 97/7/EC of the European Parliament and of the Council of May 20, 1997 on the protection of consumers in respect of distance contracts with effect as of June 13, 2014.

The aforementioned EU directives on consumer protection and the national laws which implement or complement these directives (such as, in Germany, the Act on the Implementation of the EU Consumer Rights Directive and on the Amendment of the Law on Housing (*Gesetz zur Umsetzung der Verbraucherrechterichtlinie und zur Änderung des Gesetzes zur Regelung der Wohnungsvermittlung*), which entered into force on June 13, 2014, and the French consumer code (*code de la consommation*) in France), impose extensive duties and responsibilities retailers such as Douglas, including the following:

With respect to our online activities, online purchases constitute "distance contracts" that are subject to specific consumer protection. Pursuant to the Directive on Consumer Rights, effective as from June 13, 2014, consumers have the statutory right (EU-wide) to withdraw from a distance contract within 14 days after receipt of goods (or within a period of twelve months and 14 days after receipt of goods if the consumer has not been properly informed about its statutory right of withdrawal). Withdrawal must be exercised by distinct declaration towards the seller (*e.g.,* in writing, per e-mail or phone). The return of the goods without further comment does not constitute a valid declaration of withdrawal any longer. If the statutory right of withdrawal is exercised, within 14 days, the customer must return the goods and the seller must reimburse the purchase price including shipping costs (if any) except that the seller must not reimburse the supplementary costs, if the consumer has expressly opted for a type of delivery other than the least expensive type of standard delivery offered by the seller (*e.g.,* express delivery). The customer, on the other hand, has to bear such supplementary costs for the return of goods unless the seller has failed to inform the customer accordingly or the seller has expressly agreed to assume these costs. The customer also has to compensate the seller for any loss in value of the returned goods, if such loss is due to the customer handling the goods in a way that was not required to examine the condition, features and functionalities of the goods and the seller has informed the customer about its statutory right of withdrawal.

In addition, online retailers must comply with extensive and formalized information requirements. They have to provide their (potential) customers with detailed and accurate information, *inter alia*, on the offered goods, on the way a binding contract can be concluded, on price and payment details, on their return policy, on the statutory right to withdraw from a contract (irrespective of any more beneficial return policy that may be afforded by the online retailers, on their general terms of sale and on statutory warranties). EU directives and national laws set out detailed criteria on when, where and by which means this information has to be provided. Online retailers have to implement these requirements in the design and structure of their online shops, mobile-commerce platforms and apps, in their ordering and payment processes and in their delivery systems. Due to changes in legislation, online retailers have to adapt their shop design on an ongoing basis. For example, as a result of the Directive on Consumer Rights, online retailers were obliged to implement a "button solution" pursuant to which a binding purchase can only be completed by clicking on a button that is explicitly labeled "buy now" (or similar) and which can be found in the immediate proximity of a summary of certain key information relating to the purchase, Art. 8(2) of the Directive on Consumer Rights. Failure to comply with these information requirements may give rise to civil liability, administrative orders (including injunctive relief) or fines and may in some cases result in an extension of warranty periods or even in the invalidity of the affected customer contracts.

Advertising, including promotional games, newsletters and personalized product recommendations, is heavily regulated, in particular if distributed through e-mail. An advertisement must not be misleading, constitute an unreasonable nuisance or make use of harassment, coercion or undue influence. These criteria leave wide room for interpretation and the assessment of courts and other competent bodies is often hard to foresee.

Data Protection Law

As retailers generally process customer data for marketing purposes, compliance with data protection laws must be ensured. The collection, processing and use of personal data is extensively regulated by both European and national legislation. At EU level, data privacy law is primarily governed by Directive 95/46/EC of the European Parliament and of the Council of October 24, 1995, on the protection of individuals with regard to the processing of personal data and on the free movement of such data (the "Data Protection Directive") and—specifically with respect to electronic communication—by Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002, concerning the processing of personal data and the protection of privacy in the electronic communications sector (the "Directive on Privacy and Electronic Communications"). In Germany, general data privacy law is governed in particular by the German Federal Data Protection Act (the "Data Protection Act") (*Bundesdatenschutzgesetz*). In addition, various sector specific statutes set forth specific data privacy rules which apply to certain industries or businesses and prevail over the general rules of the Data Protection Act. Moreover, e-commerce providers have to comply with the specific requirements provided in the German Telemedia Act (the "Telemedia Act") (*Telemediengesetz*) which take into consideration the peculiarities of online communication and may deviate from the general rules of the Data Protection Act. For example, the Telemedia Act on the one hand provides for additional information obligations which go beyond the general requirements of the Data Protection Act. However, on the other hand, the Telemedia Act allows for electronic declarations of consent while the Data Protection Act, in principle, requires the written form. Compared to other European jurisdictions, the German data privacy law is known to be rather strict. For example, the Data Protection Act provides for a detailed regulatory system regarding contracts relating to commissioned data processing (*Auftragsdatenverarbeitung*) which has to be implemented in particular in the context of IT outsourcings. In France, we are subject to the French law dated January 6, 1978, for the collection of personal data of our customers.

The European legislator is currently considering a proposed new regulation on data privacy (the "General Data Protection Regulation") which would introduce substantial changes to the EU data protection regime, involving replacement of the current national data protection laws by a directly applicable EU regulation. Furthermore, the current draft includes the increase of the maximum level of fines for compliance failures to up to €100 million or 5% of the global turnover on a group basis (whichever is greater). As a result, the General Data Protection Regulation would, if implemented in its current form, impose a substantially increased risk of fines for non-compliance on all data processing entities. Also, the current draft provides for additional information requirements in the data privacy notice of a website, including a controversially debated two-step icon solution pursuant to which the operator of a website has to post certain pop-up icons which correspond to the categories of data processing applied on the website. The proposed EU regulation continues to progress through the legislative process and it is not currently possible to foresee its final content and wording and thus to assess its full potential impact.

In February 2015, the German government adopted a draft law aiming at improving the enforcement under civil law of the data protection regulations related to consumer protection. The core aspects of the draft law include new possibilities for consumer associations to issue warnings and commence actions to enforce data protection law in the interest of consumer protection. The consumer associations are considered to be an appropriate instrument to support the efforts of the data protections agencies. Consumer interests may be affected, in particular, where personal data are collected, processed and used for purposes of advertising and data trading or to create personality and usage profiles.

In general, data privacy laws regulate when and how personal data may be collected, for which purposes they may be processed and/or used, for how long they may be stored and to whom and how they may be transferred. The transfer of personal data to entities outside the EEA is subject to specific requirements. Furthermore, data privacy laws require organizational measures such as the appointment of a data protection officer (*Datenschutzbeauftragter*), set forth the rights of data subjects (*i.e.,* the persons to whom the personal data relates) (*e.g.,* information rights) and determine the sanctions for infringements. Apart from that, the data privacy law requires the implementation of appropriate technical and organization measures (technische und organisatorische Maßnahmen) to ensure the data security in general.

Regulations on Shop Closing Time

Most European countries have regulations on shop closing times, which particularly apply to shop closing times on weekends and holidays. Regulations on shop closing times during night hours on working days were suspended by several European countries as respective regulations were not required anymore after the implementation of Directive 2003/88/EC concerning certain aspects of the organization of working time. In Germany, closing times are regulated by the federal states (*Ladenschlussrecht*). In Germany, there are strict regulations on shop closing times on weekends and holidays, with only occasional exceptions with respect to opening hours on certain Sundays. The city retail businesses occasionally make use of regularly prolonged shopping hours. In France, the legal working times as well as the obligation to rest on Sunday (which is subject to some exceptions) are mainly regulated by the French labor code (*code du travail*).

Regulation on the Selective Channel

The selective distribution channel, as implemented by the suppliers of our Group, is subject to European and German competition law. In this respect, the following principles apply:

Art. 101 (1) Treaty on the Functioning of the European Union ("TFEU") and Section 1 of the German Act against Restraints of Competitions (*Gesetz gegen Wettbewerbsbeschränkungen*—"GWB") prohibit agreements which have an anticompetitive object or restrictive effects on competition, unless such agreements fall under so-called block exemptions or individual exemptions pursuant to Art. 101 (3) TFEU and Section 2 GWB. Contractual clauses violating European or German competition law are void which may also affect the remainder of the respective agreements. Furthermore, in such case the competent cartel authorities may initiate proceedings against the contractual parties.

According to the relevant case law, Art. 101 (1) TFEU and Section 1 GWB do not apply if selective distribution channel are based on purely qualitative criteria, provided that: (i) the nature of the product needs to justify a selective distribution channel in order to ensure the quality of service around the respective product and its appropriate use; (ii) the authorization of distributors is only based on objective and non-discriminatory quality criteria which are applied consistently and (iii) such criteria do not exceed what is necessary to ensure the quality of service around the respective product and its appropriate use.

Irrespective of whether these criteria are met, in particular if additional quantitative criteria are included in the selective distribution channel, the relevant agreements may nonetheless benefit from an exemption under EU Regulation No. 330/2010 (Vertical Block Exemption Regulation). Such exemption requires that the market share of both the supplier and the authorized distributor does not exceed 30% and respective agreements do not contain so-called "hard core" restrictions of competition. In the context of selective distribution channel, resale price maintenance, restrictions of active or passive sales to end consumers and restrictions of cross-supplies between authorized distributors constitute such "hard core" restrictions.

The above principles also apply to online selective distribution with a per se prohibition of online sales or criteria for online sales which are not overall equivalent to the criteria imposed for the sales from stationary shops, and are not necessary to assure a certain quality of distribution. Such clauses may constitute hard-core restrictions and will also very often not qualify for an exemption under Art. 101 (3) TFEU. Furthermore, there are ongoing discussions, involving cartel authorities, whether a prohibition of sales on open online platforms (such as eBay) is in line with competition law or whether such a prohibition may raise anticompetitive concerns.

EU Regulation No. 330/2010 is scheduled to expire in May 2022. With regard to this regulation, but also generally, it cannot be excluded that following changes in the applicable statutes, regulations, or developments of the case law or decision-making practice of the relevant competition authorities, other channels of sale may begin selling products (or increasingly sell products) that currently generate the majority of our sales and this may lead to a significant increase in competition (see also "*Risk Factors—Legal, Regulatory and Tax Risks—We may be adversely affected by changes antitrust and competition laws and regulations, in particular with respect to selective distribution contracts.*").

Cosmetics Regulation

On November 30, 2009, EU Regulation 1223/2009 of the European Parliament and of the Council (the "Cosmetic Products Regulation") was adopted, which replaced the older Cosmetics Directive 76/768/EEC of July 27, 1976. Most of the provisions of the Cosmetic Products Regulation became applicable as from July 11, 2013. The Cosmetic Products Regulation is the main regulatory framework for finished cosmetic products as defined therein when placed on the EU market. In addition to the Cosmetic Products Regulation, other EU and/or national legislation may apply for certain aspects of the regulation of cosmetic products. The Cosmetic Products Regulation provides an internationally recognized regime, which reinforces the safety of cosmetic products taking into consideration the latest technological developments, including the possible use of nanomaterial.

The main purpose of the Cosmetic Products Regulation is to ensure that only safe cosmetic products are placed on the EU market. This requires in particular that cosmetic products are manufactured in accordance with good manufacturing practice. Further, the Cosmetic Products Regulation prohibits or restricts the use of a wide range of substances in cosmetic products. With respect to the use of colorants, preservatives and UV-filters, including those that are nanomaterials, these can only be used if explicitly allowed by the Cosmetic Products Regulation. Products containing other nanomaterials not otherwise restricted by the Cosmetic Products Regulation may be the object of a full safety assessment at EU level, if the EU Commission has concerns. Nanomaterials must be labeled in the list of ingredients with the word "nano" in brackets following the name of the substance. Furthermore, only cosmetic products for which a legal or natural person is designated within the EU as "responsible person" can be placed on the market. As a general rule, the responsible person must be established within the EU and is either the manufacturer or importer or a person or entity designated by those. The Cosmetic Products Regulation includes rules to allow for the precise identification of who the responsible person is with regard to a certain product, and clearly outlines the obligations of such responsible person. Responsible persons have, *inter alia*, an obligation to notify serious undesirable effects to competent national authorities. Further, responsible persons must ensure that a cosmetic product has undergone a safety assessment and that a product safety report has been set up for the product before it is placed on the market. The Cosmetic Products Regulation also imposes documentation obligations on the responsible person. As for our private label products, certain subsidiaries of our Group act as responsible person for purposes of the Cosmetic Products Regulation. The Cosmetic Products Regulation does not only impose obligations on the responsible person, but also on distributors of cosmetic products. Further, the Cosmetic Products Regulation introduces a centralized notification process for all cosmetic products placed on the EU market, so that manufacturers will need to notify their products only once. The Cosmetic Products Regulation also includes rules banning animal testing and comprehensive labeling requirements. In Germany, violations of the Cosmetic Products Regulation may be sanctioned under the Regulation on Cosmetic Products (*Verordnung über kosmetische Mittel (Kosmetik-Verordnung)*) of July 16, 2014, with a fine and in severe cases with a criminal sanction.

We review our private label products, which are manufactured by third-party suppliers and which we then sell under our own brands, for compliance with the applicable regulations of the Cosmetic Products Regulation. For further information on the risks associated with our private label products, see "*Risk Factors—Risks Relating to Our Market Environment and Business—We are subject to risks in connection with the quality and timely delivery of our private label products and our relationship with the manufacturers of such products.*".

Regulations Regarding Product Safety and Product Liability

Producers and distributors who place products on the market in the European Union must ensure that the products are safe. Among other regulations, Directive 2001/95/EC of the European Parliament and of the Council of December 3, 2001, as last amended by EC Regulation 596/2009 of June 18, 2009, on general product safety (the "EU Directive on Product Safety"), according to which manufacturers must put on the market products that comply with the general safety requirement, applies (as implemented in the individual EU countries). In addition, producers must provide consumers with the necessary information so that consumers are able to assess a product's inherent threat, particularly when this is not directly obvious. Furthermore, producers must adopt the necessary measures to avoid such threats, for example, by withdrawing unsafe products from the market, informing customers and recalling products that have already been supplied to customers. In this context, it is relevant to note that under the EU Directive on Product Safety—as well as pursuant to most other European and/or national legislation on product safety—any entity presenting itself as the manufacturer by affixing its name, trademark or other distinctive mark to a product qualifies as producer and must comply with the above mentioned obligations. As we sell products manufactured by third parties under our own brands, we qualify as a producer.

Pursuant to the EU Directive on Product Safety, distributors must help to ensure that the products they supply comply with the general safety requirements, monitor the safety of products on the market and provide the necessary documents ensuring that the products can be traced. If the producers or the distributors discover that a product is dangerous, they must notify the competent authorities and, if necessary, co-operate with them.

In Germany, the EU Directive on Product Safety has been implemented by the Act on Product Safety (*Gesetz über die Bereitstellung von Produkten auf dem Markt (Produktsicherheitsgesetz)*) of November 8, 2011. Further detailed regulations are set forth in various governmental regulations (*Rechtsverordnungen*) on the safety of specific products/product groups. A violation of the requirements of European and/or national law may be sanctioned with a fine and in severe cases with a criminal sanction. In addition, the market surveillance authorities may issue orders, relating for instance to the testing of a product, sales bans or recalls. Moreover, the German Act on Food, Feed and Consumer Products (*Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch*) as well as the Regulation on Consumer Products (*Bedarfsgegenständeverordnung*) apply to beauty and cosmetics products, as well as several other products offered by us (such as accessories and home products). The aforementioned act and regulation are primarily aimed at protecting the health of consumers that come into contact with certain products and grant extensive powers to the competent authorities in order to supervise the compliance of manufacturers and distributors of products with their legal duties. In this context, the competent authorities can in particular order sales bans and recalls or inform the public in case a product puts at risk human health. A violation of the requirements of the German Act on Food, Feed and Consumer Products may be sanctioned with a fine and in severe cases with a criminal sanction.

In addition, because we sell our private label products (manufactured by third parties) under our own brands and import certain products from outside the EU, we qualify as producer of certain cosmetic and other products and are thus subject to applicable legislation on product liability. For example, all Member States of the European Union were required to implement EU Directive 85/374/EEC of July 25, 1985, as amended by Directive 1999/34/EC of May 10, 1999, on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products ("Product Liability Directive"), which applies to all movables marketed in the European Economic area (with very few exceptions). The Product Liability Directive establishes the principle of strict liability, *i.e.,* liability without fault of the producer, in cases of damage caused by a defective product. It covers death, personal injuries and damages of at least €500 to an item of property caused by defective products intended for private use or consumption. The Product Liability Directive does not stipulate any financial ceiling on the producer's liability, but allows the Member States to limit a producer's liability for damage from a death or personal injury and caused by identical items with the same defect to an amount of at least €70.0 million. For example, in Germany, the Product Liability Act stipulates a limit of €85.0 million. In addition, the Product Liability Directive does not prevent the legal systems of the Member States from granting additional or more extensive rights to injured parties based on grounds of contractual liability or on grounds of non-contractual liability.

Environmental laws may be applicable for the disposal of cosmetics and may contain provisions regulating the special treatment of cosmetic disposal. The same applies to the packaging of cosmetic and other products. For instance, the EU Directive 94/62/EC of the European Parliament and of the Council of December 20, 1994, amended by Directive 2013/2/EU of February 7, 2013, on packaging and packaging waste (as implemented in the individual EU countries) must be complied with.

French Law on the Modernization of the Economy

In France, we must comply with Article L. 441-6 of the French Commercial code (*code de commerce*), as amended by the Law on the modernization of the economy No. 2008-776 of August 4, 2008 ("LME"). This provision, as amended, contains two rules applying to payment terms. According to the first rule, if the parties do not agree on specific payment terms (*e.g.,* through a specific provision included in the seller's general sales terms or the purchaser's general purchasing terms), this term is automatically 30 days after the receipt of the goods or of the provision of the services. According to the second rule, the parties may not agree on payment terms exceeding 45 days from the end of the month (*i.e.,* 45 days starting from the end of the month during which the invoice is issued or alternatively the end of the month during which a delay of 45 days from the date of issuance of the invoice expires) or 60 calendar days from the issuance of the invoice.

CICE

In December 2012, the CICE (*Crédit d'impôt compétitivité et emploi*) was adopted as part of an overall French government policy to improve the competitive position of companies in France.

Pursuant to the CICE, French companies will receive a tax credit of 4% of the gross salaries paid to certain employees for 2013 and 6% of the gross salaries of certain employees in 2014 and subsequent years. The amount of the CICE is calculated on the basis of gross salaries paid in the course of the calendar year, whose wages are below 2.5 times the French statutory minimum wage. Pursuant to the terms of the CICE scheme, an employee's gross salary is calculated on the basis of such employee's normal working hours plus such employee's overtime hours (but without taking into account the overtime rate payable in respect of such overtime). The amounts paid under profit sharing agreements are also not included in the employee's gross salary for the purpose of computing the CICE. We expect the CICE to have a positive impact on our French operations and on our EBITDA.

Pursuant to the French Third Amended Finance Law for 2012 (*3ème loi de finances rectificative pour 2012*) No. 2012-1510 dated December 29, 2012, adopting the CICE, an ad hoc committee comprising government and trade union representatives will be established to supervise the implementation of the CICE.

MATERIAL ACQUISITIONS AND DIVESTITURES

2012 Acquisition of the Douglas Group by the Target

On October 15, 2012, pursuant to the German Securities Acquisition and Takeover Act (*Wertpapierhandels- und Übernahmegesetz*), Beauty Holding Three AG, Frankfurt am Main, Germany, a holding company indirectly held by funds advised by Advent International Corporation, Wilmington/Delaware, USA (which was then advised by Advent International GmbH, Frankfurt am Main, Germany) (the "Advent Funds"), Lobelia Beteiligungs GmbH as an indirect investment vehicle of certain members of the founding family Kreke ("Kreke Family") announced its intention to launch a voluntary public takeover offer for the acquisition of Douglas Holding AG and its subsidiaries and subsequently acquired 81% of the total Douglas Holding AG shares. In addition, 12.73% of the total Douglas Holding AG shares were acquired by Beauty Holding One GmbH, Frankfurt am Main, Germany (a wholly-owned subsidiary of the Company), from Lobelia Beteiligungs GmbH, Grünwald, Germany, and, on December 14, 2012, transferred by Beauty Holding One GmbH to Beauty Holding Two GmbH, Frankfurt am Main, Germany, (a wholly owned subsidiary of Beauty Holding One GmbH; at that time: Beauty Holding Two AG), and on January 9, 2013, by Beauty Holding Two GmbH to Beauty Holding Three AG (a wholly owned subsidiary of Beauty Holding Two GmbH) in each case by way of contribution into the capital reserves. Together with further smaller acquisitions of Douglas Holding AG shares, Beauty Holding Three AG held a total of 96.17% in Douglas Holding AG after the settlement of the public takeover offer. Subsequently, effective as of February 20, 2013, Beauty Holding Three AG as the transferring entity was merged upstream into Beauty Holding Two GmbH (at that time: Beauty Holding Two AG) as the absorbing entity, which was then transformed into a German limited liability company resulting, in principle, in the holding structure as of the date of this offering memorandum. Furthermore, 0.63% were later acquired during the further acceptance period pursuant to section 39c of the German Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

On May 28, 2013, the shareholders' meeting of Douglas Holding AG resolved with the votes of the shares held by Beauty Holding Two GmbH to squeeze-out the minority shareholders pursuant to the German Stock Corporation Act (*Aktiengesetz*) against payment of a cash compensation. The squeeze-out resolution was registered with the commercial register of Douglas Holding AG on July 25, 2013. On that date, approximately 3.21% of the total Douglas Holding AG shares were held by minority shareholders, which then were booked into the deposit account of Beauty Holding Two GmbH against payment of the squeeze-out compensation. Following the effectiveness of the squeeze-out, the stock exchanges on which the Douglas Holding AG shares were listed revoked the admission of the Douglas Holding AG shares to the regulated market.

In the context of the squeeze-out, Beauty Holding Two GmbH is involved in a legal dispute regarding the appraisal of the cash compensation for the minority shareholders before the Regional Court (*Landgericht*) in Dortmund. For further information regarding the appraisal proceedings against Beauty Holding Two GmbH see "*Business—Material Legal Disputes and Administrative Proceedings*".

Acquisition of the Nocibé Group

On February 14, 2014, AI Perfume France SAS, an indirect subsidiary of the Company, entered into a securities purchase agreement (the "Nocibé SPA") relating to the acquisition of all outstanding shares in Groupe Nocibé SAS and the refinancing of the indebtedness of Groupe Nocibé SAS and its subsidiaries (the "Nocibé Acquisition").

On the same date, AI Perfume France SAS and the sellers under the Nocibé SPA (the "Nocibé Sellers") entered into a supplemental agreement under which the Nocibé Sellers undertook to indemnify AI Perfume France SAS up to an amount of €9.0 million if one or more of the following tax risks occurs: (i) a tax reassessment in respect of the tax deductibility of certain convertible bonds issued by Groupe Nocibé SAS materializes within three years following completion of the Nocibé Acquisition, (ii) an enforceable judgment is issued in a pending litigation with the French tax administration with respect to the deductibility of fees and commissions paid by Groupe Nocibé France SAS to certain advisors in 2006, (iii) a tax reassessment with respect to the partial contribution of assets by Nocibé France SAS to Nocibé France Distribution SAS in 2010 materializes within the time period until February 15, 2017 and (iv) a tax reassessment with respect to the debt-to-equity-ratio of Groupe Nocibé France SAS for the financial year 2011 materializes within three years following completion of the Nocibé Acquisition.

In addition to the tax indemnities provided for in the supplemental agreement, the Nocibé Sellers gave certain limited representations and warranties, but no far reaching business representations and warranties (*i.e.,* except for a representation and warranty relating to the conduct of business between January 1, 2013 and February 14, 2014). The liability of the Nocibé Sellers under these representations and warranties will expire on June 24, 2015 and, for any other claims under the Nocibé SPA (other than certain tax indemnities under the supplemental agreement), on December 24, 2015. The aggregate indemnification obligations of the Nocibé Sellers relating to the representations and warranties made under the Nocibé SPA are capped at the amount of the purchase price and the indemnification obligation of each Nocibé Seller under the Nocibé SPA (including the tax indemnities) is capped at such Nocibé Seller's share in the purchase price.

The Nocibé Acquisition was completed on June 24, 2014 (with effect for accounting purposes as of July 1, 2014) and an agreed final purchase price was paid by AI Perfume France SAS. No purchase price adjustments are pending under the Nocibé SPA. An amount of €9,000,000 was put on an escrow account on June 24, 2014 to secure claims against the Nocibé Sellers under the aforementioned tax indemnities.

In order to obtain merger control clearance for the Nocibé Acquisition, Douglas proposed certain antitrust remedies to the French competition authority and obtained clearance on June 4, 2014. These remedies consist in divesting a total of 38 stores (either owned stores or franchised stores) located in 32 local areas where the combined presence of Douglas and Nocibé was regarded by the French competition authority as problematic from a competition standpoint. On December 17, 2014, it was agreed that 13 owned stores among the stores concerned by the requirements would be sold to Parfumerie Athénais Espace Beauté SAS. Such sale was completed on February 18, 2015. In addition, four franchised stores have exited the Douglas network and joined the Beauty Success network, three franchise stores have moved to Oia (subject to the final approval of the merger control authorities), one franchise store moved to Passion Beauté and for 10 further franchise stores a signed sales agreement or a binding commitment for purchase of Athénais Espace Beaté SAS exists. In addition, one store decided to leave the Douglas Group. The deadline set by the French competition authority to implement the antitrust remedies expired on June 4, 2015. On that date, six franchise stores had not yet been divested so Douglas was granted an additional nine months to implement so-called "alternative remedies", *i.e.* to find third party buyers or franchisors for these six alternative franchise stores. As of the date of this offering memorandum, discussions are still pending with franchisees and potential acquirers or franchisors regarding these remaining six franchise stores.

Divestiture of Non-Acquired Business

Sale and Transfer of the Confectionery Business

Pursuant to a sale and purchase agreement dated March 6, 2014, we sold our Hussel confectionery operating business (the "Confectionery Business") to Blitz 13-500 GmbH, an acquisition vehicle of EMERAM Capital Partners, Munich, Germany. The sale and purchase agreement provided for (i) the sale of 100% of the shares in Hussel Süßwarenfachgeschäfte GmbH, (ii) the sale of a shareholder loan claim of Douglas Holding AG *vis-à-vis* Hussel Süßwarengeschäfte GmbH resulting from a novation of a respective profit transfer claim under a terminated profit and loss transfer agreement between Douglas Holding AG as controlling entity and Hussel Süßwarengeschäfte GmbH as controlled entity, (iii) the sale of receivables under a terminated shareholder loan agreement and (iv) the sale of receivables under interim shareholder loan agreements resulting from a transformation of balances under terminated cash pool arrangements into balances under interim shareholder loan agreements. The final price was paid and the consummation of the transaction took place on April 30, 2014 and the shares were transferred with economic effect as of September 30, 2013.

The representations and warranties concerning the legal, tax and financial circumstances of Hussel Süßwarenfachgeschäfte GmbH made between us and the purchaser include, *inter alia*, representations and warranties relating to corporate matters (*e.g.,* incorporation and existence of Hussel Süßwarenfachgeschäfte GmbH and its subsidiaries), no insolvency, financial statements (*e.g.,* true and fair view on assets and liabilities, financial condition and result), non-existence of legal proceedings or non-existence of real estate, lease agreements and other material agreements, (*e.g.,* no termination thereof), IP rights (*e.g.,* ownership of all IP rights required for the business of Hussel Süßwarenfachgeschäfte GmbH as conducted on the signing date), labor matters (*e.g.,* no termination of employment of key employees), conduct of business, assets (*e.g.,* ownership of all material assets), non-existence of brokerage and similar fees and insurance coverage. Furthermore, a tax indemnity regarding tax periods prior to September 30, 2013 was granted.

Most of these representations and warranties are subject to certain limitations, such as a knowledge qualifier, certain materiality qualifiers and disclosures. Our aggregate liability arising from breaches of the representations and warranties relating to corporate matters, non-existence of insolvency and conduct of business shall not exceed 20% of the purchase price and our aggregate liability arising from breaches of the other representations and warranties, *i.e.,* except for those relating to corporate matters, non-existence of insolvency proceedings and conduct of business, including any liability arising from the tax indemnity, shall not exceed 50% of the purchase price. Our aggregate liability with regard to all potential claims under or in connection with the sale of the Confectionery Business shall not exceed the purchase price. The claims of the purchaser against us are subject to contractual limitation periods: in principle, claims other than tax related claims shall become time-barred at the latest on the third anniversary of the signing date, whereas claims arising from breaches of representations and warranties related to corporate matters shall become time-barred at the latest on the fifth anniversary of the signing date and claims arising from breaches of representations and warranties other than related to corporate matters shall become time-barred on September 30, 2015. The purchaser shall assume or replace all guarantees issued by or on behalf of us to third parties in respect of the Confectionery Business. Regarding the Confectionery Business, we were and continue to be a party to transitional services agreements between Group companies as service providers and the divested companies as service recipients.

Further, we continue to be the lessee under certain lease agreements relating to stores of the Confectionery Business. The sale and purchase agreement with the purchaser of the Confectionery Business provides that the parties shall use commercially reasonable efforts to effect an assumption of the Non-Acquired Business Lease Agreements by the relevant Non-Acquired Business and to obtain any required consent of the relevant lessors and that the respective purchaser is obliged to indemnify us and all of our affiliates from any and all claims, losses, costs, fees, charges or damages resulting from or arising in connection with the Non-Acquired Business Lease Agreements or the DHAG Parent Securities. While we have been able to achieve a transfer of Non-Acquired Business Lease Agreements to Non-Acquired Businesses with full release for us in a number of cases and reached agreement on such transfer in many other cases, not all lessors have granted or will grant the required consent for such transfer and release and we will therefore remain responsible for fulfillment of the obligations under the Non-Acquired Business Lease Agreements concerned. In this context, we are party to certain sub-lease agreements with Hussel Süßwarenfachgeschäfte GmbH with respect to the lease agreements which shall remain in full force and effect until the assumptions by the respective divested companies of the relevant lease agreements are effected.

For the risks associated with these sales and transfers of the Confectionery Business, see also "*Risk Factors—We face certain risks in connection with past and future acquisitions and joint ventures, including failure to effectively integrate the businesses and achieve expected synergies as well as unexpected liabilities.*".

Sale and Transfer of the Books Business, Fashion Business and Jewelry Business

On September 30, 2014, Douglas Holding AG sold and transferred its 100% shareholdings in (i) Christ Juweliere und Uhrmacher seit 1863 GmbH, Hagen, Germany, which held and managed the Jewelry Business to Diamond Holding GmbH, Hamburg, Germany, (ii) Thalia Holding GmbH, Hagen, Germany, which together with its subsidiaries held and managed the Books Business (party to the agreement was also Buch & Medien GmbH, the 100% subsidiary of Douglas Holding AG which acted as sub-holding for the Thalia business) to Carta Holding GmbH, Hamburg, Germany, and (iii) Reiner Appelrath-Cüpper Nachf. GmbH, Cologne, Germany, which held and managed the Fashion Business (in this case, the sale was carried out through Douglas Holding AG's subsidiary inter-moda GmbH, Hagen, Germany), to Moda Holding GmbH, Hamburg, Germany. Diamond Holding GmbH, Carta Holding GmbH and Moda Holding GmbH were all acquisition vehicles wholly-owned by our sole shareholder AI Beauty. For the risks associated with these sales and transfers of the Books Business, Fashion Business and Jewelry Business, see also "*Risk Factors—We face certain risks in connection with past and future acquisitions and joint ventures, including failure to effectively integrate the businesses and achieve expected synergies as well as unexpected liabilities.*"

The respective sales and transfers took legal effect as of September 30, 2014 (whereby the sale of the Books Business took economic effect as of September 30, 2014 and the sale of the Jewelry and the Fashion Businesses took economic effect as of June 30, 2014). The agreements allow for the sale of the Books Business, Fashion Business and Jewelry Business to third parties. We do not make any business representations and warranties in any of the foregoing sale and purchase agreements. We were and continue to be a party to transitional services agreements between Group companies as service providers and the divested companies as service recipients.

We also continue to be lessee under certain lease agreements relating to the Books Business, Fashion Business and Jewelry Business. The sale and purchase agreements with Diamond Holding GmbH, Carta Holding GmbH and Moda Holding GmbH provide that the parties concerned shall use commercially reasonable efforts to effect an assumption of the Non-Acquired Business Lease Agreements by the relevant Non-Acquired Business and to obtain any required consent of the relevant lessors and that the respective purchaser is obliged to indemnify us and all of our affiliates from any and all claims, losses, costs, fees, charges or damages resulting from or arising in connection with the Non-Acquired Business Lease Agreements or the DHAG Parent Securities. While we have been able to achieve a transfer of Non-Acquired Business Lease Agreements to Non-Acquired Businesses with full release for us in a number of cases and reached agreement on such transfer in many other cases, not all lessors have granted or will grant the required consent for such transfer and release and we will therefore remain responsible for fulfillment of the obligations under the Non-Acquired Business Lease Agreements concerned which shall be assumed by the respective divested companies, with discharging effect for the Douglas Companies. In this context, we are party to certain sub-lease agreements with respect to the lease agreements which shall remain in full force and effect until the assumption by the respective divested companies of the relevant lease agreements are effected.

The sale and purchase agreement of the Jewelry Business contained (i) the sale of 100% of the shares in Christ Juweliere und Uhrmacher seit 1863 GmbH, (ii) the sale of shareholder loan claims of Douglas Holding AG *vis-à-vis* the divested company resulting from a novation of a respective profit transfer claim under a terminated profit and loss transfer agreement between Douglas Holding AG as controlling entity and the divested entity as controlled entity, (iii) the sale and assumption of a shareholder loan and (iv) the sale of receivables under an interim shareholder loan agreement resulting from a transformation of balances under terminated cash pool arrangements into balances under an interim shareholder loan agreement.

The sale and purchase agreement of the Books Business contained the sale of 100% of the shares in Thalia Holding GmbH. The sale and purchase agreement of the Fashion Business contained (i) the sale of 100% of the shares in Reiner Appelrath-Cüpper Nachf. GmbH and (ii) the sale of receivables under an interim shareholder loan agreement resulting from a transformation of balances under a terminated cash pool arrangement into balances under an interim shareholder loan agreement.

The purchase prices under the aforementioned internal sale and purchase agreements were not paid in cash, but converted into loan notes owed by Diamond Holding GmbH, Carta Holding GmbH and Moda Holding GmbH to the respective sellers. Such loan notes were assigned upstream through the chain of companies to Beauty Holding One GmbH. Upstream loans in amounts equivalent to the loan notes *vis-à-vis* the respective acquisition vehicles were created in the context of these assignments.

Beauty Holding One GmbH then assigned the loan notes in the amount of €459.3 million in lieu of fulfillment (*an Erfüllungs statt*) of its obligation to repay a portion of the outstanding shareholder loan, which was thereby reduced to €134.8 million (as of October 1, 2014). Furthermore, following the internal sales, on October 27, 2014, AI Beauty and Blitz F14-244 GmbH, an acquisition vehicle of 3i Group PLC, and Douglas Holding AG entered into a sale and purchase agreement regarding the external sale and purchase of 100% of the shares in Diamond Holding GmbH (*i.e.,* the holding vehicle of the Jewelry Business). The consummation of the transaction took place on December 18, 2014, and the shares were transferred with economic effect as of July 1, 2014. In that transaction, the parties agreed that the rights and obligations under the external sale and purchase agreement shall, in the relationship between AI Beauty, Blitz F14-244 GmbH and Douglas Holding AG as well as in the relationship between Douglas Holding AG and Diamond Holding, prevail over the rights and obligations under the corresponding internal sale and purchase agreement.

AI Beauty made certain representations and warranties concerning the legal, tax and financial circumstances in respect of the business of the target company and has granted corporate matters. While we have not made any representations and warranties, we assumed certain covenant obligations *vis-à-vis* Blitz F14-244 GmbH similar to our obligations under the internal sale and purchase agreement regarding the sale of all shares in Christ Juweliere und Uhrmacher seit 1863 GmbH and certain non-compete and non-solicitation obligations.

MANAGEMENT

The Issuers

Senior Secured Notes Issuer

The Senior Secured Notes Issuer is a *Gesellschaft mit beschränkter Haftung* incorporated and existing under the laws of Germany. The Senior Secured Notes Issuer is a wholly owned subsidiary of the Senior Notes Issuer and is indirectly controlled by CVC Funds. The managing directors (*Geschäftsführer*) of the Senior Secured Notes Issuer are Stefan Moosmann and Dr. Daniel Pindur. The business address for each of these directors is Im Zollhafen 24, 50678 Cologne.

Senior Notes Issuer

The Senior Notes Issuer is a *Gesellschaft mit beschränkter Haftung* incorporated and existing under the laws of Germany. The Notes Issuer is indirectly controlled by CVC Funds. The managing directors (*Geschäftsführer*) of the Senior Notes Issuer are Stefan Moosmann and Dr. Daniel Pindur. The business address for each of these directors is Im Zollhafen 24, 50678 Cologne.

Management of Beauty Holding Zero GmbH Prior to the Completion of the Acquisition

Management

The Issuer being acquired, Beauty Holding Zero GmbH, is a holding company managed by one managing director, Gudrun Krafczik. Douglas Holding AG is the strategic and management holding company, which is managed by the executive officers as set forth below. The business address for each of these executive officers is Kabeler Straße 4, 58099 Hagen.

Name	Age	Position
Dr. Henning Kreke	50	Chief Executive Officer
Dr. Dennis Schulze	45	Chief Financial Officer

The following section presents a brief summary of the biographies of the members of our management:

Dr. Henning Kreke—Chief Executive Officer. Dr. Henning Kreke (born 1965) has been a member of the managing board of Douglas Holding AG since 1997 and was appointed chairman of the managing board and Chief Executive Officer of the Douglas Group in 2001. Since 2013, he has been a member of the supervisory board of Deutsche EuroShop AG, and in the past five years has also been a managing director of various other companies and partnerships. He currently holds positions as a managing director in multiple other material companies within the Douglas Group. Furthermore, Dr. Kreke has also served as the Vice-President of South-Westphalian Chamber of Industry and Commerce in Hagen, vice-chairman of the board of management of the Academic Society for Marketing and Business Leadership as well as a member of the executive committee of the Society for the Promotion of the Institute for Trade Research at the University of Cologne. Dr. Kreke completed his undergraduate and graduate studies in business administration at the University of Texas in Austin, USA, and in 1994, was awarded a doctorate degree in political science at Christian Albrechts University in Kiel. Dr. Kreke commenced his career at the international investment bank Salomon Brothers in New York, USA.

Dr. Dennis Schulze—Chief Financial Officer. Dr. Dennis Schulze (born 1969) has been Chief Financial Officer of Douglas Holding AG since February 2013. He additionally currently holds positions as a managing director or member of supervisory boards of multiple other material companies within the Douglas Group. Dr. Schulze commenced his professional career at the international asset managing firm The Carlyle Group, in 2010 assuming responsibility for the firm's operations in Germany, Austria and Switzerland. During his tenure at The Carlyle Group, he supervised numerous national and international business transactions. Dr. Schulze was a member of The Carlyle Group's global leadership team for the automotive and consumer goods industry and implemented the firm's focus on the German healthcare market. He was a member of various supervisory boards and advisory board mandates of The Carlyle Group's portfolio companies and worked with the management-teams on the operative and strategic development of these portfolio companies. Dr. Schulze received a Master of Business Administration and holds a doctorate degree in economics from the University of Münster.

Management Compensation

The executive officers receive remuneration that consists of the following main components:

- a fixed annual base salary, which is paid in monthly installments;
- a variable bonus that incentivizes the fulfillment of key performance indicators; and
- certain fringe benefits.

In addition, Douglas Holding AG has granted an individual pension entitlement (direct pension grant) to Dr Henning Kreke.

The compensation is paid by Douglas Holding AG. The aggregate compensation expenses for the financial year ended September 30, 2014 for all executive officers amounted to €3.6 million, consisting of €1.1 million in base salaries, €2.5 million in variable bonuses and €60,248 in certain other expenses.

The current directors' and officers' insurance policy is held by AI Beauty. However, we intend to enter into a new directors' and officers' insurance policy following the Completion of the Acquisition.

Management Employment Contracts

Currently, Dr Kreke has a fixed-term employment contract with Douglas Holding AG which is valid until September 30, 2016. Dr. Schulze has a fixed term employment contract with Douglas Holding AG which is valid until March 31, 2016. Neither Dr. Kreke's contract with Douglas Holding AG nor Dr. Schulze's contract with Douglas Holding AG contains change of control provisions. Dr. Kreke's contract with Douglas Holding AG includes a non-compete clause valid for 24 months following the termination of his service contract with Douglas Holding AG.

We intend to enter into new employment contracts with both Dr. Kreke and Dr. Schulze following the Completion of the Acquisition. We expect the new employment contracts to include a new remuneration scheme.

Management Practices

We are committed to fulfilling corporate governance requirements. We maintain internal guidelines (e.g., purchasing directives) and a code of conduct which is to be countersigned and adhered to by our management. In addition, an internal audit department regularly carries out examinations on different topics.

Management of Douglas Following the Acquisition

Following the Completion Date, the ultimate authority within Douglas will rest with Kirk Beauty Investments S.A., the holding company through which Kirk Beauty S.à r.l. and Lobelia Beteiligungs GmbH invest in Douglas. The board of Kirk Beauty Investments S.A. will comprise four members proposed for appointment by Kirk Beauty S.à r.l. and two members proposed for appointment by Lobelia Beteiligungs GmbH. The size and composition of the board of Kirk Beauty Investments S.A. may change, from time to time, for various reasons, including in order to have represented certain co-investors who may acquire direct or indirect participations in Kirk Beauty Investments S.A.

Our executive officers will continue to be responsible for the daily operations of Douglas. However, we cannot assure you that we will be able to retain our current executive officers. See "*Risk Factors—Risks Relating to our Business—We depend on our ability to attract and retain qualified managerial staff and skilled, motivated personnel.*"

Supervisory Board

Douglas Holding AG has a co-determined supervisory board currently consisting of 13 members. Three further seats on the supervisory board are currently vacant.

Following the Completion of the Acquisition, and in accordance with the German Co-Determination Act (*Mitbestimmungsgesetz*), the co-determined supervisory board (the "Supervisory Board") will either remain at Douglas Holding AG or will be established at the level of another German company, above Douglas Holding AG, that exercises controlling influence over Douglas Holding AG. This Supervisory Board, in accordance with applicable laws, will replace the current supervisory board at the Douglas Holding AG level. The Supervisory Board is expected to be composed of either 12 or 16 members.

The Supervisory Board will be, in accordance with the German Stock Corporation Act, responsible for supervision and control of the management of the relevant entity in accordance with resolutions of such entity's shareholders' meetings, but the Supervisory Board will have no direct managerial powers. The executive address of the members of the Supervisory Board is expected to be Kabeler Straße 4, 58099 Hagen.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the course of our ordinary business activities, we regularly enter into agreements with companies within the Douglas Group. These agreements mainly relate to the supply of IT and accounting services and the rendering of other intra-group services, such as business advisory, treasury and finance, marketing, human resources, legal and tax. In addition, it is contemplated that new related party transactions will be entered into in connection with the Transactions.

Certain employees and members of management will be offered to invest in a management participation program on customary terms and conditions following consummation of the Acquisition. The amount of this investment by management has not yet been definitively determined. We expect that simultaneously with the consummation of the investment, the management investors will enter into one or more stockholders agreements with affiliates of CVC including provisions with respect to the election of directors, participation rights in equity offerings, rights and restrictions relating to the issuance or transfer of shares, including tag-along rights and drag-along rights, information rights and other corporate governance provisions.

In addition, related parties include the members of the Company's management board and supervisory board and close members of their families, as well as those entities over which the members of the Company's management board and supervisory board or their close family members are able to exercise a significant influence or in which they hold a significant share of voting rights.

As of the date of this offering memorandum, there are no conflicts between the directors of the Issuers and their private interests or other duties.

We directly and indirectly rent six of our stationary stores in Germany from Kreke Immobilien KG, Hagen, Germany, a company in which Dr. Henning Kreke, CEO of the Company, as well as Dr. Jörn Kreke indirectly hold an interest. In addition, relationships exist with Universal Leasing GmbH, Essen, Germany, a company in which Hermann Lotter, a member of the current supervisory board of the Company holds a substantial interest and which is party to a sale and lease-back agreement relating to our Group's company cars. Moreover, relationships exist with thjnk AG, Hamburg, Germany, a company in which Karen Heumann, a member of the current supervisory board of the Company, is a member of the management board and which provides certain services relating to communications and brand development. Relationships also exist with Altium Capital AG, Munich, Germany, a company co-founded by Dr. Michael Hinderer, a member of the current supervisory board of the Company, for which he also served as managing director until 2014 and which provided certain advisory services with respect to the financing of our Group. In total, we incurred expenses of €0.48 million from our above described relationships with Kreke Immobilien KG, Universal Leasing GmbH, thjnk AG and Altium Capital AG in the first half of the financial year 2014/2015 (€2.29 million in the financial year 2013/2014; €0.6 million in the financial year 2012/2013 and €0.14 million in the financial year 2011/2012).

Upon the completion of the Acquisition, we may enter into a consulting services agreement with CVC. Under the terms of the Senior Secured Notes Indenture and the Senior Notes Indenture, we will be permitted to pay up to an amount equal to the greater of €3 million and 1% of Pro Forma Adjusted EBITDA a year to CVC for annual management, consulting, monitoring or advisory fees and related expenses.

In addition, Douglas has business relations with subsidiaries which result from deliveries and services in the ordinary course of business as well as from granting of loans. For further details, please see Note 31 to our 2012 Audited Financial Statements, Note 10 to the 2013 Interim Financial Information and "*Description of Certain Financing Arrangements.*"

After the Completion Date, we are considering merging the Target and/or certain of the Target's subsidiaries with and into the Senior Secured Notes Issuer.

Furthermore, TopCo intends to enter as dominating entity (*herrschendes Unternehmen*) into a profit and loss pooling agreement (and potentially a domination agreement) with the Senior Notes Issuer as dominated entity (*beherrschtes Unternehmen*), and the Senior Notes Issuer intends to enter as dominating entity (*herrschendes Unternehmen*) into a profit and loss pooling agreement (and potentially a domination agreement) with the Senior Secured Notes Issuer as dominated entity (*beherrschtes Unternehmen*). Pursuant to such profit and loss pooling and domination agreements, the dominated entity (*beherrschtes Unternehmen*) must generally transfer its entire profits to the dominating entity (*herrschendes Unternehmen*), which in turn must compensate the dominated entity (*beherrschtes Unternehmen*) for any of the dominated entity's losses.

In case the mergers of the Target and/or certain of the Target's subsidiaries with and into the Senior Secured Notes Issuer are not implemented, in addition to the profit and loss pooling agreement (and potential domination agreement) between TopCo and the Senior Notes Issuer and between the Senior Notes Issuer and the Senior Secured Notes Issuer, we are also considering entering into profit and loss pooling agreements (and potentially domination agreements) between the Target and its directly held subsidiary (Beauty Holding One GmbH) and between the Senior Secured Notes Issuer and the Target.

As a result of these mergers and/or profit and loss pooling and domination agreements, we intend for TopCo to become the head of the fiscal unity for German corporate income tax and trade tax purposes with Douglas Holding AG and certain of its subsidiaries.

PRINCIPAL SHAREHOLDERS

Following the Transactions, the Target will be the indirect wholly-owned subsidiary of the Senior Notes Issuer. CVC Funds will indirectly (through wholly owned intermediate holding companies) own approximately 84.3% of the entire share capital of the Target and the Founder Co-Investors will indirectly (through wholly-owned intermediate holding companies) own approximately 15.7% of the entire share capital of the Target. Certain employees and members of management will be offered to invest in a management participation program on customary terms and conditions following consummation of the Acquisition.

See "*Summary—Corporate and Financing Structure*."

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of the expected or current material terms of certain financing arrangements to which we and certain of our subsidiaries intend to become a party or to which we and certain of our subsidiaries are currently a party does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. The terms of the Senior Secured Credit Facilities Agreement and Intercreditor Agreement may differ from the terms described below. For further information regarding our existing indebtedness, see "Use of Proceeds," "Capitalization," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following summary of certain provisions of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

Senior Secured Credit Facilities Agreement

Overview and Structure

In connection with the Financing of the Acquisition, the Senior Notes Issuer and the Senior Secured Notes Issuer will, on or prior to the Completion Date, enter into the Senior Secured Credit Facilities Agreement with, among others, Deutsche Bank AG, London Branch as agent, Deutsche Bank AG, London Branch as security agent, and Deutsche Bank AG, London Branch, UniCredit Bank AG, Goldman Sachs International, J.P. Morgan Limited, Bayerische Landesbank, Commerzbank Aktiengesellschaft, Crédit Industriel et Commercial and Landesbank Baden-Württemberg as mandated lead arrangers. The Senior Secured Credit Facilities Agreement will provide for the following:

- a €1,220.0 million senior secured term loan B facility (the "Term Loan B Facility"); and
- a €200.0 million senior secured multi-currency revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan B Facility, the "Senior Secured Credit Facilities" (each a "Senior Secured Credit Facility")).

The Term Loan B Facility may be utilized by the Senior Secured Notes Issuer and may be pushed down (in full or in part) to certain other members of the Group (for the purposes of the Senior Secured Credit Facilities Agreement, "Group" consists of the Senior Secured Notes Issuer and its restricted subsidiaries), as set out in the tax structure memorandum relating to the Transaction, and may be used to finance: (i) the consideration payable by the Senior Secured Notes Issuer under the Acquisition Agreement; (ii) fees, costs and expenses associated with the Transactions; (iii) the refinancing of existing indebtedness of the Target group and payment of breakage costs and any other costs related to such refinancing; and (iv) the general corporate purposes of the Target group to the extent required to maintain any closing overfunding (in each case as agreed and set out in the funds flow statement for the Transactions).

The Revolving Credit Facility may be utilized by certain members of the Group in euros, sterling, U.S. dollars and certain other currencies readily available (subject to obtaining the consent of all the Revolving Credit Facility lenders) by the drawing of cash advances, the issue of letters of credit and ancillary facilities. The Revolving Credit Facility may be used for the Group's general corporate purposes, including without limitation funding of capital expenditure, restructuring costs, acquisitions, any working capital related purchase price adjustments for the Acquisition, any original issue discount and fees, costs and expenses.

In addition to the Term Loan Facility B and the Revolving Credit Facility, the Senior Secured Facilities Agreement includes the ability for the Group to incur one or more incremental facilities within the Senior Secured Credit Facilities Agreement (either as separate term or revolving facilities or as increases to the Term Loan Facility B or the Revolving Credit Facility or any existing incremental facility) up to an aggregate amount, together with any Incremental Equivalent Debt, of (a) €300.0 million plus (b) any additional amount so long as (i) the *pro forma* senior secured net leverage ratio (being the ratio of consolidated senior secured net debt of the Group to consolidated EBITDA of the Group (each as defined in the Senior Secured Credit Facilities Agreement)) is not more than 4.50x, (ii) to the extent such incremental facility is established to fund an acquisition permitted under the Senior Secured Facilities Agreement, the senior secured net leverage ratio as of the last day of the most recently ended financial quarter of the Parent, is equal to or less than the senior secured net leverage ratio immediately prior thereto (calculated on a *pro forma* basis for the drawing in full of such incremental facility and such acquisition) or (iii) the proceeds are applied to refinance *pari passu* indebtedness of the Group plus an amount equal to all related fees, costs and expenses, in each case, subject to certain conditions being met. The ability to incur incremental facilities is subject to certain conditions including, in the case of any incremental term loan commitments, that the aggregate yield in respect of those incremental term loan commitments does not exceed 0.50% per annum more than the yield applicable to the Term Loan

B Facility as at the date of the Senior Secured Credit Facilities Agreement (unless the yield on the Term Loan B Facility is increased such that yield in respect of the incremental term loan commitments does not exceed 50% per annum more than the increased yield for the Term Loan B Facility).

Availability

The Term Loan B Facility will be available up to and including the earlier of the Longstop Date under the Acquisition Agreement and the Completion Date. Any amount not drawn on such dates will be cancelled.

The Revolving Credit Facility may be utilized from and including the Completion Date until the date which is one month prior to the maturity date of the Revolving Credit Facility.

Interest and Fees

Loans under the Senior Secured Credit Facilities Agreement will bear interest at rates *per annum* equal to EURIBOR or, for loans denominated in a currency other than euro, LIBOR (or other appropriate interbank offer rates for other currencies) in each case, subject to a floor of 1.0% for the Term Loan B Facility and 0.0% for the Revolving Credit Facility, and the following applicable margins:

- 5.00% *per annum* in respect of loans under the Term Loan B Facility; and
- 3.75% *per annum* in respect of loans under the Revolving Credit Facility,

subject in each case to a margin ratchet based on the senior secured net leverage ratio (being the ratio of consolidated senior secured net debt of the Group to consolidated EBITDA of the Group (each as defined in the Senior Secured Credit Facilities Agreement)).

A commitment fee will be payable on the aggregate undrawn and uncancelled amount of the Revolving Credit Facility from the Completion Date to the end of the availability period applicable of the Revolving Credit Facility at a rate of 35% of the applicable margin for the Revolving Credit Facility. Commitment fees will be payable quarterly in arrear and on the date the Revolving Credit Facility is cancelled in full or on the date on which the relevant lender cancels its commitment.

Default interest will be calculated as an additional 1% on the defaulted amount.

Repayments

The Term Loan B Facility will be repaid in full on the date that is seven years from the Completion Date. In respect of the Revolving Credit Facility, each advance will be repaid on the last day of the interest period relating thereto, subject to an ability to roll over drawings on a cashless basis, subject to compliance with certain customary conditions. All outstanding amounts under the Revolving Credit Facility will be repaid on the date that is six and a half years from the Completion Date. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be reborrowed, subject to certain conditions.

Prepayment

The Senior Secured Credit Facilities Agreement requires mandatory prepayment in full or in part in certain circumstances, including:

- on a change of control or disposal of all or substantially all the business of the Group;
- on an initial public offering not amounting to a change of control, a percentage of the net cash proceeds of the initial public offering, which percentage decreases as the Group's total net leverage ratio (defined as the ratio of consolidated total net debt of the Group to consolidated EBITDA of the Group (each as defined in the Senior Secured Credit Facilities Agreement)) decreases;
- from net cash proceeds received by the Group from certain disposals of assets, insurance claims and recovery claims under the Acquisition Documents and from report providers, in each case to the extent that such net cash proceeds exceed certain agreed thresholds, have not been reinvested in the business or certain assets of the Group within agreed time periods and have not satisfied other conditions; and

- for each financial year, a percentage of excess cash flow in the event that excess cash flow exceeds a minimum threshold amount, which percentage decreases as the Group's total net leverage ratio decreases.

The borrower may voluntarily prepay amounts outstanding under the Senior Secured Credit Facilities Agreement at any time in whole or in part, subject to *de minimis* amounts. Amounts prepaid are subject to break costs and 101% soft call protection during the first twelve months following the Completion Date for any refinancing of the Term Loan B Facility using a term loan facility the primary purpose of which is to reduce the yield applicable to the Term Loan B Facility or any refinancing thereof.

Guarantees and Security

The Senior Secured Credit Facilities will benefit from substantially the same guarantees and security as the Senior Secured Notes. The Senior Secured Credit Facilities will also benefit from guarantees and security granted by certain subsidiaries incorporated in France.

Representations and Warranties

The Senior Secured Credit Facilities Agreement contains customary representations and warranties (subject to customary materiality, actual knowledge and other qualifications, exceptions and baskets), including:

- status, binding obligations, non-conflict with other obligations, power and authority and validity and admissibility in evidence;
- governing law and enforcement;
- no insolvency, no litigation or labor dispute, no filing or stamp taxes and no default;
- no misleading information in the information memorandum, base case model or reports and accuracy of financial statements;
- consents and filings and compliance with laws and environmental laws;
- no material tax claims and up to date tax filings;
- *pari passu* ranking;
- legal and beneficial ownership, shares and intellectual property;
- accuracy of group structure chart;
- holding companies;
- Acquisition Documents and equity documents;
- pensions;
- center of main interests; and
- sanctions and anti-corruption laws.

Certain representations and warranties are made on the Completion Date and repeated at each utilization, on the first day of each interest period and at certain other times.

Covenants

The Senior Secured Credit Facilities Agreement contains operating covenants, subject to certain agreed exceptions, including covenants restricting the ability of certain members of the Group to:

- create security;
- make investments (including granting loans and guarantees);

- incur indebtedness or enter into certain derivatives contracts;
- make fundamental changes (including by way of merger or consolidation);
- make restricted payments (including dividends and other distributions);
- change the nature of the business of the Group;
- enter into transactions with affiliates other than on arm's length terms;
- enter into burdensome agreements that would restrict the Group's ability to make dividends, to make or repay loans to obligors or grant security in favour of the Senior Secured Credit Facilities lenders;
- change the financial year of any member of the Group other than as reasonably acceptable to the agent or as set out in the tax structure memorandum relating to the Transaction;
- prepay, redeem, purchase or defease certain junior indebtedness;
- issue equity interests; and
- designate subsidiaries as restricted or unrestricted subsidiaries.

The Senior Secured Credit Facilities Agreement also requires compliance with certain affirmative covenants, including covenants relating to:

- maintenance of relevant authorizations and consents;
- *pari passu* ranking;
- pension schemes;
- center of main interests;
- corporate rating;
- payment of taxes;
- maintenance of insurance;
- compliance with laws;
- sanctions, anti-corruption laws and anti-money laundering laws;
- compliance with environmental laws;
- holding companies;
- acquisition documents and equity documents;
- using commercially reasonable endeavours to convert Douglas Holdings AG into a limited liability company and enter into a domination and profit and loss pooling agreement;
- maintenance of domination and/or profit and loss pooling agreement between Douglas Holdings AG and its direct holding company for such time as Douglas Holdings AG is a German stock corporation; and
- maintenance of guarantor coverage requirement (being 80% of consolidated EBITDA) and requirement for Material Subsidiaries (accounting for 5% of consolidated EBITDA) to become guarantors on an annual basis (within a 90 day grace period).

If, on the last day of any financial quarter of the Senior Secured Notes Issuer, the aggregate outstanding amount of drawn loans under the Revolving Credit Facility and any incremental revolving credit facility exceeds 40% of the total Revolving Credit Facility commitments (including those of any incremental revolving credit facility) at that time, the Senior Secured Facilities Agreement will require that the senior secured net leverage ratio (being the ratio of consolidated senior secured net debt of the Group to consolidated EBITDA of the Group (each as defined in the Senior Secured Credit Facilities Agreement)) does not exceed 7.50:1.00. The ratio is based on the definitions in the Senior Secured Credit Facilities Agreement, which may differ from similar definitions in the Indentures and the equivalent definitions described in this Offering Memorandum.

Events of Default

The Senior Secured Credit Facilities Agreement contains certain events of default, the occurrence of which would allow the Majority Lenders or in the case of a breach of the financial maintenance covenant, the Majority Revolving Facility Lenders (in each case under and as defined in the Senior Secured Credit Facilities Agreement) to accelerate all outstanding loans and terminate their respective commitments, including (subject to certain exceptions, materiality qualifiers and grace periods):

- nonpayment of amounts due under the Senior Secured Credit Facilities finance documents;
- breach of any financial covenant or noncompliance with other obligations under the Senior Secured Credit Facilities finance documents;
- inaccuracy of representation or statement when made;
- cross default;
- unlawfulness, repudiation, invalidity or unenforceability of the Senior Secured Credit Facilities financing documents;
- insolvency, insolvency proceedings and commencement of certain creditors' processes, such as attachment, sequestration, distress or execution and similar events elsewhere;
- cessation of business;
- compulsory acquisition;
- commencement of material litigation;
- audit qualification; and
- breach of the Intercreditor Agreement.

Each of the Events of Default (other than any non payment of amounts due under the Senior Secured Credit Facilities finance documents, breach of any financial covenant or breach of the Intercreditor Agreement) to the extent it applies to the Target Group is subject to a clean up period of 90 days from the Completion Date, subject to customary exceptions.

Intercreditor Agreement

General

To establish the relative rights of certain creditors under the financing arrangements, the Parent and the Company (together with any Subsidiary of the Parent which accedes to the Intercreditor Agreement as a debtor, the "Debtors" and, for the purposes of this section, the Parent and its Subsidiaries are hereinafter referred to as the "Parent Group") have entered into the Intercreditor Agreement as Debtors and as intra-group lenders (together with any Subsidiary of the Company which provides any financial accommodation to a Debtor or Debtors in excess of a threshold amount and/or subject to other exceptions (the "Intra-Group Liabilities") and which accedes to the Intercreditor Agreement as an intra-group lender, the "Intra-Group Lenders" and, for the purposes of this section, the Company and its Subsidiaries are hereinafter referred to as the "Group") with, among others, the Security Agent, (upon accession) each Trustee, the lenders under the Senior Secured Credit Facilities Agreement and the facility agents under the Senior Secured Credit Facilities Agreement ("Senior Agent"). The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain debt of the Debtors, when payments can be made in respect of debt of the Debtors, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

By accepting a Senior Secured Note or a Senior Unsecured Note (as defined below) (as applicable), the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement. The following description is a summary of certain provisions contained in the Intercreditor Agreement which relate to the rights and obligations of the holders of the Senior Secured Notes and the Senior Unsecured Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the discussion that follows, defines certain rights of the holders of the Notes.

Ranking and Priority

Priority of Debts

The Intercreditor Agreement provides that the liabilities owed by the Debtors to the Senior Secured Creditors, the Senior Unsecured Creditors (each as defined in the Intercreditor Agreement) and the Security Agent (together, the "Primary Creditors") under each of the Senior Secured Credit Facilities Agreement (and certain further bank debt as may be incurred from time to time as contemplated by the Intercreditor Agreement), any senior secured notes (the "Senior Secured Notes") as may be issued from time to time by the Company or by certain wholly-owned direct subsidiaries of the Parent (each the "Senior Secured Notes Issuer") in accordance with the terms of the Intercreditor Agreement, any senior unsecured facilities agreements (the "Senior Unsecured Facilities Agreements") as may be entered into from time to time and subject to further conditions set out in the Intercreditor Agreement by (i) the Parent, (ii) a holding company of the Parent, or (iii) a wholly-owned direct subsidiary of the Parent or a holding company of the Parent, in each case that is not a member of the Group (the "Senior Unsecured Borrower") in accordance with the terms of the Senior Finance Documents, the Senior Secured Notes and any other senior unsecured notes (the "Senior Unsecured Notes") as may be issued from time to time and subject to further conditions set out in the Intercreditor Agreement by (i) the Parent, (ii) a holding company of the Parent, or (iii) a wholly-owned direct subsidiary of the Parent or a holding company of the Parent, in each case, that is not a member of the Group (the "Senior Unsecured Notes Issuer"), the cash management liabilities under certain cash management agreements (the "Cash Management Agreements," and the creditors of such cash management liabilities, the "Cash Management Providers") and hedging obligations under certain hedging agreements (the "Hedging Agreements", and the creditors of such hedging obligations, the "Hedge Counterparties"), shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- *first*, the liabilities owed to the lenders, issuing banks and ancillary lenders under the Senior Secured Credit Facilities Agreement and any further senior facilities agreements permitted under the Intercreditor Agreement (each a "Senior Lender" and such liabilities the "Senior Lender Liabilities") the liabilities owed to the Senior Agent(s) under the Finance Documents (as defined in the Senior Secured Credit Facilities Agreement) (the "Senior Finance Documents") (the "Senior Agent Liabilities"), the liabilities owed to the holders of the Senior Secured Notes (the "Senior Secured Notes Liabilities" and the noteholders to whom such Senior Secured Notes Liabilities are owed, the "Senior Secured Noteholders", and any trustee which accedes to the Intercreditor Agreement in connection with the issue of Senior Secured Notes, the "Senior Secured Notes Trustee(s)"), the liabilities (the "Senior Unsecured Agent Liabilities") owed under the Senior Unsecured Facilities Agreement and certain other related documents defined as "Finance Documents" therein (the "Senior Unsecured Loan Finance Documents") to each facility agent under any Senior Unsecured Facilities Agreement (the "Senior Unsecured Agent(s)"), the liabilities in relation to the Cash Management Agreements (the "Cash Management Liabilities"), the liabilities in relation to certain permitted hedging (the "Hedging Liabilities"), certain amounts due to the Senior Secured Notes Trustee(s) and certain amounts due to the Trustee and any other trustee which accedes to the Intercreditor Agreement in connection with the issue of new Senior Unsecured Notes (the "Senior Unsecured Notes Trustee(s)") *pari passu* and without any preference between them;

- *second*, the liabilities in relation to the holders of the Senior Unsecured Notes (the "Senior Unsecured Notes Liabilities" and the noteholders to whom such Senior Unsecured Notes Liabilities are owed, the "Senior Unsecured Noteholders") and the liabilities owed under the Senior Unsecured Loan Finance Documents (the "Senior Unsecured Loan Liabilities" and, together with the Senior Unsecured Notes Liabilities, the "Senior Unsecured Liabilities") to the lenders under any Senior Unsecured Facilities Agreement (each a "Senior Unsecured Lender") *pari passu* between themselves and without any preference between them,

Liabilities owed by the Senior Unsecured Notes Issuer or Senior Unsecured Borrower to the Primary Creditors shall rank *pari passu* in right and priority of payment and without any preference between each of the Senior Agent

Liabilities, the Senior Unsecured Agent Liabilities, the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Cash Management Liabilities, the Hedging Liabilities, certain amounts due to the Senior Secured Notes Trustee(s) and the Senior Unsecured Notes Trustee(s) and the Senior Unsecured Liabilities.

Priority of Security

a) Prior to the Senior Term Lender Discharge Date (as defined below), the transaction security shall rank and secure the following liabilities (only to the extent that such security is expressed to secure the relevant liabilities) in the following order:

- *first*, the liabilities (the "Agent Liabilities") owed to the Senior Agent, the Senior Secured Notes Trustee(s), the Senior Unsecured Notes Trustee(s), the Senior Unsecured Agent(s) and the Security Agent (together the "Agents"), the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Cash Management Liabilities and the Hedging Liabilities *pari passu* and without any preference between them; and

- *second*, to the extent of any shared security permitted by the Intercreditor Agreement (being security over (i) the shares in the Company and shareholder debt instruments issued to the Parent by the Company, (ii) any proceeds loan or promissory note owed by the Company to the Parent in respect of any Senior Unsecured Notes or Senior Unsecured Loan Liabilities and (iii) liabilities owed by the Company to the Parent) (the "Senior Unsecured Shared Security") granted in favor of the Security Agent on behalf of the Agents, the mandated lead arrangers under the Senior Secured Credit Facilities Agreement (the "Senior Arrangers"), the mandated lead arrangers under any Senior Unsecured Facilities Agreement (the "Senior Unsecured Arrangers" and, together with the Senior Arrangers, the "Arrangers"), each of the Primary Creditors and any receiver or delegate (together, the "Secured Parties") the Senior Unsecured Liabilities.

b) On and following the Senior Term Lender Discharge Date (as defined below), the transaction security shall rank and secure the following liabilities (only to the extent that such security is expressed to secure the relevant liabilities) in the following order:

- *first,* the Agent Liabilities owed to the the Agents, the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Cash Management Liabilities, the Hedging Liabilities that are permitted by the Intercreditor Agreement to rank super senior (the "Super Senior Hedging Liabilities" and the Hedge Counterparties in respect of such Super Senior Hedging Liabilities, the "Super Senior Hedge Counterparties") and the Hedging Liabilities that are not permitted by the Intercreditor Agreement to rank super senior (the "Pari Passu Hedging Liabilities" and the Hedge Counterparties in respect of such Pari Passu Hedging Liabilities, the "Pari Passu Hedge Counterparties") *pari passu* and without any preference between them; and

- *second,* to the extent of any Senior Unsecured Shared Security, the Senior Unsecured Liabilities.

"Senior Term Lender Discharge Date" means, at a time at which Senior Lender Liabilities continue to exist with respect to any Revolving Facility, the date designated by the Company in writing to each Agent falling on or after the first date on which all Senior Lender Liabilities with respect to all term facilities under the Senior Secured Credit Facilities Agreement have been fully and finally discharged to the satisfaction of the Senior Agent(s), otherwise than as a result of an Enforcement, and the Senior Lenders (in that capacity) are under no further obligation to provide financial accommodation to any of the Debtors with respect to any such term facilities under the applicable Senior Finance Documents provided that such designation would not result, on the date of that designation, in a breach of any Secured Debt Document.

c) For the avoidance of doubt, the transaction security granted in favor of the Security Agent on behalf of the Senior Unsecured Lenders, the Senior Unsecured Noteholders, the Senior Unsecured Notes Trustee(s) and the Security Agent (in its capacity as creditor of the claims corresponding to the Senior Unsecured Liabilities) (the "Senior Unsecured Creditors") over shares in the Parent and debt instruments issued by the Parent to any of its holding companies and over shares in any other Senior Unsecured Notes Issuer or Senior Unsecured Borrower and debt instruments incurred by such Senior Unsecured Notes Issuer or Senior Unsecured Borrower to any of its holding companies (the "Senior Unsecured Only Security") shall rank and secure only the Senior Unsecured Liabilities pari passu and without any preference between them (to the extent that such security is expressed to secure the Senior Unsecured Liabilities).

Intra-Group Liabilities, Holdco Liabilities and Investor Liabilities

The Intercreditor Agreement provides that the Intra-Group Liabilities and the liabilities owed to the Parent by a member of the Group (the "Holdco Liabilities") are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors and that the liabilities owed to any holding company of the Parent by a member of the Group under the investor documents (the "Investor Liabilities") are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors and the Intra-Group Lenders.

Restrictions Relating to the Senior Lender Liabilities and the Senior Secured Notes Liabilities

The Debtors may make payment at any time in respect of the Senior Lender Liabilities (but not, for the avoidance of doubt, in respect of Hedging Liabilities) in accordance with the provisions of the Senior Finance Documents and the Senior Secured Notes Liabilities in accordance with the provisions of the applicable documents governing the terms of the Senior Secured Notes Liabilities (the "Senior Secured Notes Finance Documents" and, together with the Senior Finance Documents, the Cash Management Agreements and the Hedging Agreements, the "Senior Secured Finance Documents"), *provided* that following acceleration events under the Senior Finance Documents or the Senior Secured Notes Finance Documents or following certain insolvency events, payments may only be made by Debtors and received by creditors in accordance with the provisions described under *"—Use of Proceeds"*.

Security and Guarantees: Senior Secured Creditors

Subject to certain customary exceptions for ancillary lenders and issuing banks under Senior Finance Documents, the Senior Lenders and the Senior Secured Noteholders may take, accept or receive the benefit of:

- any security from any member of the Parent Group in respect of Senior Lender Liabilities or the Senior Secured Note Liabilities in addition to the shared security granted in favor of the Security Agent on behalf of the Secured Parties other than the Senior Unsecured Notes Trustee(s) (on behalf of itself and the Senior Unsecured Noteholders) (the "Senior Secured Parties") if and to the extent legally possible and subject to certain agreed security principles, the other Senior Secured Parties already benefit from such security or at the same time, it is also offered either:
  - to the Security Agent as agent or trustee for the other Senior Secured Parties in respect of their secured obligations;
  - to the Security Agent as joint and several creditor of the Senior Secured Parties; or
  - in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as agent or trustee for the other Senior Secured Parties:
    - to the other Senior Secured Parties in respect of their secured obligations; or
    - to the Security Agent under a parallel debt structure or agency structure for the benefit of the other Senior Secured Parties,

  and ranks in the same order of priority as set out under the caption *"—Priority of Security,"* provided that all amounts received or recovered by the Senior Secured Noteholders, the Senior Secured Notes Trustee(s) and the Security Agent (in its capacity as creditor of the claims corresponding to the Senior Secured Notes Liabilities) (together, the "Senior Secured Note Creditors") and the Senior Lenders, the Cash Management Providers and the Hedge Counterparties (together, the "Senior Creditors" and together with the Senior Secured Note Creditors, the "Senior Secured Creditors") with respect to such security are immediately paid to the Security Agent and held and applied in accordance with the provisions set out under the caption *"—Use of Proceeds"*; and
- any guarantee, indemnity or other assurance against loss from any member of the Parent Group regarding the Senior Lender Liabilities or the Senior Secured Notes Liabilities in addition to those in:
  - the Senior Secured Credit Facilities Agreement or the Senior Secured Notes Indenture;
  - the Intercreditor Agreement; or

- any guarantee, indemnity or other assurance against loss in respect of any of the liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain agreed security principles, given to all the Senior Secured Parties in respect of their senior secured liabilities (the "Senior Secured Liabilities"),

if and to the extent legally possible, and subject to certain agreed security principles, the other Senior Secured Parties already benefit from such a guarantee, indemnity or other assurance against loss or at the same time it is also offered to the other Senior Secured Parties in respect of their liabilities and ranks in the same order of priority as set out under the caption "*—Ranking and Priority*".

This provision does not require any security or guarantee to be granted in respect of the Senior Unsecured Liabilities nor prevent the granting of the Senior Unsecured Only Security with respect to the Senior Unsecured Liabilities.

Restriction on Enforcement: Senior Lenders and Senior Secured Noteholders

The Intercreditor Agreement provides that the Senior Lenders and the Senior Secured Noteholders may not take any action to enforce the transaction security without the prior written consent of an Instructing Group (as defined below).

An "Instructing Group" means at any time:

(a) if the Senior Term Lender Discharge Date has not occurred:

- prior to the Senior Secured Discharge Date, the Majority Senior Secured Creditors; and
- on or after the Senior Secured Discharge Date but before the Senior Unsecured Discharge Date, the Majority Senior Unsecured Creditors.

(b) at any time on or after the Senior Term Lender Discharge Date:

- prior to the Senior Secured Discharge Date, the Majority Senior Creditors and the Majority Pari Passu Creditors, provided that, in relation to instructions relating to enforcement of the Collateral, the Instructing Group shall be the group of Primary Creditors entitled to give such instructions under the caption titled "*Instructions to Enforce—On or following the Senior Term Lender Discharge Date*"; and
- on or after the Senior Secured Discharge Date but before the Senior Unsecured Discharge Date, the Majority Senior Unsecured Creditors.

"Majority Pari Passu Creditors" means, on or after the Senior Term Lender Discharge Date, those Senior Secured Noteholders and Pari Passu Hedge Counterparties whose Pari Passu Credit Participations at any time aggregate more than 50% of the total Pari Passu Credit Participations at that time.

"Majority Senior Creditors" means, at any time, Senior Creditors (other than the Cash Management Providers) whose Senior Credit Participations at any time aggregate more than 50% of the total Senior Credit Participations at that time.

"Majority Senior Secured Creditors" means, at any time, Senior Secured Creditors (other than the Cash Management Providers) whose Senior Secured Credit Participations at any time aggregate more than 50% of the total Senior Secured Credit Participations at that time.

"Majority Senior Unsecured Creditors" means, at any time, Senior Unsecured Creditors whose Senior Unsecured Credit Participations at any time aggregate more than 50% of the total Senior Unsecured Credit Participations at that time.

"Pari Passu Credit Participations" means, on or after the Senior Term Lender Discharge Date (i) in relation to a holder of any Senior Secured Notes, the aggregate outstanding principal amount of the Senior Secured Notes held by it, if any and any outstanding principal amount of Senior Secured Notes Liabilities in respect of which it is the creditor, if any, (ii) in relation to a Senior Secured Noteholder in respect of any facility agreement (not being the Senior Secured Credit Facilities Agreement) which is permitted to rank pari passu to the Senior Secured Notes, its aggregate drawn and undrawn commitments under such facility agreement and (iii) in relation to any Pari Passu Hedge Counterparty, amounts payable for terminated or closed out hedging obligations and amounts that would be payable in respect of hedging obligations if they were terminated or closed out at that time.

“Senior Creditors” means (i) prior to the Senior Term Lender Discharge Date, the Senior Lenders, the Cash Management Providers and the Hedge Counterparties and (ii) on or after the Senior Term Lender Discharge Date, the Senior Lenders, the Cash Management Providers and the Super Senior Hedge Counterparties.

“Senior Credit Participations” means, prior to the Senior Term Lender Discharge Date, the aggregate drawn and undrawn commitments under the Senior Secured Credit Facilities Agreement, amounts payable for terminated or closed out hedging obligations and amounts that would be payable in respect of hedging obligations if they were terminated or closed out at that time and, on or after the Senior Term Lender Discharge Date, means the aggregate drawn and undrawn commitments under the Senior Secured Credit Facilities Agreement, amounts payable for terminated or closed out obligations under any hedging agreement constituting Super Senior Hedging Liabilities and amounts that would be payable in respect of those Super Senior Hedging Liabilities if they were terminated or closed out at that time.

“Senior Secured Credit Participations” refers to Senior Credit Participations and, in relation to holders of Senior Secured Notes, the principal amount of outstanding Senior Secured Notes held.

“Senior Secured Discharge Date” means the date on which all of the Senior Secured Liabilities have been fully and finally discharged whether or not as the result of an enforcement and no Senior Creditor or Senior Secured Note Creditors are under any obligation to provide any further financial accommodation to the Debtors.

“Senior Unsecured Credit Participation” means aggregate drawn and undrawn commitments under the Senior Unsecured Facilities Agreement and, in relation to holders of Senior Unsecured Secured Notes, the principal amount of outstanding Senior Unsecured Notes held.

“Senior Unsecured Discharge Date” means the date on which all of the Senior Unsecured Liabilities have been unconditionally discharged in full.

“Super Senior Hedging Discharge Date” means date on which all of the Super Senior Hedging Liabilities have been fully and finally discharged whether or not as the result of an enforcement and no Super Senior Hedge Counterparties are under any obligation to provide any further financial accommodation to the Debtors.

Option to Purchase Senior Liabilities and transfer Hedging Liabilities: Senior Secured Noteholders

Upon acceleration under the Senior Finance Documents, the Senior Unsecured Finance Documents, the Senior Secured Notes or the Senior Unsecured Notes, or enforcement of the transaction security, holders of the Senior Secured Notes (or those that wish to make that wish to make the relevant purchase) may elect, subject to certain conditions set out in the Intercreditor Agreement, by not less than 10 days’ notice to purchase the Senior Lender Liabilities for the amount that would have been required to prepay such liabilities on such date plus certain costs and expenses. The relevant holders of the Senior Secured Notes must also elect for the Hedge Counterparties to transfer their Hedging Liabilities to them at the same time in exchange for the amount that would have been payable under such hedging obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase. The Intercreditor Agreement sets out the terms that apply to any purchase of the Senior Lender Liabilities and the Hedging Liabilities, which include that Senior Unsecured Noteholders have not exercised their similar right.

Restrictions Relating to the Senior Unsecured Creditors and the Senior Unsecured Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the Senior Secured Discharge Date, except with the prior consent of the Senior Agent (which term includes the agent under any further Senior Finance Document) and (to the extent otherwise prohibited under the indenture or other debt instrument pursuant to which the relevant Senior Secured Notes are issued) the Senior Secured Notes Trustee(s), the Debtors shall not (and the Parent shall ensure that no member of the Parent Group will):

(i) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Senior Unsecured Liabilities in cash or in kind or apply any such money or property in or towards discharge of any Senior Unsecured Liabilities except as permitted by the provisions set out below under the captions *“—Permitted Senior Unsecured Payments,” “—Permitted Senior Unsecured Enforcement,”* and the fourth paragraph under the caption *“—Effect of Insolvency Event; Filing of Claims”* or by a refinancing of the Senior Unsecured Notes or Senior Unsecured Loan Liabilities as permitted by the Intercreditor Agreement;

(ii) exercise any set-off against any Senior Unsecured Liabilities, except as permitted by the provisions set out in the caption *"—Permitted Senior Unsecured Payments"* below, the provisions set out in the caption "*—Restrictions on Senior Unsecured Enforcement*" below or the fourth paragraph under the caption *"—Effect of Insolvency Event; Filing of Claims"* below; or

(iii) create or permit to subsist any security over any assets of any member of the Parent Group or give any guarantee from any member of the Parent Group for, or in respect of, any Senior Unsecured Liabilities other than (i) guarantees given by members of the Parent Group which are permitted by the terms of the Senior Finance Documents and the Senior Secured Finance Document to be given with respect to the Senior Unsecured Liabilities and which are subordinated in accordance with the Intercreditor Agreement and (ii) the Senior Unsecured Shared Security and/or the Senior Unsecured Only Security.

Permitted Senior Unsecured Payments

Prior to the Senior Secured Discharge Date, the Debtors may make payments to the Senior Unsecured Creditors in respect of the Senior Unsecured Liabilities then due in accordance with the Senior Unsecured Loan Finance Documents and the indenture and other documents in respect of the Senior Unsecured Notes (the "Senior Unsecured Notes Finance Documents" and, together with the Senior Unsecured Loan Finance Documents, the "Senior Unsecured Finance Documents") (such payments, collectively, "Permitted Senior Unsecured Payments"):

(i) if:

(A) the payment is of:

(I) any of the principal amount of the Senior Unsecured Liabilities which is either (1) permitted or not prohibited from being paid by the Senior Secured Credit Facilities Agreement (which term includes any further senior facilities agreements comprised within the Senior Finance Documents) and is not prohibited from being paid by the Senior Secured Notes Indenture or (2) paid on or after a maturity date of the Senior Unsecured Liabilities (provided that such maturity date complies with the terms of the Senior Finance Documents); or

(II) any other amount which is not an amount of principal or capitalized interest or a corresponding amount under the on-loan of the Senior Unsecured Notes proceeds;

(B) no payment stop notice in respect of the Senior Unsecured Liabilities (a "Senior Unsecured Payment Stop Notice") is outstanding; and

(C) no payment default under the Senior Secured Credit Facilities Agreement or the Senior Secured Notes (subject to a *de minimis* threshold) ("Senior Secured Payment Default") has occurred and is continuing;

(ii) if the Majority Senior Creditors and the Senior Secured Notes Trustee(s) give prior consent to that payment being made;

(iii) if the payment is of certain amounts due to the Senior Unsecured Notes Trustee(s) for its own account and certain defined permitted administrative costs (together, the "Senior Unsecured Notes Trustee Amounts") or in respect of Senior Unsecured Agent Liabilities;

(iv) if the payment is of certain defined permitted administrative costs or notes security costs;

(v) if the payment is of fees, commissions, taxes (including gross-up amounts), consent fees and any expenses incurred in respect of (or reasonably incidental to) of the Senior Unsecured Finance Documents;

(vi) if the payment is of costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Senior Unsecured Notes or Senior Unsecured Facilities Agreement in compliance with the Intercreditor Agreement and the Senior Secured Finance Documents; or

(vii) if the payment is by the Senior Unsecured Notes Issuer or the Senior Unsecured Borrower of any of its obligations under the Senior Unsecured Finance Documents from its own assets if such payment is not financed by a payment to the Senior Unsecured Notes Issuer or the Senior Unsecured Borrower that was prohibited by the Senior Secured Finance Documents or the Intercreditor Agreement at the time made.

On or after the Senior Secured Discharge Date, the Debtors may make payments to the Senior Unsecured Creditors in respect of the Senior Unsecured Notes Liabilities in accordance with the Senior Unsecured Notes Finance Documents and in respect of the Senior Unsecured Loan Liabilities in accordance with the Senior Unsecured Loan Finance Documents.

Payment Blockage Provisions

Until the Senior Secured Discharge Date, except with the prior consent of the Senior Agent and (to the extent otherwise prohibited under the Senior Secured Notes Indenture) the consent of the Senior Secured Notes Trustee(s) and subject to the provisions set out under the caption "*—Effect of Insolvency Event; Filing of Claims*" below, the Debtors shall not make (and the Parent shall procure that no member of the Parent Group shall), and no finance party under the Senior Unsecured Finance Documents (the "Senior Unsecured Finance Parties") may receive from a Debtor or any member of the Parent Group, any Permitted Senior Unsecured Payment (other than Senior Unsecured Notes Trustee Amounts and any Senior Unsecured Agent Liabilities) if:

- a Senior Secured Payment Default, as defined in the section under the caption "Permitted Senior Unsecured Payments" above, is continuing; or
- an event of default under the Senior Secured Credit Facilities Agreement or the Senior Secured Notes Indenture (a "Senior Secured Event of Default") (other than a Senior Secured Payment Default) is continuing, from the date which is one business day after the date on which the Senior Agent(s) or the Senior Secured Notes Trustee(s) (as the case may be) delivers a payment stop notice specifying the event or circumstance in relation to that Senior Secured Event of Default to the Parent, the Company, the Security Agent and the Senior Unsecured Representative until the earliest of:
  - the date falling 179 days after delivery of that Senior Unsecured Payment Stop Notice;
  - in relation to payments of Senior Unsecured Liabilities, if a Senior Unsecured Standstill Period (as defined below) is in effect at any time after delivery of that Senior Unsecured Payment Stop Notice, the date on which that standstill period expires;
  - the date on which the relevant Senior Secured Event of Default has been remedied or waived in accordance with the Senior Secured Credit Facilities Agreement or the Senior Secured Finance Documents (as applicable);
  - the date on which the Senior Agent or the Senior Secured Notes Trustee(s) (as applicable) delivers a notice to the Parent, the Company, the Security Agent and the Senior Unsecured Representative(s) cancelling the Senior Unsecured Payment Stop Notice;
  - the Senior Secured Discharge Date; and
  - the date on which the Security Agent or the Senior Unsecured Representative(s) takes Enforcement Action (as defined below) permitted under the Intercreditor Agreement against a Debtor.

Unless the Senior Unsecured Representative(s) waives this requirement (i) no new Senior Unsecured Payment Stop Notice may be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Unsecured Payment Stop Notice and (ii) no Senior Unsecured Payment Stop Notice may be delivered in reliance on a Senior Secured Event of Default more than 45 days after the date that the Senior Agent(s) and the Senior Secured Notes Trustee(s) (as applicable) received notice of that Senior Secured Event of Default.

The Senior Agent(s) and the Senior Secured Notes Trustee(s) may only serve one Senior Unsecured Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Senior Agent(s) or the Senior Secured Notes Trustee(s) to issue a Senior Unsecured Payment Stop Notice in respect of any other event or set of circumstances. No Senior Unsecured Payment Stop Notice may be served by a Senior Agent or Senior Secured Notes Trustee in respect of a Senior Secured Event of Default which had been notified to the Senior Agent(s) or the Senior Secured Notes Trustee(s) at the time at which an earlier Senior Unsecured Payment Stop Notice was issued.

Any failure to make a payment due under the Senior Unsecured Finance Documents as a result of the issue of a Senior Unsecured Payment Stop Notice or the occurrence of a Senior Secured Payment Default shall not prevent (i) the occurrence of an Event of Default as a consequence of that failure to make a payment in relation to the relevant Senior Unsecured Finance Documents or (ii) the issue of an enforcement notice with respect to the relevant Event of Default on behalf of the Senior Unsecured Creditors (a "Senior Unsecured Enforcement Notice").

Notwithstanding anything else in the Intercreditor Agreement, no Senior Unsecured Payment Stop Notice will prevent the Senior Unsecured Notes Issuer or Senior Unsecured Borrower from making a payment from its own assets if that payment is of the Senior Unsecured Notes Issuer's obligations under the Senior Unsecured Notes or the Senior Unsecured Borrower's obligations under the Senior Unsecured Loan Finance Documents and such payment is not financed by a payment to the Senior Unsecured Notes Issuer or the Senior Unsecured Borrower from a member of the Group that was prohibited by the Senior Secured Facility Documents or the Intercreditor Agreement at the time such payment was made.

Payment Obligations and Capitalization of Interest Continue

No Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Senior Unsecured Finance Document by the operation of the provisions set out under each section above under the caption "*—Restrictions Relating to the Senior Unsecured Creditors and the Senior Unsecured Liabilities*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with the Senior Unsecured Finance Documents shall continue notwithstanding the issue of a Senior Unsecured Payment Stop Notice.

Cure of Payment Stop

If:

(i) at any time following the issue of a Senior Unsecured Payment Stop Notice or the occurrence of a Senior Secured Payment Default, that Senior Unsecured Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default ceases to be continuing; and

(ii) the relevant Debtor then promptly pays to the Senior Unsecured Creditors an amount equal to any payments which had accrued under the Senior Unsecured Finance Documents and which would have been Permitted Senior Unsecured Payments but for that Senior Unsecured Payment Stop Notice or Senior Secured Payment Default,

then any event of default which may have occurred as a result of that suspension of payments shall be waived and any Senior Unsecured Enforcement Notice which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Senior Unsecured Creditors.

Restrictions on Amendments and Waivers

Subject to the following paragraph, the Intercreditor Agreement provides that the Senior Unsecured Creditors may amend or waive the terms of the Senior Unsecured Finance Documents (other than the Intercreditor Agreement or any security document) in accordance with their terms at any time.

Prior to the Senior Secured Discharge Date, the Senior Unsecured Finance Parties may not, without the consent of the Majority Senior Lenders (as defined in the Senior Secured Credit Facilities Agreement) and (to the extent otherwise prohibited under the Senior Secured Notes Indenture) the Senior Secured Notes Trustee(s), amend or waive the terms of the Senior Unsecured Finance Documents if the amendment or waiver would result in the Senior Unsecured Finance Documents being inconsistent with any requirements thereof set out in any Senior Secured Finance Document.

Restrictions on Senior Unsecured Enforcement

Until the Senior Secured Discharge Date, except with the prior consent of or as required by an Instructing Group:

(i) no Senior Unsecured Finance Party shall direct the Security Agent to enforce, or otherwise (to the extent applicable) require the enforcement of, any transaction security (and such term does not include the Senior Unsecured Only Security); and

(ii) no Senior Unsecured Finance Party shall take or require the taking of any Enforcement Action in relation to the Senior Unsecured Guarantees,

except as permitted under the provisions set out under the caption *"—Permitted Senior Unsecured Enforcement"* below.

"Enforcement Action" is defined as:

- in relation to any liabilities:
  - the acceleration of any liabilities or the making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Senior Lender, a Senior Secured Noteholder, a Senior Unsecured Lender or a Senior Unsecured Noteholder to perform its obligations under, or of any voluntary or mandatory prepayment arising under, the debt documents);
  - the making of any declaration that any liabilities are payable on demand;
  - the making of a demand in relation to a liability that is payable on demand;
  - the making of any demand against any member of the Parent Group in relation to any guarantee liabilities of that member of the Parent Group;
  - the exercise of any right to require any member of the Parent Group to acquire any liability (including exercising any put or call option against any member of the Parent Group for the redemption or purchase of any liability but excluding any such right which arises as a result of the permitted debt purchase transactions provisions of the Senior Secured Credit Facilities Agreement or any similar provisions in the Senior Secured Notes Finance Documents or the Senior Unsecured Finance Documents and excluding any mandatory offer arising as a result of a change of control, asset sale or escrow special mandatory redemption (howsoever described) as set out in the Senior Secured Notes Finance Documents or the Senior Unsecured Notes Finance Documents);
  - the exercise of any right of set-off, account combination or payment netting against any member of the Parent Group in respect of any liabilities other than the exercise of any such right:
    - as close-out netting by a Hedge Counterparty or by a hedging ancillary lender;
    - as payment netting by a Hedge Counterparty or by a hedging ancillary lender;
    - as inter-hedging agreement netting by a Hedge Counterparty;
    - as inter-hedging ancillary document netting by a hedging ancillary lender; and
    - which is otherwise expressly permitted or not prohibited under the Senior Secured Credit Facilities Agreement, the Senior Secured Notes Finance Documents or the Senior Unsecured Finance Documents to the extent that the exercise of that right gives effect to a permitted payment under the Intercreditor Agreement; and
    - the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Parent Group to recover any liabilities;
  - the premature termination or close-out of any hedging transaction under any Hedging Agreement, save to the extent permitted by the Intercreditor Agreement;

- the taking of any steps to enforce or require the enforcement of any security (including the crystallization of any floating charge forming part of the transaction security);
- the entering into of any composition, compromise, assignment or similar arrangement with any member of the Parent Group which owes any liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the liabilities of the Parent Group owed to a creditor under the debt documents (other than any action permitted under the Intercreditor Agreement or any debt buybacks pursuant to open market debt repurchases, tender offers or exchange offers not undertaken as part of an announced restructuring or turnaround plan or while a default was outstanding under the relevant Senior Secured Finance Documents or Senior Unsecured Finance Documents); or
- the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator, judicial manager or similar officer) in relation to the winding up, dissolution, administration, judicial management or reorganization of any member of the Parent Group which owes any liabilities to a creditor under the debt documents, or has given any security, guarantee, indemnity or other assurance against loss in respect of such liabilities, or any of such member of the Parent Group's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Parent Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action:

- the taking of any action falling within bullet point above beginning 'the suing for' or the bullet point immediately above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods;
- an Ancillary Lender, Hedge Counterparty, an Issuing Bank or Senior Unsecured Representative(s) bringing legal proceedings against any person solely for the purpose of (A) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any debt document to which it is party, (B) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages, and (C) requesting judicial interpretation of any provision of any debt document to which it is party with no claim for damages; or
- bringing legal proceedings against any person in connection with any securities violation, securities or listing relations or common law fraud or to restrain any actual or putative breach of the Senior Unsecured Finance Documents or the Senior Secured Finance Documents or for specific performance with no claims for damages.

Permitted Senior Unsecured Enforcement

The restrictions set out under the caption *"—Restrictions on Senior Unsecured Enforcement"* above will not apply in respect of the Senior Unsecured Liabilities or the transaction security documents (if any) which secure the Senior Unsecured Liabilities as permitted by paragraph (iii) set out under the caption "*—Restriction on Payment and Dealings*" above, if:

(i) a default under the Senior Unsecured Finance Documents (the "Relevant Senior Unsecured Default") is continuing;

(ii) the Senior Agent(s) and the Senior Secured Notes Trustee(s) have received a notice of the Relevant Senior Unsecured Default specifying the event or circumstance in relation to the Relevant Senior Unsecured Default from the Senior Unsecured Representative(s);

(iii) a Senior Unsecured Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Senior Unsecured Default is continuing at the end of the relevant Senior Unsecured Standstill Period.

Promptly upon becoming aware of a default under the Senior Unsecured Finance Documents (a "Senior Unsecured Default"), the Senior Unsecured Representative(s) may by notice (a "Senior Unsecured Enforcement Notice") in writing notify the Senior Agent(s) and the Senior Secured Notes Trustee(s) of the existence of such Senior Unsecured Default.

Senior Unsecured Standstill Period

In relation to a Relevant Senior Unsecured Default, a Senior Unsecured Standstill Period shall mean the period beginning on the date (the "Senior Unsecured Standstill Start Date") the relevant Senior Unsecured Representative(s) serves a Senior Unsecured Enforcement Notice on the Senior Agent(s) and the Senior Secured Notes Trustee(s) in respect of such Relevant Senior Unsecured Default and ending on the earliest to occur of:

(i) the date falling 179 days after the Senior Unsecured Standstill Start Date (the "Senior Unsecured Standstill Period");

(ii) the date the Senior Secured Creditors take any Enforcement Action in relation to a particular Debtor, *provided*, *however*, that:

(A) if a Senior Unsecured Standstill Period ends pursuant to this paragraph, the Senior Unsecured Finance Parties may only take the same Enforcement Action in relation to the Debtor as the Enforcement Action taken by the Senior Secured Creditors against such Debtor and not against any other member of the Parent Group; and

(B) Enforcement Action for the purpose of this paragraph shall not include action taken to preserve or protect any security as opposed to realize it;

(iii) the date of an Insolvency Event (as defined below) in relation to a particular Debtor against whom Enforcement Action is to be taken; and

(iv) the expiry of any other Senior Unsecured Standstill Period outstanding at the date such first mentioned Senior Unsecured Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy).

Subsequent Senior Unsecured Defaults

The Senior Unsecured Finance Parties may take Enforcement Action under the provisions set out in caption "*—Permitted Senior Unsecured Enforcement*" above in relation to a Relevant Senior Unsecured Default even if, at the end of any relevant Senior Unsecured Standstill Period or at any later time, a further Senior Unsecured Standstill Period has begun as a result of any other Senior Unsecured Default.

Enforcement on behalf of Senior Unsecured Finance Parties

No Senior Unsecured Finance Party may take any Enforcement Action under the provisions set out in caption "*—Permitted Senior Unsecured Enforcement*" above while the Security Agent is taking steps to enforce security created pursuant to any security document over shares of a Debtor in accordance with the instructions of the Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

If the Senior Unsecured Creditors are permitted to give instructions to the Security Agent to require the enforcement of the security (other than the Senior Unsecured Only Security) in accordance with the preceding paragraph, such Enforcement Action must require the realisation of the relevant security by way of a sale or disposal conducted in accordance with the provisions set out under the caption "*—Distressed Disposals*".

Option to Purchase Senior Secured Liabilities and transfer of Hedging Liabilities: Senior Unsecured Creditors

Upon acceleration under the Senior Finance Documents, the Senior Secured Notes Finance Documents or the Senior Unsecured Finance Documents or enforcement of the transaction security, Senior Unsecured Creditors (or those that wish to make the relevant purchase) may by not less than 10 business days' notice elect to purchase the outstanding Senior Lender Liabilities and outstanding Senior Secured Notes Liabilities for the amount that would have been required to prepay or redeem such liabilities on such date plus certain costs and expenses and provide cash cover in respect of any letters of credit that are outstanding. The relevant Senior Unsecured Creditors must also elect for the Hedge Counterparties to transfer their Hedging Liabilities to them at the same time in exchange for the amount that would have been payable under the relevant Hedging Agreements had they been terminated on such date plus certain costs and expenses in connection with any such purchase. The Intercreditor Agreement sets out the terms that apply to any purchase of the Senior Lender Liabilities, the Senior Secured Notes Liabilities and the Hedging Liabilities.

Effect of Insolvency Event; Filing of Claims

An "Insolvency Event" occurs in relation to any member of the Parent Group if:

- any resolution is passed or order made for its winding up, dissolution, administration, judicial management or reorganization of that member of the Parent Group, a moratorium is declared in relation to any of that member of the Parent Group's indebtedness or an administrator or judicial manager is appointed to that member of the Parent Group;

- any composition, compromise, assignment or arrangement is made with its creditors generally;

- a liquidator, receiver, administrator, judicial manager, administrative receiver, compulsory manager or other similar officer is appointed in respect of that member of the Parent Group or any of its assets;

- certain analogous specified events occur in respect of a member of the Parent Group incorporated in Germany; or

- any analogous procedure or step to those described above in respect to the member of the Parent Group is taken in any jurisdiction.

The Intercreditor Agreement provides that, after the occurrence of an Insolvency Event in relation to any member of the Parent Group, any party entitled to receive a distribution out of the assets of that member of the Parent Group (in the case of a Primary Creditor (other than a Senior Unsecured Creditor) on or after the Senior Term Lender Discharge Date, only to the extent that such amount constitutes Enforcement Proceeds) in respect of liabilities owed to that party shall, to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Parent Group to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption *"—Use of Proceeds"* below.

Generally, to the extent that any member of Parent Group's liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Parent Group, any creditor regulated by the Intercreditor Agreement which benefited from that set-off shall (in the case of a Primary Creditor (other than a Senior Unsecured Creditor) on or after the Senior Term Lender Discharge Date, only to the extent that such amount constitutes Enforcement Proceeds) pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out in the caption "*—Use of Proceeds*" below.

If the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the liabilities owed to them by a member of the Parent Group, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards such liabilities.

After the occurrence of an Insolvency Event in relation to any member of Parent Group, each creditor regulated by the Intercreditor Agreement irrevocably authorizes the Security Agent, on its behalf, to:

(i) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Parent Group;

(ii) demand, sue, prove and give receipt for any or all of that member of Parent Group's liabilities owed to the creditors under the debt documents;

(iii) collect and receive all distributions on, or on account of, any or all of that member of Parent Group's liabilities owed to the creditors under the debt documents; and

(iv) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of Parent Group's liabilities owed to the creditors under the debt documents;

provided that this shall not apply with respect to a Senior Unsecured Creditor in respect of the Parent (except to the extent relating to or affecting the Senior Unsecured Shared Security or the assets secured by it).

Each creditor regulated by the Intercreditor Agreement will (i) do all things that the Security Agent reasonably requests in order to give effect to the matters disclosed under this section "—*Effect of Insolvency Event; Filing of Claims*" and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this section or if the Security Agent requests that a creditor regulated by the Intercreditor Agreement take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent may reasonably require, although no trustee shall be under any obligation to grant such powers of attorney) to enable the Security Agent to take such action.

Turnover by the Primary Creditors

Subject to certain customary exceptions, the Intercreditor Agreement provides that:

(a) if (at any time prior to the Final Discharge Date) a Senior Unsecured Creditor or (at any time prior to the Senior Term Lender Discharge Date only) any other Primary Creditor, receives or recovers from any member of the Parent Group:

  (i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the debt documents which is not either (x) a payment permitted under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under the caption "—*Use of Proceeds*";

  (ii) any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;

  (iii) any amount:

    (A) on account of, or in relation to, any of the liabilities owed to the creditors under the debt documents:

      (I) after the occurrence of an acceleration event or the enforcement of any security; or

      (II) as a result of any other litigation or proceedings against a member of the Parent Group (other than after the occurrence of an Insolvency Event in respect of that member of the Parent Group); or

    (B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any security,

  (iv) the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption "—*Use of Proceeds*"; or

  (v) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Parent Group which is not in accordance with the provisions set out in the caption "—*Use of Proceeds*" and which is made as a result of, or after, the occurrence of an insolvency event in respect of that member of Parent Group; or

  other than, in each case, (1) any amount received or recovered in accordance with the provisions set out below the caption "—*Use of Proceeds*" or (2) in the case of a payment by a Senior Unsecured Notes Issuer or a Senior Unsecured Borrower to a Senior Unsecured Creditor, any amount received that is a Permitted Senior Unsecured Payment or (3) any amount received or recovered by a Senior Unsecured Creditor in respect of the Senior Unsecured Only Security;

(b) if at any time on or after the Senior Term Lender Discharge Date but prior to the Final Discharge Date, any Primary Creditor (other than a Senior Unsecured Creditor) receives or recovers any Enforcement Proceeds other than in accordance with the provisions set out below the caption "—*Use of Proceeds*", that Primary Creditor regulated by the Intercreditor Agreement will: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Turnover by other Creditors

Subject to certain customary exceptions, the Intercreditor Agreement provides that if at any time prior to the Final Discharge Date, any Creditor (other than a Primary Creditor that is not a Senior Unsecured Creditor) receives or recovers from any member of the Parent Group:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the debt documents which is not either (x) a payment permitted under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under the caption "—*Use of Proceeds*";

(ii) any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) any amount:

(A) on account of, or in relation to, any of the liabilities owed to the creditors under the debt documents:

I after the occurrence of an acceleration event or the enforcement of any security; or

II as a result of any other litigation or proceedings against a member of the Parent Group (other than after the occurrence of an Insolvency Event in respect of that member of the Parent Group); or

(B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any security,

(iv) the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption "—*Use of Proceeds*"; or

(v) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Parent Group which is not in accordance with the provisions set out in the caption "—*Use of Proceeds*" and which is made as a result of, or after, the occurrence of an insolvency event in respect of that member of Parent Group,

other than, in each case, (1) any amount received or recovered in accordance with the provisions set out below the caption "—*Use of Proceeds*" or (2) in the case of a payment by a Senior Unsecured Notes Issuer or a Senior Unsecured Borrower to a Senior Unsecured Creditor, any amount received that is a Permitted Senior Unsecured Payment or (3) any amount received or recovered by a Senior Unsecured Creditor in respect of the Senior Unsecured Only Security;

that Creditor (other than a Primary Creditor that is not a Senior Unsecured Creditor) regulated by the Intercreditor Agreement will: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Enforcement of Security – Prior to the Senior Term Lender Discharge Date

Enforcement Instructions

The Security Agent may refrain from enforcing the transaction security or taking other Enforcement Action unless instructed otherwise by (i) the Instructing Group or (ii) if required under the third paragraph of this section, the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors).

Subject to the transaction security having become enforceable in accordance with its terms (i) the Instructing Group or (ii) to the extent permitted to enforce or to require the enforcement of the Senior Unsecured Shared Security prior to the Senior Secured Discharge Date under the provisions set out under the caption "*—Permitted Senior Unsecured Enforcement"* above, the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors) may give, or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the transaction security or (as applicable) the Senior Unsecured Shared Security as they see fit.

Prior to the Senior Secured Discharge Date, (i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the transaction security or (ii) in the absence of instructions from the Instructing Group, and, in each case, if the Instructing Group has not required any Debtor to make a Distressed Disposal (as defined below), the Security Agent shall give effect to any instructions to enforce the Senior Unsecured Shared Security which the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors) is then entitled to give to the Security Agent under the provisions under the caption "*—Permitted Senior Unsecured Enforcement*" above respectively. Notwithstanding the preceding sentence, if at any time the Senior Unsecured Representative(s) is then entitled to give the Security Agent instructions to enforce the Senior Unsecured Shared Security pursuant to the preceding sentence and the Senior Unsecured Representative(s) either gives such instruction or indicates any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the transaction security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Senior Unsecured Representative(s) under the provisions set out under the caption "*—Permitted Senior Unsecured Enforcement"* above and the Security Agent shall act on such instructions received from the Instructing Group.

No Secured Party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the transaction security documents except through the Security Agent.

Manner of Enforcement

If the transaction security is being enforced or other action as to enforcement is being taken as set forth above under the caption "*—Enforcement Instructions*," the Security Agent shall enforce the transaction security or take such other action as to enforcement in such manner (including, without limitation, the selection of any administrator (or any analogous officer in any jurisdiction) of any Debtor to be appointed by the Security Agent) as:

- the Instructing Group; or
- prior to the Senior Secured Discharge Date, if (i) the Security Agent has, pursuant to the penultimate paragraph of the preceding section, received instructions given by the Majority Senior Unsecured Creditors to enforce the Senior Unsecured Shared Security and (ii) the Instructing Group has not given instructions as to the manner of enforcement of the transaction security, the Majority Senior Unsecured Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent sees fit.

Exercise of Voting Rights

Each creditor regulated by the Intercreditor Agreement agrees (to the fullest extent permitted by law at the relevant time) with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Parent Group as instructed by the Security Agent provided that this shall not apply with respect to a Senior Unsecured Creditor in respect of the Parent (except to the extent relating to or affecting the Senior Unsecured Shared Security or the assets secured by it).

The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group.

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties and the Debtors waives all rights it may otherwise have to require that the transaction security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the transaction security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

Duties Owed

Pursuant to the Intercreditor Agreement, each of the Secured Parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the transaction security prior to the Senior Secured Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to any Senior Unsecured Finance Party in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall (save as set out under the fourth paragraph of the caption "*—Distressed Disposals*") be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors under general law.

Consultation Period

Subject to as set out below, before giving any instructions to the Security Agent to enforce the transaction security or to take any other Enforcement Action, the Agents of the creditors represented in the Instructing Group concerned shall consult with each other Agent and the Security Agent in good faith about the instructions to be given by the Instructing Group for a period of up to 15 days (or such shorter period as each Agent and the Security Agent shall agree) (the "Consultation Period"), and only following the expiry of a Consultation Period, the Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the transaction security or take any other Enforcement Action.

No Agent of a creditor represented in the Instructing Group shall be obliged to consult as set out above and the Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the transaction security or take any other Enforcement Action prior to the end of a Consultation Period if:

(a) the transaction security has become enforceable as a result of an Insolvency Event; or

(b) the Instructing Group or any Agent of the creditors represented in the Instructing Group determines in good faith (and notifies each representative and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the transaction security could reasonably be expected to have a material adverse effect on:

  (i) the Security Agent's ability to enforce any of the transaction security; or

  (ii) the realisation proceeds of any enforcement of the transaction security.

Enforcement of Security—On or Following the Senior Term Lender Discharge Date

Instructions to Enforce

If either the Majority Senior Creditors or the Majority Pari Passu Creditors wish to issue enforcement instructions, the creditor representative representing the Majority Senior Creditors or the Majority Pari Passu Creditors, as applicable, shall deliver a copy of the proposed enforcement instructions (an "Initial Enforcement Notice") to the Security Agent and to each agent under the Intercreditor Agreement and each Hedge Counterparty.

The Security Agent will act in accordance with enforcement instructions received from the Majority Pari Passu Creditors save that where:

(i) the Majority Pari Passu Creditors have not either:

  (A) made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue (and notified the Security Agent of that determination in writing), or

  (B) appointed a financial adviser pursuant to the terms of the Intercreditor Agreement to assist them in making such a determination, within three months of the date of the Initial Enforcement Notice, or

(ii) neither the Senior Lender Discharge Date nor the Super Senior Hedging Discharge Date (the later of which, the "Super Senior Discharge Date") have occurred within six months of the date of the Initial Enforcement Notice,

then the Security Agent will act in accordance with the Enforcement Instructions received from the Majority Senior Creditors until the Super Senior Discharge Date has occurred.

If an Insolvency Event is continuing with respect to a Debtor, then the Security Agent will act in accordance with enforcement instructions received from the Majority Senior Creditors until the Super Senior Discharge Date has occurred.

If the Majority Pari Passu Creditors have not either:

(i) made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue; or

(ii) appointed a financial adviser in accordance with the terms of the Intercreditor Agreement to assist them in making such a determination,

and the Majority Senior Creditors: (A) determine in good faith (and notify the other Agents, the Hedge Counterparties and the Security Agent) that a delay in issuing enforcement instructions could reasonably be expected to have a material adverse effect on the ability to effect a Distressed Disposal (as defined below) or on the expected realized proceeds of enforcement and (B) deliver enforcement instructions which they reasonably believe to be consistent with the enforcement objectives under the Intercreditor Agreement and necessary or advisable in enhancing the prospects of achieving a prompt and expeditious realization of the value of transaction security before the Security Agent has received any enforcement instructions from the Majority Pari Passu Creditor, then the Security Agent will act in accordance with the enforcement instructions received from the Majority Senior Creditors until the Super Senior Discharge Date has occurred.

Enforcement Instructions

The Security Agent may refrain from enforcing the transaction security unless instructed otherwise by the Instructing Group as set out under the provisions set out under the above caption titled "*—Instructions to Enforce—On or Following the Senior Term Lender Discharge Date.*"

Prior to the Senior Secured Discharge Date, (i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the transaction security or (ii) in the absence of instructions from the Instructing Group, and, in each case, the Instructing Group has not required any Debtor to make a Distressed Disposal (as defined below), the Security Agent shall give effect to any instructions to enforce the security which the Senior Unsecured Notes Trustee (acting on the instructions of the Majority Senior Unsecured Creditors) are then entitled to give to the Security Agent under the provisions under the caption titled "*— Permitted Senior Unsecured Notes Enforcement*" above respectively.

Notwithstanding the immediately preceding sentence, if at any time the Senior Unsecured Creditors are then entitled to give the Security Agent instructions to enforce the transaction security pursuant to the preceding sentence and the Senior Unsecured Notes Trustee either gives such instruction or indicates any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the transaction security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Senior Subordinated Representative(s) under the provisions set out under the caption titled "*—Permitted Senior Unsecured Notes Enforcement*" above and the Security Agent shall act on such instructions received from the Instructing Group.

No secured party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the transaction security documents except through the Security Agent.

Manner of Enforcement

If the transaction security is being enforced as set forth above under the caption titled "*—Enforcement Instructions—Prior to the Senior Term Lender Discharge Date*," or as set forth above under the caption titled "*—Enforcement Instructions—On or Following the Senior Term Lender Discharge Date*," the Security Agent shall enforce the transaction security in such manner (including, without limitation, the selection of any administrator of any Debtor to be appointed by the Security Agent) as:

- the Instructing Group; or
- prior to the Senior Secured Discharge Date, if (i) the Security Agent has, pursuant to the penultimate paragraph of the preceding section, received instructions given by the Majority Senior Unsecured Creditors to enforce the transaction security and (ii) the Instructing Group has not given instructions as to the manner of enforcement of the transaction security, the Majority Senior Unsecured Creditors,

shall instruct (in a manner consistent with the enforcement principles under the Intercreditor Agreement) or, in the absence of any such instructions, as the Security Agent may (but will not be obliged to) consider in its discretion to be appropriate and consistent with the enforcement principles under the Intercreditor Agreement.

Exercise of Voting Rights

Each Creditor (other than each Agent and each Arranger) agrees with the Security Agent that it will cast its vote in any proposal put to a vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Parent Group as instructed by the Security Agent provided that this shall not apply with respect to a Senior Unsecured Creditor in respect of the Parent (except to the extent relating to or affecting the Senior Unsecured Shared Security or the assets secured by it).

The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group.

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the secured parties and the Debtors waives all rights it may otherwise have to require that the transaction security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the transaction security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

Duties Owed

Pursuant to the Intercreditor Agreement, each of the secured parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the transaction security prior to the Senior Secured Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to any Senior Unsecured Finance Party in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors under general law.

Alternative Enforcement Action

After the Security Agent has commented Enforcement, it shall not accept any subsequent instructions from anyone other than the Instructing Group that instructed it to commence such enforcement of the transaction security.

Enforcement of Senior Unsecured Only Security

The Senior Unsecured Creditors may not give instructions to the Security Agent as to the enforcement of the Senior Unsecured Only Security other than in accordance with the Intercreditor Agreement. The Security Agent may refrain from enforcing the Senior Unsecured Only Security or taking any other Enforcement Action in respect of the Senior Unsecured Liabilities unless instructed otherwise by the Majority Senior Unsecured Creditors.

Subject to the Senior Unsecured Only Security having become enforceable, the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors) may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Senior Unsecured Only Security as it sees fit.

No Senior Unsecured Finance Party shall have any independent power to enforce, or to have recourse to, any Senior Unsecured Only Security or to exercise any rights or powers arising under the documents relating to the Senior Unsecured Only Security except through the Security Agent.

If the Senior Unsecured Only Security is being enforced or other action as to enforcement is being taken pursuant to the terms of the Intercreditor Agreement, the Security Agent will enforce the Senior Unsecured Only Security or take such other action as to enforcement in respect thereof in such manner (including, without limitation, the selection of any administrator (or any analogous officer in any jurisdiction) of any Debtor to be appointed by the Security Agent) as the Majority Senior Unsecured Creditors instruct or, in the absence of such instructions, the Security Agent may (but will not be obliged to) act as it sees fit.

Each of the Senior Creditors and the Debtors acknowledges that, in the event that the Security Agent enforces or is instructed to enforce the Senior Unsecured Only Security prior to the Senior Unsecured Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to the any Senior Unsecured Finance Party in respect of the method, type and timing of that enforcement or of the exploitation, management or realisation of any of that Senior Unsecured Only Security shall be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors under general law, save as set out under the fourth paragraph of the caption "*—Distressed Disposals*".

To the extent permitted under applicable law and subject to the terms of the Intercreditor Agreement, each of the Senior Creditors and the Debtors waives all rights it may otherwise have to require that the Senior Unsecured Only Security be enforced in any particular order or manner or at any particular time or that any sum received or recovered from any person, or by virtue of the enforcement of any of the Senior Unsecured Only Security or of any other security interest, which is capable of being applied in or towards discharge of any of the Senior Lender Liabilities which benefit from Senior Unsecured Only Security is so applied.

After the Security Agent has commenced an enforcement of the Senior Unsecured Only Security it will not accept any subsequent instructions as to enforcement thereof from anyone other than the Majority Senior Unsecured Creditors that instructed it in respect of such enforcement regarding any other enforcement over or relating to the Senior Unsecured Only Security the subject of the enforcement which has been commenced. This will not restrict the right of any other Senior Unsecured Creditors to instruct the Security Agent as to enforcement of the Senior Unsecured Only Security that includes any shares or assets which are not directly or indirectly the subject of a prior instruction as to enforcement.

Security Held by Other Creditors

If any security (other than any Senior Unsecured Only Security) is held by a creditor other than the Security Agent, then such creditors may only enforce that security in accordance with instructions given by an Instructing Group in accordance with the Intercreditor Agreement.

If any Senior Unsecured Only Security is held by a creditor other than the Security Agent, then such creditors may only enforce that Senior Unsecured Only Security in accordance with instructions given by the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors) in accordance with the Intercreditor Agreement.

Proceeds of Disposals

Non-Distressed Disposals

In this section, "Disposal Proceeds" means the proceeds of a Non-Distressed Disposal (as defined below).

If, in respect of (a) a disposal of an asset by a Debtor, (b) a disposal of an asset which is subject to the transaction security or (c) any merger, consolidation, reorganization or transaction whereby a release of an asset is required to effect such disposal, merger, consolidation, reorganization or transaction, and, in each case, is not prohibited by the Senior Finance Documents, the Senior Secured Notes Finance Documents or the Senior Unsecured Finance Documents:

(i) (prior to the Senior Lender Liabilities having been discharged) the Senior Agent(s) notifies the Security Agent that that transaction is permitted under (or is not prohibited by) the Senior Finance Documents and the relevant asset is not required to remain subject to security (which it shall do as soon as practicable on request by the Company);

(ii) (prior to the Senior Secured Notes Liabilities having been discharged) the Parent certifies for the benefit of the Security Agent that that transaction is permitted under (or is not prohibited by) the Senior Secured Notes Finance Documents or the Senior Secured Notes Trustee(s) authorizes the release in accordance with the terms of the Senior Secured Notes Finance Documents;

(iii) the Parent certifies for the benefit of the Security Agent that that transaction is permitted under (or is not prohibited by) the Senior Unsecured Finance Documents or the Senior Unsecured Representative(s) authorizes the release in accordance with the terms of the Senior Unsecured Finance Documents; and

(iv) that disposal is not a Distressed Disposal (as defined below),

(a "Non-Distressed Disposal") the Security Agent is irrevocably authorized (at the reasonable cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any creditor or Debtor) but subject to the following paragraph:

- to release the transaction security and any other claim (relating to a debt document) over that asset;
- where that asset consists of shares in the capital of a Debtor, to release the transaction security and any other claim, including without limitation any guarantee liabilities or other liabilities (relating to a debt document) over that Debtor or its assets and (if any) the subsidiaries of that Debtor and their respective assets; and
- to execute and deliver or enter into any release of the transaction security or any claim described in the preceding two bullets and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may be reasonably requested by the Parent.

If that Non-Distressed Disposal is not made, each release of security or any claim described in the paragraph above shall have no effect and the transaction security or claim subject to that release shall continue in such force and effect as if that release had not been effected.

If any Disposal Proceeds are required to be applied in mandatory prepayment of the Senior Lender Liabilities, the Senior Secured Notes Liabilities or the Senior Unsecured Liabilities (as applicable) then, subject to the terms of the Intercreditor Agreement, the Disposal Proceeds shall be applied in or towards payment of (or to the extent applicable under the relevant debt document the making of an offer of payment):

(i) *first*, the Senior Lender Liabilities in accordance with the terms of the Senior Secured Credit Facilities Agreement (without any obligation to apply those amounts towards the Senior Secured Notes Liabilities or the Senior Unsecured Liabilities); and

(ii) *second*, the Senior Secured Notes Liabilities in accordance with the terms of the Senior Secured Notes Indenture (without any obligation to pay those amounts towards the Senior Unsecured Liabilities); and

(iii) *then*, after the discharge in full of the Senior Lender Liabilities and the Senior Secured Notes Liabilities, the Senior Unsecured Liabilities in accordance with the terms of the Senior Unsecured Finance Documents,

and the consent of any other party shall not be required for that application.

Distressed Disposals

A "Distressed Disposal" is a disposal of an asset of a member of the Group and/or (to the extent subject to the transaction security) an asset of the Parent which is (a) being effected at the request of an Instructing Group in circumstances where the transaction security has become enforceable, (b) being effected by enforcement of the transaction security or (c) being effected, subsequent to an acceleration event or the enforcement of any transaction security, by a Debtor to a person which is not a member of the Parent Group (if the Senior Term Lender Discharge Date has occurred, in respect of an asset which is subject to transaction security).

If a Distressed Disposal of any asset is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Parent or the Company and without any consent, sanction, authority or further confirmation from any creditor under the Intercreditor Agreement or Debtor):

(i) to release the transaction security and/or any other claim over that asset and execute and deliver or enter into any release of that 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 a Debtor to release:

(A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, its guarantee liabilities and its other liabilities;

(B) any security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

(C) any other claim of an Intra-Group Lender, an investor, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor,

on behalf of the relevant creditors regulated by the Intercreditor Agreement, the Senior Agent(s), Arrangers, Debtors, the Senior Secured Notes Trustee(s) and the Senior Unsecured Representative(s);

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor to release:

(A) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, its guarantees liabilities and its other liabilities;

(B) any transaction security granted by any subsidiary of that holding company over any of its assets; and

(C) any other claim of an Intra-Group Lender, and investor or another Debtor over the assets of that holding company and any subsidiary of that holding company,

on behalf of the relevant creditors regulated by the Intercreditor Agreement, the Senior Agent(s), Arrangers, Debtors, the Senior Secured Notes Trustee(s) and the Senior Unsecured Representative(s);

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities owed to any creditor under the debt documents (the "Liabilities") or the liabilities owed to any other Debtor (the "Debtor Liabilities") by that Debtor or holding company or any subsidiary of that Debtor or holding company:

(A) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those Liabilities or Debtor Liabilities (the "Transferee") will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those Liabilities or Debtor Liabilities, *provided* that, notwithstanding any other provision of any debt document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all (and not part only) of the Liabilities owed to the Primary Creditors and all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case, the relevant creditors and Debtors;

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "Disposed Entity") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of the Intra-Group Liabilities or the Debtor Liabilities, to execute and deliver or enter into any agreement to:

(A) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the relevant Intra-Group Lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) (provided the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of the Senior Secured Liabilities) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra- Group Liabilities or Debtor Liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of Liabilities or Debtor Liabilities) shall be paid to the Security Agent for application in accordance with the provisions set out under the caption "—*Use of Proceeds*" as if those proceeds were the proceeds of an enforcement of the transaction security and, to the extent that any disposal of Liabilities or Debtor Liabilities has occurred, as if that disposal of Liabilities or Debtor Liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of certain Liabilities) effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of Liabilities in order to achieve a higher price).

If a Distressed Disposal is being effected at a time when the Majority Senior Unsecured Creditors are entitled to give, and have given, instructions to enforce the relevant transaction security in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, subsidiary or holding company from any borrowing liabilities or guarantor liabilities owed to any Senior Secured Creditor unless those borrowing liabilities or guarantor liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant Senior Creditor), following that release.

Where borrowing liabilities in respect of any Senior Secured Liabilities would otherwise be released pursuant to the Intercreditor Agreement, the creditor concerned may elect to have those borrowing liabilities transferred to the Parent or the immediate holding company of that holding company (provided that, in the case of a transfer to the Parent , it will remain a subsidiary of the Parent after the relevant Distressed Disposal), in which case the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any creditor or Debtor) to execute such documents as are required to so transfer those borrowing liabilities.

If before the Senior Unsecured Discharge Date, a Distressed Disposal is being effected such that the guarantees in respect of the obligations of the Senior Unsecured Notes Issuer or Senior Unsecured Borrower under the Senior Unsecured Finance Documents (the "Senior Unsecured Guarantees") and the Senior Unsecured Shared Security or assets of a guarantor in respect of the obligations of the Senior Unsecured Issuer or the Senior Unsecured Borrower under the Senior Unsecured Finance Documents (a "Senior Unsecured Guarantor") will be released pursuant to the Intercreditor Agreement, it is a further condition to the release that either:

- the Senior Unsecured Representative(s) has approved the release; or
- where shares or assets of a Senior Unsecured Guarantor or assets of the Senior Unsecured Notes Issuer or Senior Unsecured Borrower are sold:

  (A) the proceeds of such sale or disposal are in cash (or substantially in cash) and/or other marketable securities or, if the proceeds of such sale or disposal are not in cash (or substantially in cash) and/or other marketable securities, the requirements of paragraph (C)(III) below are satisfied;

  (B) all claims of the Senior Secured Creditors against a member of the Parent Group (if any), all of whose shares are pledged in favor of the Senior Secured Creditors are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security under the transaction security documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, *provided* that in the event of a sale or disposal of any such claim (instead of a release or discharge):

    (I) the Senior Agent(s) and Senior Secured Notes Trustee(s) determine, acting reasonably and in good faith, that the Finance Parties (as defined in the Senior Secured Credit Facilities Agreement) and the Senior Secured Notes Trustee(s) (on behalf of itself and the Senior Secured Noteholders that it represents) (respectively) will recover more than if such claim was released or discharged; and

    (II) the Senior Agent(s) and Senior Secured Notes Trustee(s) serve a notice on the Security Agent notifying the Security Agent of the same,

  in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

  (C) such sale or disposal (including any sale or disposal of any claim) is made:

    (I) pursuant to a public or private auction or other competitive process satisfying the terms of the Intercreditor Agreement;

    (II) pursuant to any process or proceedings approved or supervised by or on behalf of any court of law where there is a determination of value by or on behalf of the court; or

    (III) where an independent investment bank or an internationally recognized firm of accountants or a reputable independent third party professional firm which is regularly engaged in providing valuations in respect of the relevant type and size of the assets concerned 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 (although there shall be no obligation to postpone any such sale or disposal in order to achieve a higher price) provided that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

For the purposes of clauses (ii), (iii), (iv), (v) of the second paragraph and the fourth paragraph of this section, the Security Agent shall act:

- if the relevant Distressed Disposal is being effected by way of enforcement of the transaction security in accordance with the provisions set out under the caption "*—Manner of Enforcement*" above; and
- in any other case, (a) on the instructions of the Instructing Group or (b) in the absence of any such instructions, as the Security Agent sees fit.

Use of Proceeds

The Intercreditor Agreement provides that (subject to limited exceptions) all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any debt document (excluding any Senior Unsecured Only Security) or in connection with the realization or enforcement of all or any part of the transaction security (for the purposes of this section, the "Group Recoveries") shall be held by the Security Agent on trust, to the extent legally permitted, to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this section), in the following order of priority:

(i) in discharging any sums owing to the Senior Agent (in respect of the Senior Agent Liabilities), the Senior Unsecured Agent(s) (in respect of the Senior Unsecured Agent Liabilities), the Security Agent, any receiver or any delegate and certain amounts due to the Senior Secured Notes Trustee(s) or the Senior Unsecured Notes Trustee(s) on a *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any agent or Primary Creditor in connection with any realization or enforcement of the transaction security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) if the Senior Term Lender Discharge Date has occurred, in payment to:

(A) the Senior Agent on its own behalf and on behalf of the senior arrangers and the Senior Lenders (in this case, the Lenders, issuing banks and ancillary Lenders under revolving credit facilities which are permitted to have "super senior" status under the Senior Secured Notes Indenture);

(B) the Cash Management Providers; and

(C) the Super Senior Hedge Counterparties,

for application towards the discharge of:

(I) the liabilities of the arrangers under the Senior Facilities Agreement and the Senior Lender Liabilities (in accordance with the terms of the Senior Finance Documents);

(II) the Cash Management Liabilities (on a pro rata basis between the Cash Management Liabilities of each Cash Management Provider); and

(III) the Super Senior Hedging Liabilities (on a pro rata basis between the Super Senior Hedging Liabilities of each Super Senior Hedge Counterparty),

on a pro rata basis and ranking pari passu between paragraphs (I), (II) and (III) above;

(iv) if the Senior Term Lender Discharge Date has occurred and the distributions have been made under paragraph (iii) above, in payment to:

(A) each Senior Secured Notes Trustee(s) on its own behalf and on behalf of the Senior Secured Noteholders; and

(B) the Pari Passu Hedge Counterparties, for application towards the discharge of:

(I) the Senior Secured Notes Liabilities (in accordance with the terms of the Senior Secured Notes Finance Documents); and

(II) the Pari Passu Hedging Liabilities (on a pro rata basis between the Pari Passu Hedging Liabilities of each Pari Passu Hedge Counterparty),

on a pro rata basis and ranking *pari passu* between paragraphs (I) and (II) above;

(v) if the Senior Term Lender Discharge Date has not occurred, in payment to:

(A) each Senior Agent on its own behalf and on behalf of the Senior Arrangers and the Senior Lenders;

(B) the Senior Secured Notes Trustee(s) on behalf of the Senior Secured Noteholders;

(C) each Cash Management Provider; and

(D) the Hedge Counterparties,

for application towards the discharge of:

(I) the liabilities of the Senior Arrangers under the Senior Secured Credit Facilities Agreement and the Senior Lender Liabilities (in accordance with the terms of the Senior Finance Documents);

(II) the Senior Secured Notes Liabilities (in accordance with the terms of the Senior Secured Notes Finance Documents);

(III) the Cash Management Liabilities (on a pro rata basis between the Cash Management Liabilities of each Cash Management Provider); and

(IV) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each Hedge Counterparty),

on a pro rata basis and ranking *pari passu* between paragraphs (I), (II), (III) and (IV) above;

(vi) if the Senior Term Lender Discharge Date has not occurred, in payment to the Hedge Counterparties for application in or towards the discharge of any excess Hedging Liabilities (pro rata between the excess Hedging Liabilities of each Hedging Counterparty);

(vii) to the extent paid out of enforcement proceeds resulting from the enforcement of Senior Unsecured Shared Security or the Senior Unsecured Guarantees, in payment to the Senior Unsecured Representative(s) on its own behalf and on behalf of the Senior Unsecured Finance Parties and each Senior Unsecured Arranger for application (in accordance with the terms of the Senior Unsecured Finance Documents) towards the discharge of obligations under the Senior Unsecured Liabilities and the discharge of obligations owed to the Senior Unsecured Arrangers under the debt documents (the "Senior Unsecured Arranger Liabilities"); and

(viii) the balance, if any, in payment to the relevant Debtor.

All amounts from time to time received or recovered by the Security Agent in connection with the realisation or enforcement of all or any part of the Senior Unsecured Only Security (the "Senior Unsecured Only Recoveries") shall be held by the Security Agent on trust, to the extent legally permitted, to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions set out under the caption "*—Use of Proceeds*") in the following order of priority:

(i) *first*, in payment of the following amounts in the following order: (i) pari passu and pro rata any sums owing to the Security Agent, any receiver or any delegate and certain amounts owing to the Senior Unsecured Notes Trustee(s), as the case may be; and then (ii) *pari passu* and pro rata to the Senior Unsecured Representative(s) of the costs and expenses of each Senior Unsecured

Representative(s) and any receiver, attorney or agent appointed by it under any security document relating to the Senior Unsecured Only Security (the “Senior Unsecured Only Security Documents”) or the Intercreditor Agreement; and

(ii) *second*, *pari passu* and pro rata in or towards payment to the Senior Unsecured Agent on behalf of the Senior Unsecured Lenders or (as applicable) the Senior Unsecured Notes Trustee(s) on behalf of the Senior Unsecured Noteholders or the Senior Unsecured Arrangers for application towards any unpaid costs and expenses incurred by or on behalf of any Senior Unsecured Lenders, Senior Unsecured Noteholders and Senior Unsecured Arrangers in connection with any realisation or enforcement of the Senior Unsecured Notes Only Security taken in accordance with the terms of the Senior Unsecured Notes Only Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent; and

(iii) *third*, to the Senior Unsecured Agent on behalf of the Senior Unsecured Lenders or (as applicable) the Senior Unsecured Notes Trustee(s) on behalf of the Senior Unsecured Noteholders and the Senior Unsecured Arrangers for application towards the discharge of the Senior Unsecured Liabilities (in accordance with the relevant Senior Unsecured Finance Document) and the Senior Unsecured Arranger Liabilities on a pro rata basis; and

(iv) *fourth*, after the Senior Unsecured Discharge Date, in payment of the surplus (if any) to the relevant Debtor or other person entitled to it.

Equalization of the Senior Secured Creditors

The Intercreditor Agreement provides that if for any reason, any Senior Secured Liabilities remain unpaid after the enforcement date and the resulting losses are not borne by the Senior Secured Creditors in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Secured Creditors at the enforcement date, the Senior Secured Creditors (subject, in the case of amounts owing to the Senior Secured Notes Trustee(s), to the terms of the Intercreditor Agreement) will make such payments among themselves as the Security Agent shall require to put the Senior Secured Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Equalization of the Senior Unsecured Creditors

The Intercreditor Agreement provides that if for any reason, any Senior Unsecured Liabilities remain unpaid after the enforcement date and the resulting losses are not borne by the Senior Unsecured Creditors in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Unsecured Creditors at the enforcement date, the Senior Unsecured Creditors (subject, in the case of amounts owing to the Senior Unsecured Notes Trustee(s), to the terms of the Intercreditor Agreement) will make such payments among themselves as the Security Agent shall require to put the Senior Unsecured Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions, provided that no Senior Unsecured Creditor shall be obliged to make any payment in respect of (a) any amount received by it from a person who is not a member of the Parent Group or (b) the proceeds of any Enforcement Action taken by it with respect to any Senior Unsecured Only Security.

Primary Creditor Financings

The Intercreditor Agreement provides for the refinancing, replacement, increase, discharge or exchange of the Senior Secured Creditor Liabilities and the Senior Unsecured Creditor Liabilities (each as defined in the Intercreditor Agreement) in whole or in part. Any obligation of the Parent Group incurred pursuant to such refinancing, replacement, increase, discharge or exchange (“New Liabilities”) will, to the extent designated by the Company (in a manner which does not breach the terms of the Intercreditor Agreement or the other relevant debt documents) have the relevant ranking and be secured as provided for in the Intercreditor Agreement in respect of the relevant category of liabilities.

In connection with any such incurrence of New Liabilities the Security Agent may release or amend the transaction security or the Senior Unsecured Only Security in order to ensure the ranking of security contemplated in the Intercreditor Agreement in respect of those liabilities, subject to any consent expressly required under any other relevant debt documents. The New Liabilities may also be secured pursuant to the execution of additional security documents on a second or lesser ranking basis and the secured parties which are the beneficiaries of that additional security will receive the proceeds of enforcement of that additional security as provided for under caption “ —*Use of Proceeds*” regardless of its ranking under applicable law.

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, it may be amended or waived only with the consent of the Parent, the Company, the Agent(s), the Majority Senior Lenders (as defined in the Senior Facilities Agreement), the relevant Senior Secured Notes Trustee(s), the relevant Senior Unsecured Representative(s) and the Security Agent.

Other than in respect of the implementation of a Structural Adjustment under (and as defined in) the Senior Secured Credit Facilities Agreement (or any further bank debt having the same ranking) to the extent it does not confer an ability to make more extensive changes than a Structural Adjustment, an amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other things, the provisions set out under the caption "*—Use of Proceeds*" and the order of priority or subordination under the Intercreditor Agreement shall not be made without the consent of:

(i) the Agents;

(ii) the Senior Lenders (unless a lower consent threshold is specified in the relevant debt documents);

(iii) the Senior Secured Noteholders (unless a lower consent threshold is specified in the relevant debt documents) (to the extent that the amendment or waiver would materially and adversely affect such creditors);

(iv) the Senior Unsecured Creditors (unless a lower consent threshold is specified in the relevant debt documents) (to the extent that the amendment or waiver would materially and adversely affect such creditors);

(v) each Hedge Counterparty (to the extent that the amendment or waiver would adversely affect the Hedge Counterparty); and

(vi) the Security Agent.

The Intercreditor Agreement may be amended by the Agents (including the Senior Agent(s)), the Senior Secured Notes Trustee(s), the Senior Unsecured Representative(s), the Security Agent and the Parent without the consent of any other party, to cure defects, resolve ambiguities or reflect changes in each case of a minor technical or administrative nature or as otherwise prescribed by the relevant debt documents.

The Senior Secured Notes Trustee(s) and the Senior Unsecured Notes Trustee(s) shall, to the extent consented to by the requisite percentage of noteholders in accordance with the relevant indenture, act on such instructions in accordance therewith unless to the extent any amendments so consented to relate to any provision affecting the rights and obligations of a Senior Secured Notes Trustee(s) in its capacity as such.

In relation to any transaction security over a bank account of a Debtor, the Security Agent is authorized and instructed under the Intercreditor Agreement (without any requirement for any further consents under the Secured Debt Documents) to release any transaction security granted in favor of the Security Agent and held over any such bank account of a Debtor (a "Pledged Account") provided that prior to such release the relevant Debtor has transferred the balance standing to the credit of such Pledged Account to another bank account held by it and that the relevant Debtor has provided effective and valid transaction security over such account consistent with the agreed security principles as set out in the Senior Secured Credit Facilities Agreement.

Notwithstanding any other term of the Intercreditor Agreement, unless the amendment relates to its rights and obligations each Cash Management Provider agrees and acknowledges that their consent is not required, and it shall have no right to vote or give any instruction, in each case, in relation to any request for a consent, vote, approval or other action under, or in connection with, the Intercreditor Agreement.

Amendments and Waivers: Security Documents

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement (including in connection with primary creditor financings) and unless the provisions of any debt document expressly provide otherwise, the Security Agent may, if authorized by an Instructing Group, and if the Company consents, amend the terms of, waive any of the requirements of or grant consents under, any of the transaction security documents which shall be binding on each party.

Subject to the second and third paragraphs of the section captioned "*—Exceptions*" below, the prior consent of each Senior Agent, Senior Secured Notes Trustee and Senior Unsecured Representative (in each case acting with the consent of the requisite percentage of creditors under the relevant debt documents) and the Company is required to authorize any amendment or waiver of, or consent under, any security document which would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the transaction security are distributed.

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless the provisions of any Senior Unsecured Finance Documents expressly provide otherwise, the Security Agent may, if authorised by the Majority Senior Unsecured Creditors, and if the Parent consents, amend the terms of, waive any of the requirements of or grant consents under, any of the Senior Unsecured Only Security Documents which shall be binding on each party.

Subject to the second and third paragraphs of the section captioned "*—Exceptions*" below, the prior consent of the Senior Unsecured Creditors is required to authorise any amendment or waiver of, or consent under, any Senior Unsecured Only Security Documents which would adversely affect the nature or scope of the relevant charged property or the manner in which the proceeds of enforcement of the Senior Unsecured Only Security are distributed.

Exceptions

Subject to the paragraph immediately below, if the amendment, waiver or consent may impose new or additional obligations on, or withdraw or reduce the rights of, any party other than:

(i) in the case of a Primary Creditor, in a way which affects, or would affect, Primary Creditors of that party's class generally; or

(ii) in the case of a Debtor to the extent consented to by the Parent under the Intercreditor Agreement,

the consent of that party is required.

Subject to the paragraph immediately below, an amendment, waiver or consent which relates to the rights or obligations of an Agent, an Arranger, the Security Agent (including, without limitation, any ability of the Security Agent to act in its discretion under the Intercreditor Agreement), a cash management provider or a Hedge Counterparty may not be effected without the consent of that Agent or, as the case may be, Arranger, the Security Agent or that cash management provider or Hedge Counterparty.

Neither of the two immediately preceding paragraphs shall apply:

- to any release of transaction security, claim or liabilities; or
- to any consent,

which, in each case, the Security Agent gives in accordance with the provisions set out in the caption "— *Proceeds of Disposals*" above.

Snooze/Lose

If in relation to a request for a consent, a request to participate in a vote of a class of creditors, a request to approve any action or a request for a confirmation or notification, in each case, under the Intercreditor Agreement, any Primary Creditor fails to respond to the request within 15 business days or fails to provide details of its credit participation, such Primary Creditor will be disregarded or be deemed to have zero participation or outstandings in respect of the matter or be deemed to have provided the relevant confirmation or notification, as applicable.

Agreement to Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the debt documents to the contrary.

Other Provisions

The Intercreditor Agreement contains further provisions customary for documents of this nature, dealing with among other things:

(i) close-out and enforcement (and other enforcement) rights for the Hedge Counterparties (certain required close-out obligations) and the terms on which the hedging agreements must be entered into (and may be amended in the future) and on which payments may be made under such hedging agreements;

(ii) restrictions on amendments to the terms of any Intra-Group Liabilities, Holdco Liabilities and Investor Liabilities, restrictions on payments thereunder, restrictions on the taking of enforcement action by the related creditors and similar customary provisions;

(iii) information sharing between creditor groups;

(iv) customary protection for trustees and the Security Agent; and

(v) customary provisions regarding assignments and transfers, and accession of future creditors and Debtors.

Governing Law

The Intercreditor Agreement (and any non-contractual obligations arising out of or in connection with it) are governed by English law.

Shareholder Loans

Seller 2 as lender granted the following loans to Beauty Holding One GmbH ("Shareholder Loans"):

- intra-group loan agreement dated December 7, 2012 (as amended and restated on December 5, 2013) regarding a loan in the original principal amount of €250.2 million which was disbursed on December 11, 2012;

- intra-group loan agreement dated December 14, 2012 (as amended and restated on December 5, 2013) regarding a loan in the original principal amount of €30.0 million which was disbursed on December 14, 2012; and

- intra-group loan agreement dated June 17, 2014 regarding a loan in the original principal amount of €255.0 million which was disbursed on June 17, 2014.

The loan claims resulting from various purchase price claims under agreements relating to the sale of the Books Business, Fashion Business and Jewelry Business to subsidiaries of AI Beauty (the "Internal SPA Loan Claims"), were transferred and assigned to Beauty Holding One GmbH.

On October 1, 2014, Beauty Holding One GmbH and Seller 2 agreed that a partial repayment of the Shareholder Loans to Seller 2 shall be effected in lieu of actual payment (*Leistung an Erfüllungs statt*) via assignment of the Internal SPA Loan Claims in the aggregate amount of approximately €459.3 million by Beauty Holding One GmbH to Seller 2. As a result, all Shareholder Loans were repaid in part. As of March 31, 2015, a principal amount of €135.3 million and accrued interest in the aggregate amount of €5.2 million were still outstanding under the Shareholder Loans.

Under the Acquisition Agreement, all outstanding claims under the Shareholder Loans were sold to the Senior Secured Notes Issuer and will be assigned to and acquired by the Senior Secured Notes Issuer on the Completion Date.

DESCRIPTION OF THE SENIOR SECURED NOTES

You will find definitions of certain capitalized terms used in this "*Description of the Senior Secured Notes*" under the heading "*—Certain Definitions*". For the purposes of this "*Description of the Senior Secured Notes*", references to the "*Issuer*" refer to Kirk Beauty Zero GmbH only and not to any of its Subsidiaries.

The Issuer will issue €300.0 million aggregate principal amount of Senior Secured Notes due 2022 (the "*Senior Secured Notes*") under an indenture to be dated as of the Issue Date (the "*Senior Secured Notes Indenture*"), among, *inter alios*, the Issuer Deutsche Trustee Company Limited, as trustee (the "*Trustee*"), Deutsche Bank AG, London Branch, as security agent (the "*Security Agent*"), Deutsche Bank AG, London Branch, as paying agent (the "*Paying Agent*") and as transfer agent (the "*Transfer Agent*"), and Deutsche Bank Luxembourg S.A., as registrar (the "*Registrar*") and as transfer agent (the "*Transfer Agent*"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act. The Senior Secured Notes Indenture will not be qualified under, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Senior Secured Notes Indenture, the Senior Secured Notes and the Senior Secured Notes Escrow Agreement and refers to the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Senior Secured Notes Indenture, the Senior Secured Notes, the Senior Secured Notes Escrow Agreement, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as Holders of the Senior Secured Notes. Copies of the Senior Secured Notes Indenture, the forms of Senior Secured Note, the Senior Secured Notes Escrow Agreement, 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 Senior Secured Notes sold on the Issue Date will be used by the Issuer, together with the proceeds of the offering of the Senior Notes, amounts borrowed under the Senior Credit Facilities and the Equity Contribution, to (i) fund the purchase price payable under the Acquisition Agreement, (ii) repay certain existing indebtedness of the Target Group (as defined below) and (iii) pay certain fees and expenses incurred in connection with the Transactions, as set forth in this Offering Memorandum under the caption "*Use of Proceeds*". Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the initial purchasers will, concurrently with the closing of the offering of the Senior Secured Notes on the Issue Date, deposit the gross proceeds of the offering of the Senior Secured Notes into an escrow account (the "*Senior Secured Notes Escrow Account*") pursuant to the terms of an escrow deed (the "*Senior Secured Notes Escrow Agreement*") dated as of the Issue Date among the Issuer, the Trustee and Deutsche Bank AG, London Branch, as escrow agent (the "*Escrow Agent*"). If the Acquisition is not consummated on or prior to November 26, 2015 (the "*Escrow Longstop Date*"), or upon the occurrence of certain other events, the Senior Secured Notes will be redeemed at a price equal to 100% of the initial issue price of the Senior Secured Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date. See "*—Escrow of Proceeds; Special Mandatory Redemption*". Following the Completion Date, the Senior Secured Notes will be secured by the Senior Secured Notes Collateral. See "*—Security*".

Upon the initial issuance of the Senior Secured Notes, the Senior Secured Notes will be obligations of the Issuer and will be guaranteed on a senior basis by Kirk Beauty One GmbH (the "*Senior Notes Issuer*" or the "*Parent*") and will not be guaranteed by Beauty Holding Zero GmbH (the "*Target*") or any of its subsidiaries (the Target and such entities, together with their subsidiaries, the "*Target Group*"). The Senior Secured Notes Indenture will require (subject to the Agreed Security Principles) that the Target and certain other members of the Target Group, as soon as reasonably practicable and in any event on or prior to the date falling 90 days after the Completion Date, become a party to the Senior Secured Notes Indenture and guarantee the Senior Secured Notes on a senior basis. Prior to the Completion Date, the Issuer will not control the Target Group, and the Target Group will not be subject to the covenants described in this Description of the Senior Secured Notes. As such, we cannot assure you that prior to the Completion Date, the Target Group will not engage in activities that would otherwise have been prohibited by the Senior Secured Notes Indenture had those covenants been applicable to such entities after the Issue Date and prior to the Completion Date.

The aggregate principal amount of Senior Secured Notes issued in this offering will be €300.0 million. We may issue an unlimited principal amount of additional Senior Secured Notes from time to time after this offering having identical terms and conditions as the Senior Secured Notes (the "*Additional Senior Secured Notes*"). We will only be permitted to issue Additional Senior Secured Notes in compliance with the covenants contained in the Senior Secured Notes Indenture, including the covenant restricting the Incurrence of Indebtedness and the covenant restricting the Incurrence of Liens (as described below under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*", respectively). Except with respect to right of payment and optional redemption, and except as otherwise provided in the Senior Secured Notes Indenture, the Senior Secured Notes issued on the Issue Date and any Additional Senior Secured Notes subsequently issued under the Senior Secured Notes Indenture will be treated as a single class for all purposes under the Senior Secured Notes Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. If the Additional Senior Secured Notes are not fungible with the Senior Secured Notes issued on the Issue Date for U.S. federal income tax purposes, the Additional Senior Secured Notes will be issued with separate ISIN codes or common codes, as applicable. Unless the context otherwise requires, in this "*Description of the Senior Secured Notes*", references to the "*Senior Secured Notes*" include the Senior Secured Notes and any Additional Senior Secured Notes that are actually issued.

The Senior Secured Notes Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements. The terms of the Intercreditor Agreement are important to understanding the relative ranking of Indebtedness and security, the ability to make payments in respect of the Indebtedness, the procedures for undertaking enforcement action, the subordination of certain Indebtedness, turnover obligations, release of security and guarantees and the payment waterfall for amounts received by the Security Agent. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of certain terms of the Intercreditor Agreement.

The registered Holder of a Senior Secured Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Senior Secured Notes Indenture.

Brief Description of the Senior Secured Notes and the Note Guarantees

The Senior Secured Notes

The Senior Secured Notes will:

- be general senior obligations of the Issuer;
- be secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Senior Secured Notes, including Indebtedness Incurred under the Senior Facilities Agreement;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Senior Secured Notes;
- be effectively subordinated to any existing or future Indebtedness of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such Indebtedness;
- be guaranteed by the Senior Notes Issuer as of the Issue Date and required to be guaranteed by the Post-Completion Date Guarantors, as described under "*—Note Guarantees*";
- be structurally subordinated to all Indebtedness and obligations of the Issuer's Subsidiaries that are not Guarantors; and
- mature on July 15, 2022.

The Senior Secured Notes will be represented by one or more registered Senior Secured Notes in global registered form, but in certain circumstances may be represented by Definitive Registered Notes. See "*Book-Entry, Delivery and Form*".

The Note Guarantees

The Senior Secured Notes will be guaranteed by the Senior Notes Issuer on the Issue Date. Subject to the Agreed Security Principles, the Senior Secured Notes Indenture will also require the Issuer to cause, as soon as reasonably practicable and in any event on or prior to the date falling 90 days after the Completion Date, the Post-Completion Date Guarantors to guarantee the Senior Secured Notes as described below. In addition, if required by the covenant described under "*—Certain Covenants—Additional Guarantees*", certain other Restricted Subsidiaries may provide a Note Guarantee in the future.

The Note Guarantee of each Guarantor will:

- be a general, joint and several, full and unconditional, senior obligation of that Guarantor;
- be secured as set forth under "—*Security*";
- rank *pari passu* in right of payment with any existing and future Indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Note Guarantee, including that Guarantor's obligations under the Senior Facilities Agreement and in the case of the Senior Notes Issuer, its obligations under the Senior Notes;
- rank senior in right of payment to all existing and future Indebtedness of that Guarantor that is expressly subordinated in right of payment to such Note Guarantee, including that Guarantor's Guarantee of the Senior Notes; and
- be effectively subordinated to any existing and future Indebtedness of that Guarantor that is secured by property and assets that do not secure its Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness.

The obligations of the Guarantors will be contractually limited under the applicable Note Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance, financial assistance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests*". By virtue of these limitations, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Senior Secured Notes. See also "*Risk Factors—Risks Relating to the Notes—The insolvency laws of Germany and the respective jurisdictions of incorporation of the Guarantors may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.*"

General

As of the Issue Date, the Issuer's sole Subsidiary will be French NewCo. As of the Issue Date and as of the Completion Date, all of the Issuer's Subsidiaries will be "*Restricted Subsidiaries*" for purposes of the Senior Secured Notes Indenture. However, under the circumstances described below under the caption "—*Certain Definitions—Unrestricted Subsidiary*", the Issuer will be permitted to designate certain of its Subsidiaries as "*Unrestricted Subsidiaries*". None of the restrictive covenants in the Senior Secured Notes Indenture will apply to Unrestricted Subsidiaries and no future Unrestricted Subsidiary will guarantee the Senior Secured Notes.

Following the Completion Date, all of the operations of the Issuer will be conducted through its Subsidiaries and, therefore, the Issuer will depend on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Senior Secured Notes.

Not all of the Issuer's Subsidiaries will guarantee the Senior Secured Notes. Any right of the Issuer or any Guarantor to receive assets of any of its non-guarantor Subsidiaries upon that non-guarantor Subsidiary's bankruptcy, liquidation or reorganization (and the consequent right of the Holders of Senior Secured Notes to participate in those assets) will be structurally subordinated to that non-guarantor Subsidiary's Indebtedness and other obligations (including trade payables, preference shares and lease obligations, if any), except to the extent that the Issuer or such Guarantor is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Issuer or such Guarantor, as the case may be, would still be effectively subordinated to any obligations secured over the assets of the non-guarantor Subsidiary and subordinated in right of payment to any Indebtedness of the non-guarantor Subsidiary that is senior to the claims held by the Issuer or such Guarantor. See "*Risk Factors—Risks Relating to our Structure—Each of the Issuers is dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Note Guarantees.*" For the twelve months ended March 31, 2015, the Post-Completion Date Guarantors generated 57.6% of the consolidated sales and 63.8% of the consolidated Adjusted EBITDA of the Target Group (such consolidated sales and consolidated Adjusted EBITDA include the Nocibé Group for the nine months since July 1, 2014, the effective date of the Nocibé Acquisition).

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 Subsidiaries would have had €1,870.0 million of Indebtedness outstanding, of which €300.0 million is represented by the Senior Secured Notes, €1,235.0 million is represented by borrowings under the Senior Facilities

Agreement (including €15.0 million in anticipated drawings under the Revolving Credit Facility) and €335.0 million is represented by the Senior Notes. After giving effect to €15.0 million in anticipated drawings on the Completion Date and €10.2 million of utilizations for outstanding letters of credit, there would have been €174.8 million available for drawing under the revolving credit facility under the Senior Facilities Agreement.

Principal and Maturity

The Issuer will issue €300.0 million in aggregate principal amount of Senior Secured Notes on the Issue Date. The Senior Secured Notes will mature on July 15, 2022. The Senior Secured Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Senior Secured Notes

Interest on the Senior Secured Notes will accrue at the rate of 6.25% per annum. Interest on the Senior Secured Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on January 15 and July 15, commencing on January 15, 2016;
- be payable to the Holder of record of such Senior Secured Notes on the immediately preceding January 1 and July 1; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

The rights of Holders to receive the payments of interest on such Senior Secured Notes are subject to the applicable procedures of the common depositary and Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Senior Secured Notes

Principal, interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a common depositary for Euroclear and Clearstream, or its nominee, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest and premium and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in 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 Senior Secured Notes for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Senior Secured Notes*".

Paying Agent and Registrar for the Senior Secured Notes

The Issuer will maintain a Paying Agent for the Senior Secured Notes in the City of London. The Issuer will also undertake to maintain a Paying Agent in a European Union member state that will not be obligated to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN meeting of 26 and 27 November 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 Deutsche Bank AG, London Branch.

The Issuer will also maintain a registrar (the "*Registrar*") Luxembourg and a transfer agent (the "*Transfer Agent*") in Luxembourg. The initial Registrar will be Deutsche Bank Luxembourg S.A. and the initial Transfer Agent will be Deutsche Bank Luxembourg S.A. The Registrar, the Paying Agent and Transfer Agent, as applicable, will maintain a register reflecting ownership of the Senior Secured Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Senior Secured Notes on behalf of the Issuer.

The Issuer may change the Paying Agent, Registrar or Transfer Agent for the Senior Secured Notes without prior notice to the Holders of Senior Secured Notes. However, for so long as Senior Secured Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a daily newspaper with general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*). The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Senior Secured Notes.

Transfer and Exchange

The Senior Secured Notes will be issued in global registered form without interest coupons, as follows:

- Senior Secured Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

- Senior Secured Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*"). The Regulation S Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to Persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*". In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "*144A Book-Entry Interests*") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "*Regulation S Book-Entry Interests*") only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

During the 40-day distribution compliance period (as such term is defined in Rule 902 of Regulation S), Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, in each case upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Senior Secured Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Secured Notes Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*".

Subject to the restrictions on transfer referred to above, Senior Secured Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Senior Secured Notes Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Registrar and the Transfer Agent are not required to register the transfer or exchange of any Senior Secured Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of Senior Secured Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Senior Secured Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date with respect to such Senior Secured Notes; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will be entitled to treat the registered Holders of Senior Secured Notes as the owners thereof for all purposes.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of the Senior Secured Notes on the Issue Date, the Issuer will enter into the Senior Secured Notes Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the Initial Purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of the offering of the Senior Secured Notes sold on the Issue Date into the Senior Secured Notes Escrow Account. The Senior Secured Notes Escrow Account (together with the Shortfall Agreement described below) will be pledged on a first-priority basis in favor of the Trustee for the benefit of the Holders of the Senior Secured Notes pursuant to an escrow charge dated the Issue Date between the Issuer, the Trustee and the Escrow Agent (the "*Senior Secured Notes Escrow Charge*"). The initial funds deposited in the Senior Secured Notes Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Senior Secured Notes Escrow Account (less any property and/or funds paid in accordance with the Senior Secured Notes Escrow Agreement) are referred to, collectively, as the "*Senior Secured Notes Escrowed Property*".

In order to cause the Escrow Agent to release the Senior Secured Notes Escrowed Property to the Issuer (the "*Escrow Release*"), the Escrow Agent and the Trustee shall have received from the Issuer, at a time that is on or before the Business Day immediately preceding the Escrow Longstop Date, an Officer's Certificate, upon which both the Escrow Agent and the Trustee will be able to rely without further investigation, to the effect that all of the following conditions have been met or will be satisfied on or prior to the Escrow Longstop Date:

- the Transactions will be completed substantially as described in this Offering Memorandum, including with respect to the sections of this Offering Memorandum entitled "*The Transactions*" and "*Use of Proceeds*;"
- the Acquisition will be completed on the terms set forth in the Acquisition Agreement promptly following the Escrow Release, except for any changes, waivers or other modifications that are not, individually or when taken as whole, materially adverse to the interests of the Holders of the Senior Secured Notes;
- immediately after consummation of the Acquisition, the Issuer will directly beneficially own the entire share capital of the Target; and

- as of the delivery date of such Officer's Certificate, there is no Default or Event of Default under clause (5) of the first paragraph under the heading titled "*Events of Default*" below with respect to the Issuer or the Senior Notes Issuer.

The Escrow Release shall occur following receipt of such Officer's Certificate. Upon the Escrow Release, the Senior Secured Notes Escrow Account shall be reduced to zero, and the Senior Secured Notes Escrowed Property shall be paid out in accordance with the Senior Secured Notes Escrow Agreement.

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) the Sponsor has announced their intention to abandon the Acquisition or the sellers under the Acquisition Agreement have announced that they have decided to sell the Target Group or any of its direct or indirect parent entities or Significant Subsidiaries to an entity other than the Sponsor or one or more of its Affiliates, (c) or the Issuer notifies the Trustee and the Escrow Agent that in its reasonable judgment the Acquisition will not be completed by the Escrow Longstop Date, (d) the Acquisition Agreement terminates at any time prior to the Escrow Longstop Date, (e) the Sponsor ceases to beneficially own and control a majority of the issued and outstanding Capital Stock of the Issuer and the Senior Notes Issuer or (f) a Default or Event of Default arises under clause (5) of the first paragraph under the heading titled "*Events of Default*" on or prior to the Escrow Longstop Date (the date of any such event being the "*Special Termination Date*"), the Issuer will redeem all of the Senior Secured Notes (the "*Special Mandatory Redemption*") at a price (the "*Special Mandatory Redemption Price*") equal to 100% of the aggregate issue price of the Senior Secured Notes, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory 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.

Written notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee, the Paying Agent and the Escrow Agent, and the Senior Secured Notes Escrow Agreement and Senior Secured Notes Indenture will provide that the Senior Secured Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Senior Secured Notes Escrow Agreement (the "*Special Mandatory Redemption Date*"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay, on behalf of the Issuer, to the Paying Agent for payment to each Holder of Senior Secured Notes the Special Mandatory Redemption Price for such Holder's Senior Secured Notes and, concurrently with the payment to such Holders, deliver any excess Senior Secured Notes Escrowed Property (if any) to the Issuer.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Senior Secured Notes Escrowed Property, the Sponsor will be required to fund the Issuer with interest accrued and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date due on the Senior Secured Notes pursuant to an agreement between the Issuer and such Sponsor (the "*Shortfall Agreement*"). To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee, for the benefit of the Holders of the Senior Secured Notes, a security interest in the Senior Secured Notes Escrow Account and a security interest in the Shortfall Agreement, in each case pursuant to the Senior Secured Notes Escrow Charge.

Receipt by the Trustee of either an Officer's Certificate for the Escrow Release or a notice of Special Mandatory Redemption (*provided* that the Senior Secured Notes Escrowed Property and amounts drawn under the Shortfall Agreement are sufficient to fund the Special Mandatory Redemption Price on the Special Mandatory Redemption Date) shall constitute deemed consent by the Trustee for the release of the Senior Secured Notes Escrowed Property and the Shortfall Agreement from the Escrow Charge.

If at the time of such Special Mandatory Redemption, the Senior Secured Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will notify the Irish Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such special mandatory redemption.

Note Guarantees

General

The Senior Secured Notes will be guaranteed by the Senior Notes Issuer on the Issue Date. Subject to the Agreed Security Principles, the Senior Secured Notes Indenture will also require the Issuer to cause, as soon as reasonably practicable and in any event on or prior to the date falling 90 days after the Completion Date, the Target and certain other members of the Target Group that will be guarantors under the Senior Facilities Agreement other than subsidiaries incorporated in France (the "*Post-Completion Date Guarantors*") to guarantee the Senior Secured Notes.

The Post-Completion Date Guarantors and their respective jurisdictions of organization will be as follows:

Beauty Holding Zero GmbH	Germany
Beauty Holding One GmbH	Germany
Beauty Holding Two GmbH	Germany
Douglas Holding AG	Germany
Parfümerie Douglas GmbH	Germany
Parfümerie Douglas Beteiligungs GmbH	Germany
Parfümerie Douglas Deutschland GmbH	Germany
Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG	Germany
Parfümerie Douglas International Verwaltungs GmbH	Germany
Parfümerie Douglas International GmbH	Germany
Douglas Marken- und Lizenzen GmbH & Co. KG	Germany
Douglas Grundstücks- und Verwaltungsgesellschaft mbH & Co. KG	Germany
Douglas Investment B.V.	The Netherlands
Parfumerie Douglas Nederland B.V.	The Netherlands
Douglas Finance B.V. .	The Netherlands
"Douglas Polska" sp. z o.o.	Poland

Releases of Note Guarantees

The Note Guarantee of any Guarantor (other than the Senior Notes Issuer) will be released:

- upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a Holding Company) or the sale or disposition of all or substantially all the assets of the Guarantor, if the sale or other disposition does not violate the covenant described below "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and the Guarantor ceases to be a Restricted Subsidiary of the Issuer as a result of the sale or other disposition;
- upon the designation in accordance with the Senior Secured Notes Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";
- in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*—Amendments and Waivers*";
- as described in the covenant described below under "*—Certain Covenants—Additional Guarantees*"; or
- as described under "*—Merger and Consolidation—The Guarantors*".

The Note Guarantees of the Senior Notes Issuer will be released:

- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";
- in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*—Amendments and Waivers*"; or
- as described under "*—Merger and Consolidation—The Guarantors.*

The Trustee and the Security Agent shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, reasonably requested by the Issuer 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 Trustee without the consent of the Holders or any other action or consent on the part of the Trustee.

Security

General

On the Issue Date, the Senior Secured Notes will be secured by first-priority security interests over the following assets:

- the Senior Secured Notes Escrowed Property deposited in the Senior Secured Notes Escrow Account and the rights of the Issuer under the Shortfall Agreement (the "*Senior Secured Notes Escrow Collateral*");
- the issued share capital (and any other equity or quasi-equity instrument) of the Issuer;
- certain intercompany receivables owed by the Issuer to the Senior Notes Issuer;
- all bank accounts of the Issuer;
- the rights of the Issuer under the Acquisition Documents; and
- the rights of the Issuer under any hedging agreements.

The Senior Secured Notes Escrowed Property that is deposited in the Senior Secured Notes Escrow Account and the rights of the Issuer under the Shortfall Agreement will not be charged to secure any obligations other than the Issuer's obligations under the Senior Secured Notes. Upon the Escrow Release, the first-priority security interests over the Senior Secured Notes Escrowed Property and the Shortfall Agreement will be released. See "*—Escrow of Proceeds; Special Mandatory Redemption*".

On the Completion Date, the Senior Secured Notes will be secured by first-priority security interests over the issued share capital of the Target and intercompany loan receivables owed by a member of the Target Group to the Issuer.

Subject to the Agreed Security Principles, the Senior Secured Notes Indenture will also require the Issuer to cause, on or prior to the date falling 90 days after the Completion Date, the Senior Secured Notes to be secured by first-priority security interests over the following assets:

- the issued share capital (and any other equity or quasi-equity instrument) of certain of our Subsidiaries; and
- bank accounts and intercompany receivables of certain of our Subsidiaries.

The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the Holders of the Senior Secured Notes and holders of the other secured obligations that are secured by the Collateral (including obligations under the Senior Facilities Agreement). Any additional security interests that may in the future be pledged to secure obligations under the Senior Secured Notes and the Note Guarantees would also constitute Collateral.

Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants— Impairment of Security Interest*" and "*—Certain Covenants—Limitation on Liens*", the Issuer, its Restricted Subsidiaries and the Senior Notes Issuer will be permitted to grant security over the Collateral in connection with certain future issuances of Indebtedness of the Issuer or Restricted Subsidiaries, including any Additional Senior Secured Notes, in each case, as permitted under the Senior Secured Notes Indenture and the Intercreditor Agreement.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests*".

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of Senior Secured Notes and the creditors of other obligations secured thereby. No appraisals of any Collateral have been prepared by or on behalf of the Issuer, the Security Agent or the Trustee in connection with the offering of the Senior Secured Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Relating to the Notes—The collateral may not be sufficient to secure the obligations under the Notes.*"

Priority

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the "*Security Interests*") as between (a) the lenders under the Senior Facilities Agreement, (b) the counterparties under certain Hedging Obligations and Cash Management Agreements, (c) the Trustee, the Security Agent and the Holders of the Senior Secured Notes under the Senior Secured Notes Indenture, (d) the trustee, security agent and holders of the Senior Notes under the Senior Notes Indenture and (e) certain other credit representatives, respectively, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide that the obligations under the Senior Facilities Agreement and the Notes are secured by a security interest on a first-priority basis in the Collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

In addition, pursuant to the terms of the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. In particular, the Senior Secured Notes Indenture and the Intercreditor Agreement will, upon the first date on which the Senior Facilities Agreement has been fully and finally discharged, permit the incurrence of Indebtedness pursuant to a super priority revolving credit facility agreement in an aggregate amount not to exceed the greater of €225 million and 75% of Consolidated EBITDA as well as in respect of certain Hedging Obligations and Cash Management Agreements. If Incurred, any liabilities in respect of obligations under such super priority credit facility agreement and such Hedging Obligations and Cash Management Agreements would receive priority with respect to any proceeds received from the enforcement of the Collateral or certain distressed disposals. Any proceeds received upon any such enforcement would, after all obligations under such super priority credit facility have been repaid and such Hedging Obligations and Cash Management Agreements have been discharged in full, be applied pro rata in repayment of all obligations under the Senior Secured Notes and any other Indebtedness that is secured by the Collateral on a *pari passu* basis. See "*Risk Factors—Risks Related to the Notes—Certain debt that we incur in the future may be entitled to be repaid with the proceeds of the collateral securing the Senior Secured Notes in priority to the Senior Secured Notes.*"

Security Documents

Under the Security Documents, the Issuer and the Guarantors will grant security over the Collateral to secure the payment when due of, among others, the Issuer's and the Guarantors' payment obligations under the Senior Secured Notes, the Note Guarantees and the Senior Secured Notes Indenture. The Security Documents have been or will be entered into by, among others as the case may be, the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent will act in its own name, but for the benefit of the secured parties (including the Trustee and the Holders of Senior Secured Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Senior Facilities Agreement, the holders of the Senior Notes and the counterparties under certain Hedging Obligations and Cash Management Agreements in relation to the Security Interests created in favor of such parties.

The Senior Secured Notes Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Senior Secured Notes and the Note Guarantees, as applicable, will be secured by the Security Interests in the Collateral. However, the Security Interests with respect to the Senior Secured Notes and the Note Guarantees may be released under certain circumstances as provided under "*—Release of Liens*" below. See "*—Enforcement of Security Interests*" and "*Risk Factors—Risks Relating to our Structure—There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Note Guarantees will be released automatically, without your consent or the consent of the relevant Trustee*". The validity and enforceability of the Security Interests will be subject to, *inter alios*, the limitations described in "*Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Note Guarantees and the Security Interests*".

Holders of Senior Secured Notes may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders of Senior Secured Notes may only act through the Security Agent in accordance with the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement. Due to the laws and other jurisprudence governing the creation and perfection of security interests in certain jurisdictions, the Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the Security Agent, and the security interests in such jurisdictions will secure the parallel debt (and not the Indebtedness under the Senior Secured Notes, the Note Guarantees and the other secured obligations arising in connection with the Senior Secured Notes). The parallel debt construct has not been fully tested under law in certain of these jurisdictions. See "*Risk Factors—Risks Related to the Notes—The security interests in the collateral will be granted to the Security Agent rather than directly to the holders of the Notes and certain collateral will be granted subsequent to the issuance of the Notes. The ability of the Security Agent to enforce certain of the collateral may be restricted by local law.*"

In the event that the Guarantors, the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were successful, the Holders of Senior Secured Notes might not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Related to the Notes—It may be difficult to realize the value of the collateral securing the Notes.*"

Subject to the terms of the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Senior Secured Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

Intercreditor Agreement; Additional Intercreditor Agreements; Security Documents; Agreement to be Bound

The Senior Secured Notes Indenture will provide that each Holder of the Senior Secured Notes, by accepting such Senior Secured Note, will be deemed to have:

(1) consented and agreed to the terms of the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement entered into in compliance with the covenant described under "*—Certain Covenants—Additional Intercreditor Agreements*" (including, without limitation, the provisions providing for foreclosure and release of the Collateral and authorizing the Security Agent to enter into the Security Documents on its behalf), as the same may be in effect or may be amended from time to time in accordance with its terms;

(2) authorized the Trustee and the Security Agent, as applicable, to enter into the Security Documents and the Intercreditor Agreement and to be bound thereby and to perform their respective obligations and exercise their respective rights thereunder in accordance therewith; and

(3) have appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreement.

Please see the sections entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

Similar provisions to those described above may be included in any Additional Intercreditor Agreement entered into in compliance with the covenant described under "*—Certain Covenants—Additional Intercreditor Agreements*".

Release of Liens

The Issuer and the Guarantors (other than the Senior Notes Issuer) will be entitled to release Security Interests in respect of the Collateral owned by it or by any such Guarantor under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral to (a) 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 below under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or (b) any Restricted Subsidiary that is not a Guarantor;

(2) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Senior Secured Notes Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations on the Senior Secured Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes, as provided in "—*Defeasance*" and "—*Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Secured Notes Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) in connection with the granting of Liens on such property or assets, which may include Collateral, or the sale of such property or assets, which may include Collateral, pursuant to a Qualified Receivables Transaction;

(8) as permitted by the covenant described under "—*Certain Covenants—Impairment of Security Interest*"; or

(9) as otherwise permitted in accordance with the Senior Secured Notes Indenture.

The Senior Notes Issuer will be entitled to release the Security Interests in respect of the Collateral owned by the Senior Notes Issuer under the circumstances described in clauses (2), (3), (4), (6), (8) and (9) of the preceding paragraph. In addition, the Senior Notes Issuer will be entitled to release the Security Interests in respect of the Collateral owned by it under the circumstances described under "*Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status.*"

The Security Agent and the Trustee (to the extent action is required by it in order to effectuate such release) will take all necessary action reasonably requested by the Issuer to effectuate any release of Collateral securing the Senior Secured Notes and the Note Guarantees, in accordance with the provisions of the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders of Senior Secured Notes or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Senior Secured Notes

Except as described below and except as described under "—*Redemption for Taxation Reasons*", the Senior Secured Notes are not redeemable until July 15, 2018.

On and after July 15, 2018, the Issuer may redeem all or, from time to time, part of the Senior Secured Notes upon not less than 10 nor more than 60 days' notice at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) if redeemed during the twelve-month period beginning on of the years indicated below:

Year	Redemption Price
2018	103.125 %
2019	101.563 %
2020 and thereafter	100.000 %

At any time prior to July 15, 2018, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Secured Notes (including the principal amount of any Additional Senior Secured Notes), upon not less than 10 nor more than 60 days' notice, with funds in an aggregate amount (the "Redemption Amount") not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 106.250% of the principal amount of the Senior Secured Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 60% of the original principal amount of the Senior Secured Notes (including the original principal amount of any Additional Senior Secured Notes) issued under the Senior Secured Notes Indenture remains outstanding immediately after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

In addition, prior to July 15, 2018, the Issuer may redeem all or, from time to time, a part of any Senior Secured Notes upon not less than 10 nor more than 60 days' notice to the Holders (with a copy to the Trustee and the Paying Agents) at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

General

Subject to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement, we may repurchase the Senior Secured Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under "*—Selection and Notice*" below.

If the Issuer effects an optional redemption of any Senior Secured Notes, it will, for so long as Senior Secured Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, inform the Irish Stock Exchange of such optional redemption and confirm the aggregate principal amount of Senior Secured Notes that will remain outstanding immediately after such redemption.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Senior Secured Notes or portions thereof called for redemption on the applicable redemption date. If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Senior Secured Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior Secured Notes are subject to redemption by the Issuer.

Any redemption or notice of redemption may, at the Issuer's discretion, be subject to one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering).

Sinking Fund

Other than in connection with a Special Mandatory Redemption, the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior Secured Notes.

Selection and Notice

If less than all of the Senior Secured Notes is to be redeemed at any time, the Paying Agent or the Registrar will select Senior Secured Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which Senior Secured Notes are listed, and in compliance with the requirements or recommendations of Euroclear and Clearstream, or if the Senior Secured Notes are not so listed or such exchange prescribes no method of selection and the Senior Secured Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a *pro rata* basis (or, in the case of Senior Secured Notes issued in global form as discussed under "*—Book-Entry, Delivery and Form*", based on a method that most nearly approximates a *pro rata* selection); *provided, however*, that no such partial redemption shall reduce the outstanding aggregate principal amount of any Senior Secured Note not redeemed to less than €100,000. Neither the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

For so long as the Senior Secured Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will publish the notice of redemption in a daily newspaper with general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*). In addition to such publication, if the Senior Secured Notes are in definitive certificated form, not less than 10 nor more than 60 days prior to the redemption date, the Issuer will mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar.

If any Senior Secured Note is to be redeemed in part only, the notice of redemption that relates to that Senior Secured Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Senior Secured Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Secured Notes or portions of Senior Secured Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem the Senior Secured Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the Senior Secured Notes (with a copy to the Trustee and the Paying Agents) (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice or revenue guidance) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

a Payor (as defined below) is, or on the next interest payment date in respect of the Senior Secured Notes would be, required to pay Additional Amounts with respect to the Senior Secured Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be formally announced and become effective on or after the Issue Date (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Senior Secured Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Senior Secured Notes Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Senior Secured Notes Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and Notice*". Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of any Senior Secured Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Payor (as defined below) has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (each, a "*Payor*") in respect of the Senior Secured Notes or with respect to any Note Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Senior Secured Note is made, or any political subdivision or governmental authority thereof or therein having the power to tax, by or on behalf of any Payor or the Paying Agent; or

(2) any other jurisdiction in which a Payor is organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Senior Secured Note, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received by each Holder in respect of such payments, after such withholding, or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received by each Holder in respect of such payments on any such Senior Secured Note in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Senior Secured Note or the receipt of any payment or the exercise or enforcement of rights under such Senior Secured Note, the Senior Secured Notes Indenture or a Note Guarantee;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior Secured Note to comply with a written request of the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding is payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax but, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed as a result of the presentation of the Senior Secured Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder;

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment on or with respect to the Senior Secured Notes or any Note Guarantee;

(5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(6) any Taxes that are required to be deducted or withheld on a payment pursuant to the Directive or any law implementing, or complying with, or introduced in order to conform to, such Directive;

(7) any Taxes imposed in connection with a Senior Secured Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Senior Secured Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(8) where such withholding or deduction is required pursuant to section 1471(b) of the U.S. Internal Revenue Code (or any amended or successor version that is substantively comparable) or otherwise imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code (or any amended or successor version that is substantively comparable), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or

(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 Senior Secured Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Senior Secured Notes directly.

The Payor will (i) make or cause to be made any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant taxing authority in the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies, or if, notwithstanding the Payor's reasonable efforts to obtain such tax receipts, such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the Paying Agent. The Payor will attach to each certified copy a certificate or other reasonable evidence stating that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Senior Secured Notes then outstanding.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Senior Secured Note or any Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agent shall be entitled to rely solely, without further inquiry, on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Senior Secured Notes Indenture, the Senior Secured Notes or this "*Description of the Senior Secured Notes*" there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Senior Secured Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Senior Secured Notes or any Note Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay (and will indemnify the Holders, the Trustee, the Paying Agent, the Transfer Agent and the Registrar for) any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration or enforcement of, or receipt of payments with respect to, any

Senior Secured Notes, any Note Guarantee, the Senior Secured Notes Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Senior Secured Notes after this offering and limited, solely to the extent of such taxes or similar charges or levies that arise from the receipt of any payments of principal or interest on the Senior Secured Notes, to any such taxes or similar charges or levies that are not excluded under clauses (1) through (3) and (5) through (8)).

The foregoing obligations will survive any termination, defeasance or discharge of the Senior Secured Notes Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Senior Secured Notes is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control*", each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof, *provided* that Senior Secured Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder's Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of the Senior Secured Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obligated to repurchase any Senior Secured Notes as described under this heading "*Change of Control*", in the event and to the extent that it has unconditionally exercised its right to redeem all of the Senior Secured Notes and given notice of redemption as described under "*—Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Senior Secured Notes and given notice of redemption as described under "*—Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will send a notice (the "*Change of Control Offer*") to the Paying Agent or tender agent for such Change of Control Offer, as applicable (with a copy to the Trustee) who will send such notice to each Holder of any Senior Secured Notes:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of such Senior Secured Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*");

(3) stating that any Senior Secured Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Senior Secured Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Senior Secured Notes Indenture, that a Holder must follow in order to have its Senior Secured Notes repurchased (including that Holders will be entitled to withdraw their election if the Paying Agent or such tender agent, as applicable, receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a facsimile or electronic transmission or letter setting forth the name of the Holder, the principal amount of Senior Secured Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have such Senior Secured Notes purchased); and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Senior Secured Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent or tender agent for such Change of Control Offer, as applicable, an amount equal to the Change of Control Payment in respect of all Senior Secured Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Senior Secured Notes or portions of the Senior Secured Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Trustee (or an authenticating agent) the Global Notes in order to reflect thereon the portion of such Senior Secured Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent or tender agent for such Change of Control Offer, as applicable, will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Senior Secured Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Senior Secured Notes surrendered, if any; *provided* that each such new Senior Secured Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Senior Secured Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a daily newspaper with general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Irish Stock Exchange (*www.ise.ie*).

Except as described above with respect to a Change of Control, the Senior Secured Notes Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Senior Secured Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Senior Secured Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Secured Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Secured Notes validly tendered and not withdrawn under such Change of Control Offer. 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 U.S. Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Secured Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Senior Secured Notes Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Senior Secured Notes Indenture by virtue of such compliance.

The Issuer's ability to repurchase Senior Secured Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Senior Facilities Agreement. In addition, certain events that may constitute a change of control under the Senior Facilities Agreement and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Senior Secured Notes Indenture. Future Indebtedness of the

Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a change of control or require such Indebtedness to be repurchased upon a change of control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Senior Secured Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Relating to the Notes—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Senior Secured Notes and the Senior Notes upon the occurrence of certain events constituting a change of control as required by each Indenture and the change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events.*"

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole or the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all" there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of the Issuer and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Senior Secured Notes as described above.

The provisions of the Senior Secured Notes Indenture relating to the Issuer's obligation to make an offer to repurchase the Senior Secured Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Senior Secured Notes.

Certain Covenants

Limitation on Indebtedness

The 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 Restricted Subsidiary 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) for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such Indebtedness is Incurred, 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, on the date of such Incurrence the Consolidated Senior Secured Net Leverage Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than 4.5 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("*Permitted Debt*"):

(1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (a) €1,520 million, *plus* (b) the greater of (i) €200 million and (ii) 75% of Consolidated EBITDA, *plus* (c) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer 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; or

(b) without limiting the covenant described under "*—Limitation on Liens*", Indebtedness arising by reason of any Lien granted by or applicable to any Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Secured Notes Indenture;

(3) Indebtedness of the 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 lender is not the Issuer or a Guarantor, such Indebtedness is unsecured and expressly subordinated to the prior payment in full in cash of all obligations with respect to the Senior Secured Notes, in the case of the Issuer, or the applicable Note Guarantee, in the case of a Guarantor; and

(b) (x) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer and (y) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary of the Issuer, 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 (i) the Senior Secured Notes (other than any Additional Senior Secured Notes) and the related Note Guarantees outstanding on the Issue Date and any related "parallel debt" obligations under the Intercreditor Agreement and the Security Documents and (ii) guarantees with respect to the Senior Notes and any related "parallel debt" obligations under the Intercreditor Agreement and the Security Documents, (b) any Indebtedness of the Issuer (other than Indebtedness Incurred under the Senior Facilities Agreement or the Senior Notes Indenture or Indebtedness described in clause (3) of this paragraph) outstanding on the Issue Date, (c) any Indebtedness of the Target Group (other than Indebtedness Incurred under the Senior Facilities Agreement or Indebtedness described in clause (3) of this paragraph) outstanding on the Completion Date after giving effect to the Transactions, (d) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses (4) and (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (e) Management Advances, (f) any loan or other instrument contributing the proceeds of the Senior Notes, and (g) any loan or other instrument contributing the proceeds of any Indebtedness Incurred in accordance with the Senior Secured Notes Indenture and the Senior Notes Indenture;

(5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer or any Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer 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 any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided* that, with respect to this clause (5), that at the time of such acquisition or other transaction, either (x) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0 after giving *pro forma* effect to the relevant acquisition and the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such date would not be less than it was immediately prior to giving effect to such acquisition or other transaction and related Incurrence of Indebtedness;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(7) Indebtedness consisting of (a) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (b) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of

assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of €75 million and 25% of Consolidated EBITDA, so long as the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 270 days thereafter;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer 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 treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements (including pursuant to Cash Management Agreements), in each case in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the 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 Incurred (a) by a Receivables Subsidiary in a Qualified Receivables Financing, (b) in a Qualified CICE Receivables Financing or a Qualified CIR Receivables Financing or (c) under other receivables financings in an amount, in the case of clause (c), not to exceed €20 million outstanding at any one time;

(12) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal

amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Issuer, in each case, subsequent to the Completion Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "—*Limitation on Restricted Payments*" to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the 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 below under "—*Limitation on Restricted Payments*" in reliance thereon;

(13) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed the greater of €100 million and 35% of Consolidated EBITDA; and

(14) Indebtedness under local Credit Facilities in an aggregate principal amount not to exceed, at any one time outstanding, the greater of €40 million and 12.5% of Consolidated EBITDA.

Notwithstanding the foregoing, the aggregate principal amount of Indebtedness Incurred by Restricted Subsidiaries that are not Guarantors pursuant to the first paragraph of this covenant and clauses (5) and (13) of the second paragraph of this covenant at any time outstanding shall not exceed the greater of €100.0 million and 35% of Consolidated EBITDA at any time.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding on the Completion Date under the Senior Facilities Agreement shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant, and may not be reclassified;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (12), (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;

(7) for the purposes of determining "Consolidated EBITDA" under clause (1)(b), (7), (13) and (14) of the second paragraph of this covenant, (x) pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries and (y) in relation to clause (1)(b) of the second paragraph of this covenant, Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date on which new Indebtedness is Incurred (in the case of term facilities) and for the period of the most recent four consecutive fiscal quarters ending prior to such date for which such internal consolidated financial statements of the Senior Notes Issuer are available; and

(8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

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*". Except as otherwise specified, the amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness*", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The 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 Entity of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");

(4) make any payment (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 €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (9), (10), (14), (16), (17) and (18) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately after the Completion 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 clause (1) or (6) of the second succeeding paragraph, (y) Excluded Contributions and (z) Net Cash Proceeds used to Incur Indebtedness pursuant to clause (12) of the covenant described under "*—Limitation on Indebtedness*"), excluding, for the avoidance of doubt, the Equity Contribution and the Managers' Investment;

(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 of the Issuer 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 clause (1) or (6) of the second succeeding paragraph and (y) Excluded Contributions, and excluding, for the avoidance of doubt, the Equity Contribution and the Managers' Investment;

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the disposition of any Investment in any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date (other than a disposition to the Issuer or a Restricted Subsidiary of the Issuer 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);

(v) in the event that an Unrestricted Subsidiary (designated as such subsequent to the Issue Date) is redesignated as a Restricted Subsidiary, all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary or such 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 the foregoing clause (iv), (v) or (vi).

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by an Officer of the Issuer, or, if such fair market value exceeds €30 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 (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) 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 clauses (c)(ii) and (c)(iii) of the first paragraph of this covenant;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under *"—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer 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*" below, but only (i) if the Issuer shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Senior Secured Notes tendered pursuant to any offer to repurchase all the Senior Secured Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "*—Change of Control*" and purchased all Senior Secured Notes tendered pursuant to the offer to repurchase all the Senior Secured Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; 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 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent Entity to permit any Parent Entity to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (a) €10 million, plus €5 million multiplied by the number of calendar years that have commenced since the Issue Date, *plus* (b) 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 Entity), or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), *plus* (c) the Net Cash Proceeds of any key man life insurance policies, to the extent such Net Cash Proceeds in (b) and (c) are not included in any calculation under clause (c)(ii) or (c)(iii) of the first paragraph of this covenant and are not Excluded Contributions, excluding, for the avoidance of doubt, the Equity Contribution and the Managers' Investment;

(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 Entity or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent Entity, without duplication, to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or disclosed in this Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under "—*Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent Entity to pay, dividends on the common stock or common equity interests of the Issuer or any Parent Entity following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 4.25 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 Net Leverage Ratio shall be equal to or less than 4.5 to 1.0;

(11) payments by the Issuer, or loans, advances, dividends or distributions to any Parent Entity to make payments, to holders of Capital Stock of the Issuer or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock; *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);

(13) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and

(ii) the declaration and payment of dividends to any Parent Entity or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Entity or Affiliate issued after the Issue Date,

provided, *however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by Parent Entity or an Affiliate the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;

(15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(16) dividends or other distributions in amounts required for a direct or indirect Parent Entity of the Issuer to pay interest on Indebtedness the proceeds of which have been contributed to the Issuer or any of its Restricted Subsidiaries and that 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*", including pursuant, in the case of the Senior Notes Issuer, to payments made under the Senior Notes Proceeds Loans;

(17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided* that, on the date of any such Restricted Payment, the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries does not exceed 4.5 to 1.0 on a *pro forma* basis after giving effect thereto; and

(18) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €90 million and 30% of Consolidated EBITDA.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the assets 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.

For the purposes of calculating "Consolidated EBITDA" under clause (18) of the third paragraph of the covenant described under *"—Limitation on Restricted Payments,"* pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Company and its Restricted Subsidiaries.

Limitation on Liens

The Senior Notes Issuer and the Issuer will not, and the Issuer will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior Secured Notes and the Senior Secured Notes Indenture are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Secured Notes pursuant to clause (a)(2) above will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens*".

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, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any other 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 Senior Facilities Agreement), (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date or (c) any other agreement or instrument with respect to the Target Group, in each case, in effect at or entered into on the Completion 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 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; *provided further*, that, in the case of Indebtedness, such Indebtedness was permitted to be Incurred under the Senior Secured Notes Indenture;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, charges, pledges or other security agreements permitted under the Senior Secured Notes Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Senior Secured Notes Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, 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 Senior Secured Notes Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of those described in 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;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Senior Secured Notes than (i) the encumbrances and restrictions contained in the Senior Facilities Agreement, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in

comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or (b) constituting an Additional Intercreditor Agreement;

(12) restrictions effected in connection with a Qualified Receivables Financing, Qualified CICE Receivables Financing or Qualified CIR 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, Qualified CICE Receivables Financing or Qualified CIR Receivables Financing, as applicable; 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 Issuer's Board of Directors); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

(i) 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);

(ii) Cash Equivalents;

(iii) the assumption by the purchaser of (x) any liabilities recorded on the Issuer's or such Restricted Subsidiary's balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the 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 is released from any guarantee of such Indebtedness as a result of such Asset Disposition;

(iv) Replacement Assets;

(v) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

(vi) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(vii) any Designated Non-Cash Consideration received by the Issuer 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 €30 million and 10% of Consolidated EBITDA (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(viii) a combination of the consideration specified in clauses (i) through (vii) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Cash Proceeds of the Asset Disposition, within 360 days (or 540 days in the circumstances described in clause (8) below) of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Cash Proceeds, 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 Indebtedness pursuant to this clause (1), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchase or redeemed; (ii) unless included in the preceding clause (1)(i), prepay, repay, purchase or redeem Indebtedness that is secured by a Lien on the Collateral on a senior or *pari passu* basis with the Senior Secured Notes and that is not Public Debt at a price of no more than 100% of the principal amount of such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; (iii) prepay, repay, purchase or redeem Indebtedness that is secured by a Lien on the Collateral on a senior or *pari passu* basis with the Senior Secured Notes and that constitutes Public Debt at a price of no more than 100% of the principal amount of such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer shall prepay, repay, purchase or redeem Indebtedness pursuant to this clause (iii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Senior Secured Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Senior Secured Notes equal to the proportion that (x) the total aggregate principal amount of Senior Secured Notes outstanding bears to (y) the sum total aggregate principal amount of the Senior Secured Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Senior Secured Notes); or (iv) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary of the Issuer that is not a Guarantor or any Indebtedness that is secured on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary);

(2) purchase Senior Secured Notes pursuant to an offer to all Holders of the Senior Secured Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and/or redeem Notes pursuant to the redemption provisions of the Indenture;

(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 Cash Proceeds pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof; *provided* that, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 360-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, subject to the Agreed Security Principles, the Issuer shall pledge or shall cause the applicable Restricted Subsidiary to pledge any acquired Capital Stock or assets (to the extent such assets were of a category of assets included in the Collateral as of the Issue Date) referred to in this covenant in favor of Holders of Senior Secured Notes (or the Security Agent on their behalf) on a first-priority basis.

The amount of such Net Cash Proceeds not so used as set forth in this paragraph constitutes "*Excess Proceeds*". Pending the final application of any such Net Cash Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Senior Secured Notes Indenture.

On the 361st day after an Asset Disposition (or the 541st day if a binding commitment as described in clause (8) above has been entered into), if the aggregate amount of Excess Proceeds exceeds €30 million, the Issuer will be required within 10 Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Senior Secured Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Senior Secured Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Senior Secured Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Senior Secured Notes Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof in the case of the Senior Secured Notes.

To the extent that the aggregate amount of Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer or the relevant Restricted Subsidiary may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Senior Secured Notes Indenture. If the aggregate principal amount of the Senior Secured Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Senior Secured Notes and Pari Passu Indebtedness to be repaid or purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Secured Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Senior Secured Notes is denominated in a currency other than the currency in which the relevant Senior Secured Notes are denominated, the amount thereof payable in respect of such Senior Secured Notes shall not exceed the net amount of funds in the currency in which such Senior Secured Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, insofar as it relates to the Senior Secured Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will repay the principal amount of Senior Secured Notes and, to the extent it elects, Pari Passu Indebtedness required to be repaid or purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Senior Secured Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Senior Secured Notes and Pari Passu Indebtedness or portions of Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Senior Secured Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset

Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Senior Secured Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Senior Secured Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Senior Secured Note to such Holder, in a principal amount equal to any unpurchased portion of the Senior Secured Note surrendered; *provided* that each such new Senior Secured Note will be in a principal amount with a minimum denomination of €100,000. Any Senior Secured Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the U.S. Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Secured Notes pursuant to the Senior Secured Notes Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Secured Notes Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The 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 €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 at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €35 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.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*", any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under "*—Limitations on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(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), or between or among Restricted Subsidiaries or any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary of the Issuer or any Parent Entity (whether

directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date or described in "*Certain Relationships and Related Party Transactions*" in this Offering Memorandum, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the entry into, delivery and performance of obligations of, or making of any payments by, the Issuer or any of its Restricted Subsidiaries pursuant to any Tax Sharing Agreement among the Issuer as dominated entity and the Senior Notes Issuer as dominating entity (*herrschendes Unternehmen*) required under applicable law and the applicable Tax Sharing Agreement; *provided*, however, that any amounts in excess of the amounts required to discharge tax liabilities relating to corporate income tax and trade tax incurred by reference to the income of the Issuer or any Restricted Subsidiary may only be so paid (A) to the extent otherwise permitted under "*—Certain Covenants—Limitation on Restricted Payments*" or (B) (x) in the form of book entry (and on a cashless basis) by way of conversion of such amounts into one or more (interest or non-interest bearing) loans or other receivables owed by the Issuer to the Senior Notes Issuer or (y) (in case of losses to be compensated by the Senior Notes Issuer) in the form of book entry by the creation of a receivable of the Senior Notes Issuer (including a receivable for the disbursement of a loan or for the distribution of profits or capital reserves made by the Issuer to the Senior Notes Issuer) towards the Issuer to enable the Senior Notes Issuer to settle any loss compensation claim of the Issuer under the relevant Tax Sharing Agreement, it being understood that any (interest or non-interest bearing) loans or other receivables (and all associated interest) resulting from the aforementioned conversion of amounts payable owing from the Issuer to the Senior Notes Issuer must (x) be downstreamed to the Issuer via the Senior Notes Issuer and not directly from any other Parent Entity to the Issuer and (y) be pledged or assigned as part of the Collateral and subject to the terms of the Intercreditor Agreement as "*Holdco Liabilities*" (as defined therein and it being further understood that any payment on or with respect to any such loans or receivables created pursuant to clause (B)(x) above are deemed to constitute a Restricted Payment for purposes of the covenant described under "*—Limitation on Restricted Payments*");

(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 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; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) of annual management, consulting, monitoring

or advisory fees and related expenses in an aggregate amount not to exceed the greater of €3 million and 1% of Consolidated EBITDA 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 Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors of the Issuer in good faith;

(12) any transactions for which the Issuer or a Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable that 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) investments by any of the Initial Investors in securities of any of the Issuer's Restricted Subsidiaries (and the payment of reasonable out-of-pocket expenses of the Initial Investors in connection therewith) so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) the investment is being offered generally to other investors on the same or more favorable terms and (iii) the investment constitutes less than 5% of the issue amount of such securities;

(14) pledges of Capital Stock of Unrestricted Subsidiaries; and

(15) any transaction effected as part of a Qualified Receivables Financing, Qualified CICE Receivables Financing or Qualified CIR Receivables Financing.

Limitation on Activities of the Senior Notes Issuer

The Senior Notes Issuer may not carry on any material business or own any material assets or Incur any Indebtedness other than:

(1) providing administrative services, strategy, legal, accounting, treasury, financial, banking, management and support services to its Affiliates (including, without limitation, the management of its Subsidiaries and its Subsidiaries' assets, entering into and performing any rights or obligations under any Tax Sharing Agreements and acting as the head of a tax group (including, for the avoidance of doubt, (x) the discharging of tax liabilities relating to corporate income tax and trade tax attributed to the relevant Parent Entity under any Tax Sharing Agreement and/or (y) the conversion of receivables under a Tax Sharing Agreement (in the form of book entry and on a cashless basis) into one or more (interest or non-interest bearing) loans or other receivables and/or (z) (in case of losses to be compensated under a Tax Sharing Agreement) the creation of receivables of the Senior Notes Issuer under a Tax Sharing Agreement towards any Parent Entity (in the form of book entry and on a cashless basis) for the disbursement of a loan or for the distribution of profits or capital reserves to enable the relevant Parent Entity to settle any loss compensation claim under the relevant Tax Sharing Agreement), providing payroll, IT, audit, compliance and similar services, providing healthcare and benefits, fulfilling periodic reporting requirements and secondment of employees), the incurrence of obligations and liabilities arising by operation of law or that are typical or incidental to the activities of a Holding Company and the ownership of assets and the incurrence and payment of costs, fees, taxes and expenses in connection with such services and activities;

(2) (i) Incurring any Indebtedness or Subordinated Shareholding Funding or making any loan not prohibited under the Senior Secured Notes Indenture; (ii) conducting any activities reasonably incidental to the Incurrence of such Indebtedness or Subordinated Shareholder Funding, including the servicing, purchase, redemption, amendment, exchange, refinancing or retirement and the performance of the terms and conditions thereof; and (iii) the granting of Liens to secure such Indebtedness or otherwise, in each case, not prohibited by the terms of the Senior Secured Notes Indenture;

(3) entering into, and activities undertaken with the purpose of fulfilling its obligations or exercising its rights under, the Senior Secured Notes Indenture, the Guarantee, the Intercreditor Agreement

(or any Additional Intercreditor Agreement), the Senior Facilities Agreement, the Security Documents, any finance document relating to Indebtedness not prohibited to be Incurred under the Senior Secured Notes Indenture and any related finance, security or other document to the extent party thereto;

(4) the ownership of (i) cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities, (ii) shares or other equity or debt securities of the Issuer or any other Person that is permitted to be its direct Subsidiary following a Permitted Reorganization or otherwise in pursuant to the covenant described under "*—Certain Covenants—Merger and Consolidation*", (iii) other property and assets for the purpose of transferring such property and asset to any Parent or other Person and (iv) any other property or asset it owns on the Issue Date;

(5) paying dividends, making distributions and other payments or disposals as permitted or not prohibited under the Senior Secured Notes Indenture, including without limitation, any Restricted Payment permitted pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" and making any Permitted Payment, any Permitted Investment or any transaction specifically excluded from the definition of the term "Restricted Payment;"

(6) any activity reasonably relating to the servicing, purchase, redemption, amendment, exchange, refinancing or retirement of the Notes or other Indebtedness (or other items that are specifically excluded from the definition of Indebtedness) not prohibited under the Senior Secured Notes Indenture;

(7) entering into and performing any rights or obligations in respect of (i) contracts and agreements with its officers, directors, employees, consultants or any Person who directly or indirectly holds Capital Stock of the Issuer, the issuance, offering and sale of such Capital Stock to such Persons, including compliance with applicable regulatory and other obligations in connection therewith and any purchase, repurchase, redemption, or the performance of the terms and conditions of an exercise of rights in respect of such Capital Stock, (ii) subscription or purchase agreements for securities or preferred equity certificates, public offering rights agreements, voting and other shareholder agreements, escrow agreements, engagement letters, underwriting agreements, dealer manager agreements, solicitation agency agreements, agreements with rating agencies and other agreements in respect of securities or any offering, issuance or sale thereof and (iii) engagement letters and reliance letters in respect of legal, accounting and advice or reports received or commissioned by it, in each case, in relation to transactions which prohibited under the Senior Secured Notes Indenture;

(8) the issuance, offering and sale of shares, other equity securities and debt securities, including compliance with applicable regulatory and other obligations in connection therewith and undertaking any activities to the extent consistent with the activities of a listed company in the course of its business as a listed company or to comply with the requirements of any applicable authority and/or stock exchange;

(9) pursuant to or in connection with the Transactions; and

(10) undertaking any other activities which are not specifically listed in this covenant and which are (i) ancillary to or related to those listed in this covenant or (ii) *de minimis* in nature.

Limitation on Changes to Enterprise Agreement of Douglas Holding

For as long as Douglas Holding AG is incorporated as a German stock corporation, the Issuer will ensure that the domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Ergebnisabführungsvertrag*) between Douglas Holding AG as dominated entity and its direct Holding Company as dominating entity (*herrschendes Unternehmen*) (as originally entered into between Beauty Holding Two GmbH as dominating entity (*herrschendes Unternehmen*) and Douglas Holding AG as dominated entity on September 18, 2013 and as amended, restated, renewed or replaced, from time to time) will not be amended, modified, supplemented or terminated and that no right thereunder will be waived, after the Completion Date, in each case, in a manner that would materially adversely affect the interests of the Holders (including by materially and adversely affecting the ability of Douglas Holding AG to grant a Notes Guarantee or Collateral or the validity or enforceability of such Notes Guarantee or Collateral) or enter into any agreement that would have the same effect. Nothing in this covenant shall restrict the ability of any of the parties to any domination and/or profit and loss pooling agreement to merge with and into each other in compliance with the Senior Secured Notes Indenture.

Reports

So long as any Senior Secured Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 150 days following the end of the Senior Notes Issuer's fiscal year ending September 30, 2015 and thereafter within 120 days following the end of each fiscal year of the Senior Notes Issuer, annual reports containing: (i) information with a level and type of detail that is substantially comparable in all material respects to information in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" in this Offering Memorandum; (ii) *pro forma* income statement and balance sheet information of the Senior Notes 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 Senior Notes Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Senior Notes Issuer as at the end of the most recent fiscal year with comparative balance sheet information as at the end of the prior fiscal year and audited consolidated income statements and statements of cash flow of the Senior Notes Issuer for the most recent two fiscal years with comparative income statement and cash flow statement information for the applicable prior fiscal year, 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 Senior Notes Issuer, all material affiliate transactions and a description of all material debt instruments; (v) a description of material risk factors and material subsequent events; and (vi) Consolidated EBITDA; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;

(2) within 90 days following the end of the quarters ending June 30, 2015 and December 31, 2015 and thereafter within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Senior Notes Issuer, beginning with the quarter ending March 31, 2016, quarterly financial statements containing the following information: (i) the Senior Notes 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 Senior Notes 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 Senior Notes Issuer will provide, in the case of a material acquisition, acquired company financials); (iii) an operating and financial review of the

unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, Consolidated EBITDA and material changes in liquidity and capital resources of the Senior Notes Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; and (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Senior Notes Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Senior Notes Issuer and the Restricted Subsidiaries (other than the Acquisition), taken as a whole, or a senior executive officer or director changes at the Senior Notes Issuer or a change in auditors of the Senior Notes Issuer, a report containing a description of such event.

In addition, the Issuer will furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act for so long as the Senior Secured Notes are not freely transferable under the U.S. Exchange Act by persons who are not “affiliates” under the U.S. Securities Act.

The Senior Notes Issuer will also make available to Holders and prospective Holders of the Senior Secured Notes copies of all reports furnished to the Trustee on the Senior Notes Issuer’s website and if and so long as the Senior Secured Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market thereof and, to the extent that the rules and regulations of the Irish Stock Exchange so require, copies of such reports furnished to the Trustee will also be made available at the specified office of the listing agent in Luxembourg.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Senior Notes Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. Notwithstanding the foregoing, to the extent that material differences exist between the results of operations or financial condition of the Issuer and the Senior Notes Issuer, the annual and quarterly reports shall give a reasonably detailed description of such differences. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. GAAP.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Senior Notes Issuer’s (a) total consolidated revenue or Consolidated EBITDA for the most recent four quarters for which annual or quarterly financial reports have been delivered to the Trustee or (b) consolidated assets as of the last day of the most recent quarter for which annual or quarterly financial reports have been delivered to the Trustee.

At any time that any of the Senior Notes Issuer’s Subsidiaries are Unrestricted Subsidiaries under the Senior Secured Notes Indenture or the Senior Notes Indenture and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, would (if it were restricted) constitute a Significant Subsidiary of the Senior Notes 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 Senior Notes Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Senior Notes Issuer. The Issuer may at any time elect to become the reporting entity in place of the Senior Notes Issuer, after which election, references to the “Senior Notes Issuer” in clauses (1), (2) and (3) above shall be deemed to refer to the Issuer.

In the event that (i) the Senior Notes Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Senior Notes Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Senior Notes Issuer) the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Senior Notes Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Senior Notes 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 Senior Notes Issuer and the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

All reports provided pursuant to this covenant will be made in the English language.

For any period ending prior to the Completion Date, the reports and financial statements required by this covenant will be provided with respect to the Target Group instead of the Senior Notes Issuer.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all the assets of the Issuer or its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions to, any Person, unless:

(1) either the Issuer is the surviving entity or the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of the United Kingdom, any member state of the European Union, any State of the United States or the District of Columbia, Canada or any province of Canada, Australia or any state thereof, Norway or Switzerland and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Senior Secured Notes and the Senior Secured Notes Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Fixed Charge Coverage for the Issuer or the Successor Company and its Restricted Subsidiaries would be at least 2.0 to 1.0 or (b) the Fixed Charge Coverage Ratio for the Issuer or the Successor Company and its Restricted Subsidiaries 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 (and the Trustee will be able to rely without further inquiry on) an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Senior Secured Notes Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company in accordance with its terms (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the 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 Senior Secured Notes Indenture but in the case of a lease of all or substantially all its assets, the Issuer will not be released from its obligations under the Senior Secured Notes Indenture or the Senior Secured Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of the Issuer and its Restricted Subsidiaries.

The Guarantors

No Guarantor (other than a Guarantor whose guarantee is to be released in accordance with the terms of the Senior Secured Notes Indenture or the Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of the assets of such Guarantor and its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it unless:

  (a) in the case of a Restricted Subsidiary that is a Guarantor, the other Person is the Issuer or another 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) in the case of the Senior Notes Issuer, the other Person is the Issuer or a Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposal;

  (c) (1) either (x) a Guarantor is the surviving entity or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Senior Secured Notes Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and 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 is continuing; or

  (d) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Senior Secured Notes Indenture;

provided, however, that the prohibition in clauses (1), (2) and (3) of this covenant shall not apply to the extent that compliance with clauses (a), (b) and (c)(1) could give rise to or result in: (1) any breach or violation of general statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference or thin capitalization rules, retention of title claims or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (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 (other than the Senior Notes Issuer) or any other Restricted Subsidiary that is not a Guarantor; (ii) a Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) a Guarantor transferring all or part of its properties and assets to a Restricted Subsidiary that is not a Guarantor in order to comply with any law, rule, regulation or order, recommendation or direction of, or agreement with, any regulatory authority having jurisdiction over the Issuer and/or any of its Restricted Subsidiaries; (iv) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Senior Secured Notes, the Senior Secured Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading "*—The Issuer*" shall apply to such transaction; and (v) 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*" shall apply to any such transaction in respect of the Issuer.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Senior Secured Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until such time, if any, at which the Senior Secured Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Senior Secured Notes Indenture summarized under the following captions will not apply to the Senior Secured Notes:

(1) "*—Limitation on Indebtedness*";

(2) "*—Limitation on Restricted Payments*";

(3) "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "*—Limitation on Affiliate Transactions*";

(5) "*—Limitation on Sales of Assets and Subsidiary Stock*";

(6) "*—Additional Guarantees*"; and

(7) the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer*,"

and, in each case, any related default provision of the Senior Secured Notes Indenture will cease to be effective and will not be applicable to the 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 or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Senior Secured Notes Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment being made while the Covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*." In addition, the Senior Secured Notes Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Senior Secured Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Senior Secured Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption have been satisfied; *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Senior Secured Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

The Senior Notes Issuer shall not and the Issuer shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Senior Notes Issuer shall not and the Issuer shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that the

Senior Notes Issuer and the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged and released in accordance with the Senior Secured Notes Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced from time to time to (i) cure any ambiguity, mistake, omission, defect or inconsistency therein, (ii) provide for Permitted Collateral Liens, (iii) add to the Collateral and (iv) make any other change thereto that does not adversely affect the Holders in any material respect; *provided*, *however*, that except with respect to any discharge or release in accordance with the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, 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 relevant Person and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, release, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer, the Senior Notes Issuer or the relevant Restricted Subsidiary complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Additional Guarantees

The Issuer shall cause, subject to the Agreed Security Principles, as soon as is reasonably practicable after the Completion Date and in any event prior to the date falling 90 days after the Completion Date, each Post-Completion Date Guarantor to:

(1) execute and deliver to the Trustee a supplemental indenture in the form attached to the Senior Secured Notes Indenture pursuant to which such Subsidiary will provide a Note Guarantee, which Note Guarantee will be senior to or *pari passu* (subject to the super senior ranking of "*Super Senior Liabilities*", as such term is defined in the Intercreditor Agreement or pursuant to a corresponding definition in any Additional Intercreditor Agreement) with all other Indebtedness of such Restricted Subsidiary; and

(2) accede as a party to the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Issuer will not cause or permit any Restricted Subsidiary that is not a Guarantor to Guarantee the Indebtedness outstanding under the Senior Credit Facilities, any Credit Facility or any other Public Debt, in each case unless such Restricted Subsidiary becomes a Guarantor on the date on which the Guarantee is Incurred and executes and delivers to the Trustee a supplemental indenture providing for a Note Guarantee of such Restricted Subsidiary, which Note Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness; *provided*, *however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Note Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of general statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference or thin capitalization rules, retention of title claims or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Note Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors or other considerations under applicable law or regulation.

Note Guarantees granted pursuant to this provision shall be released as set forth under "*—Releases of Note Guarantees*". A Note Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Senior Secured Notes Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Note Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Risk Factors*".

Additional Intercreditor Agreements

The Senior Secured Notes Indenture will provide that, at the request of the Issuer and without the consent of Holders, in connection with the Incurrence by the 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), (4), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (12) 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), 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 (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Security Interest; *provided* that such Additional Intercreditor Agreement or restatement, amendment or modification of the Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnities or immunities of the Trustee or Security Agent under the Senior Secured Notes Indenture or the Intercreditor Agreement.

The Senior Secured Notes Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect 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 Senior Secured Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior Secured Notes (including Additional Senior Secured Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Senior Secured Notes, (6) implement any Permitted Collateral Liens or (7) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to the Intercreditor Agreement or any Additional Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Senior Secured Notes then outstanding, except as otherwise permitted below under "*Amendments and Waivers*" or as permitted by the terms of the Intercreditor Agreement or any such Additional Intercreditor Agreement, and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Senior Secured Notes Indenture also will provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Secured Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*".

The Senior Secured Notes Indenture also will provide that each Holder, by accepting a Senior Secured Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor

Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement will be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the Issuer or at the offices of the listing agent.

Limitation on Activities Prior to the Completion Date

Prior to the Completion Date, the Issuer will not, and will not permit any of its Restricted Subsidiaries to, engage in any business activities or undertake any other activity, except for any activity (i) reasonably relating to the Acquisition, the Senior Secured Notes, the Senior Secured Notes Indenture, the Senior Notes, the Senior Notes Indenture, the Senior Facilities Agreement, the Senior Secured Notes Escrow Agreement, the Senior Notes Escrow Agreement, the Shortfall Agreement, the Security Documents, the security documents securing the Senior Facilities Agreement or the Senior Notes and the Intercreditor Agreement; (ii) undertaken with the purpose of fulfilling any other obligations relating to the Acquisition under the Senior Secured Notes, the Senior Secured Notes Indenture, the Senior Notes, the Senior Notes Indenture, the Senior Facilities Agreement, the Senior Secured Notes Escrow Agreement, the Senior Notes Escrow Agreement, the Security Documents, the security documents securing the Senior Facilities Agreement or the Senior Notes or the Intercreditor Agreement; (iii) the establishment of the Issuer and French NewCo; and (iv) other activities not specifically enumerated above that are *de minimis* in nature.

Events of Default

Each of the following is an "*Event of Default*" under the Senior Secured Notes Indenture:

(1) default in any payment of interest on any Senior Secured Note issued under the Senior Secured Notes Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Senior Secured Note issued under the Senior Secured Notes Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer, the Senior Notes Issuer or any of the Issuer's Restricted Subsidiaries to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Senior Secured Notes with its other agreements contained in the Senior Secured Notes Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the 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, in each case, either (i) the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €30 million or more or, (ii) to the extent any such Indebtedness incurred in reliance on clause (1) or (6) of the second paragraph of the "*—Limitation on Indebtedness*" covenant is outstanding and is secured by Collateral that is granted the benefit of super senior priority rights on the proceeds of enforcement of Collateral under the Intercreditor Agreement, upon any instruction by the majority super senior creditors to the Security Agent to commence enforcement of the Collateral;

(5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Senior Notes Issuer or the Issuer), 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 Senior Notes Issuer or the Issuer), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €30 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(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 Senior Secured Notes Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Secured Notes Indenture and except through the gross negligence or willful misconduct of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of €10 million for any reason other than the satisfaction in full of all obligations under the Senior Secured Notes Indenture or the release of any such security interest in accordance with the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the 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 the Senior Notes Issuer or a a Significant Subsidiary or group of Guarantors that, taken together (as of the latest audited consolidated financial statements for the Senior Notes Issuer or the Issuer) would constitute Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee or the Senior Secured Notes 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.

However, a default under clauses (3), (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture notify the Issuer of the default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Senior Secured Notes under the Senior Secured Notes Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Senior Secured Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

In the event of a declaration of acceleration of the Senior Secured Notes because an Event of Default described in clause (4) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Senior Secured Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Senior Secured Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Senior Secured Notes that became due solely because of the acceleration of the Senior Secured Notes, have been cured or waived.

Holders of the Senior Secured Notes may not enforce the Senior Secured Notes Indenture or the Senior Secured Notes except as provided in the Senior Secured Notes Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Senior Secured Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

If an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Senior Secured Notes Indenture at the request or direction of any of the Holders unless such Holders have offered and, if requested, provided to the Trustee indemnity, security or prefunding satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Senior Secured Notes Indenture or the Senior Secured Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Senior Secured Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security, prefunding or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security, prefunding or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Senior Secured Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Senior Secured Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Senior Secured Notes Indenture will provide that, in the event an Event of Default of which the Trustee has actual knowledge has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Secured Notes Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Senior Secured Notes Indenture, the Trustee will be entitled to indemnification, security or prefunding satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action. The Senior Secured Notes Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Senior Secured Note, the Trustee may (without liability for so doing) withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee (and the Trustee shall be able to rely without further inquiry on), within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee (and the Trustee shall be able to rely without further inquiry on), within 30 days after 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 Senior Secured Notes Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "*Initial Default*") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of this Senior Secured Notes Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Senior Secured Notes Indenture.

The Senior Secured Notes Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified, prefunded or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Senior Secured Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Senior Secured Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes). Without the consent of Holders holding not less than 90% (or, in the case of clause (8), 75%) of the then outstanding principal amount of the Senior Secured Notes then outstanding, an amendment or waiver may not, with respect to any Senior Secured Notes held by a non-consenting Holder:

(1) reduce the principal amount of Senior Secured Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Senior Secured Note;

(3) reduce the principal of or extend the Stated Maturity of any Senior Secured Note;

(4) reduce the premium payable upon the redemption of any Senior Secured Note or change the time at which any Senior Secured Note may be redeemed, in each case as described above under "*—Optional Redemption*";

(5) make any Senior Secured Note payable in money other than that stated in the Senior Secured Note;

(6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Senior Secured Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Senior Secured Notes;

(7) make any change in the provision of the Senior Secured Notes Indenture described under "*Withholding Taxes*" that adversely affects the right of any Holder of such Senior Secured Notes in any material respect or amends the terms of such Senior Secured Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any security interest granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Secured Notes Indenture;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Senior Secured Notes (except pursuant to a rescission of acceleration of the Senior Secured Notes by the Holders of at least a majority in aggregate principal amount of such Senior Secured Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Guarantor from any of its obligations under its Note Guarantee or the Senior Secured Notes Indenture, except in accordance with the terms of the Senior Secured Notes Indenture and the Intercreditor Agreement and any Additional Intercreditor Agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, any Guarantor, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Senior Secured Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under any Senior Secured Notes Document;

(3) add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) 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 Senior Secured Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Senior Secured Notes;

(6) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or "*Certain Covenants—Additional Guarantees*, to add Note Guarantees with respect to the Senior Secured Notes, to add security to or for the benefit of the Senior Secured Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Senior Secured Notes when such release, termination, discharge or retaking or amendment is provided for under the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Senior Secured Notes Indenture, the Security Documents or the Senior Secured Notes to any provision of this "*Description of the Senior Secured Notes*" to the extent that such provision in this "*Description of the Senior Secured Notes*" was intended to be a verbatim recitation of a provision of the Senior Secured Notes Indenture, the Security Documents or the Senior Secured Notes;

(8) to evidence and provide for the acceptance and appointment under the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Senior Secured Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Senior Facilities Agreement, in any property which is required by the Security Documents or the Senior Facilities Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with; or

(10) as provided in "*—Certain Covenants—Additional Intercreditor Agreements*".

In connection with such matters, the Trustee shall be entitled to receive and rely absolutely on an Officer's Certificate and Opinions of Counsel.

The consent of the Holders is not necessary under the Senior Secured Notes Indenture to approve the particular form of any proposed amendment of any Senior Secured Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Secured Notes Indenture by any Holder of Senior Secured Notes given in connection with a tender of such Holder's Senior Secured Notes will not be rendered invalid by such tender.

For so long as the Senior Secured Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Ireland in a daily newspaper with general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*).

Acts by Holders

In determining whether the Holders of the required principal amount of the Senior Secured Notes have concurred in any direction, waiver or consent, the Senior Secured Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and the Guarantors under the Senior Secured Notes and the Senior Secured Notes Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Senior Secured Notes, registration of Senior Secured Notes, mutilated, destroyed, lost or stolen Senior Secured Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Senior 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 Guarantors' obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) of "*—Certain Covenants—Merger and Consolidation*") and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Senior Secured Notes may not be accelerated because of an Event of Default with respect to such Senior Secured Notes. If the Issuer exercises its covenant defeasance option with respect to the Senior Secured Notes, payment of the Senior Secured Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation*", (4), (5) (with respect only to the Significant Subsidiaries), (6), (7) or (8) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated or appointed as agent by the Trustee for this purpose) cash in euro or euro-denominated European Government Obligations or a combination thereof in an amount sufficient for the payment of principal, premium, if any, and interest on the Senior Secured Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of the relevant Senior Secured Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Senior Secured Notes Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents, will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Senior Secured Notes, as expressly provided for in the Senior Secured Notes Indenture) as to all outstanding Senior Secured Notes when (1) either (a) all the Senior Secured Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Secured Notes, and certain Senior Secured Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Senior Secured Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed as agent by the Trustee for this purpose), money or in euro or euro-denominated European Government Obligations or a combination thereof in an amount sufficient to pay and discharge the entire Indebtedness on the Senior Secured Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Senior Secured Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Senior Secured Notes Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee to apply the funds deposited towards the payment of the Senior Secured Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (which the Trustee may rely on without further inquiry) each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Senior Secured Notes Indenture relating to the satisfaction and discharge of the Senior Secured Notes Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, any Guarantor or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Senior Secured Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Secured Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

Deutsche Trustee Company Limited is to be appointed as Trustee under the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Senior Secured Notes Indenture. During the existence of an Event of Default of which the Trustee has actual knowledge, the Trustee will exercise such of the rights and powers vested in it under the Senior Secured Notes Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Senior Secured Notes Indenture will not be construed as an obligation or duty. The Trustee will be permitted to engage in transactions with the Issuer and its Affiliates.

The Senior Secured Notes Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Senior Secured Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Senior Secured Notes Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, expenses Incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Senior Secured Notes Indenture.

Notices

For so long as any of the Senior Secured Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, notices of the Issuer with respect to the Senior Secured Notes will be published in a daily newspaper with general circulation in Ireland (which is expected to be the *Irish Times*) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe or, to the extent and in the manner permitted by such rules, such notices will be posted on the official website of the Irish Stock Exchange (*www.ise.ie*). In addition, for so long as any Senior Secured Notes are represented by Global Notes, all notices to Holders of the Senior Secured Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Senior Secured Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Senior Secured Notes will be prescribed six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Senior Secured Notes and the Note Guarantees, if any, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Senior Secured Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Senior Secured Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Senior Secured Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Senior Secured Note or any Note Guarantee of a Senior Secured Note, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application has been made to list the Senior Secured Notes on the Official List of the Irish Stock Exchange and to admit the Senior Secured Notes to trading on the Global Exchange Market thereof.

Enforceability of Judgments

Since substantially all the assets of the Issuer are located outside the United States, any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Senior Secured Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Senior Secured Notes Indenture and the Senior Secured Notes, the Issuer and the Guarantors will in the Senior Secured Notes Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Senior Secured Notes Indenture will provide that the Issuer and each Guarantor, will appoint Lord Securities Corporation, as their agent for service of process in any suit, action or proceeding with respect to the Senior Secured Notes Indenture, the Senior Secured Notes and the Note Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Senior Secured Notes Indenture and the Senior Secured Notes, and the rights and duties of the parties thereunder, will be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or (2) assumed in connection with an acquisition of assets, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Issuer 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 Group by the Issuer pursuant to the Acquisition Agreement.

"*Acquisition Agreement*" means the share sale agreement dated as of June 1, 2015, among, *inter alios*, the Issuer and the existing shareholders of the Target.

"*Acquisition Documents*" means the Acquisition Agreement and the funds' guarantee given by certain of the existing shareholders of Target.

"*Additional Senior Notes*" has the meaning given to such term under the "*Description of Senior Notes*".

"*Affiliate* " of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "*control*" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "*controlling*" and "*controlled*" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the agreed security principles appended to the Senior Facilities Agreement, as of the Completion Date, as applied *mutatis mutandis* with respect to the Senior Secured Notes in good faith by the Issuer.

"*Applicable Premium*" means, with respect to any Senior Secured Note the greater of:

(a) 1% of the principal amount of such Senior Secured Note; and

(b) the excess (to the extent positive) of:

(i) the present value at such redemption date of (A) the redemption price of such Senior Secured Note at July 15, 2018 (such redemption price (expressed in percentage of principal amount) being set forth under the heading "*—Optional Redemption*"), plus (B) all required interest payments due on such Senior Secured Note to and including July 15, 2018 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(ii) the outstanding principal amount of such Senior Secured Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee or any Paying Agent.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "*disposition*") by the 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 not be deemed 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, equipment or other 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 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 €30 million and 10% of Consolidated EBITDA;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment;

(9) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Limitation on Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or 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 or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, 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, Qualified CICE Receivables Financing, Qualified CIR Receivables Financing, any other receivables financing permitted to be Incurred pursuant to sub-clause 11(b) of the definition of "*Permitted Debt*", or any factoring transaction or 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 or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer 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 €40 million;

(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 redeemable Capital Stock that is permitted by the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" covenant; and

(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 Senior Secured Notes Indenture.

"*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 of the Issuer.

"*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 Senior Secured Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"*Bund Rate*" means, as of any redemption date, the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or an Officer of the Issuer) most nearly equal to the period from the redemption date to July 15, 2018; *provided*, *however*, that if the period from the redemption date to, with respect to the Senior Secured Notes, July 15, 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 July 15, 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 London, United Kingdom, Munich, Germany or Frankfurt, Germany are authorized or required by law to close and, with respect to payments to be made under the Senior Secured Notes Indenture, other than any day which is not a TARGET Settlement Day.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect 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 Kingdom, United States or Canadian governments, a Permissible Jurisdiction, Norway or Switzerland or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, recognized time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Senior Facilities Agreement or by any bank or trust company (a) whose commercial paper is rated at least "A-2" or the equivalent thereof by S&P or at least "P-2" 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 €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 the United Kingdom, any state of the United States, any province of Canada, any Permissible Jurisdiction, Norway or Switzerland or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United Kingdom, the United States, Canada, a Permissible Jurisdiction, Norway or Switzerland or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and

(9) for purposes of clause (2) of the definition of "*Asset Disposition*", the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date, and by the Target Group on the Completion Date.

"*Cash Management Agreement*" means any agreement or arrangement in the ordinary course of business pursuant to which a Cash Management Provider (as defined in the Intercreditor Agreement) provides treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements, to the Issuer or a Restricted Subsidiary.

"*Change of Control*" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the U.S. Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the U.S. Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent Entity; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders;

provided that, in each case, a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

"*CICE*" means the competitive and employment tax credit pursuant to the French 3rd Amended Finance Law for 2012 (*3ème loi de finances rectificative pour 2012*) No. 2012 1510, dated December 29, 2012.

"*CIR*" means the research tax credit pursuant to, *inter alia*, article 244 quarter B of the French Tax Code (*Code général des impôts*) and any provision implemented in furtherance or replacement thereof.

"*Clearstream* " means Clearstream Banking, *société anonyme,* or any successor securities clearing agency.

"*Collateral*" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date and the Completion Date or thereafter pursuant to any Security Document to secure the obligations under the Senior Secured Notes Indenture, the Senior Secured Notes and/or any Note Guarantee.

"*Commodity Hedging Agreement*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Completion Date*" means the date of completion of the Acquisition.

"*Consolidated EBITDA*" for the period of the four most recent fiscal quarters ending prior to the relevant date of measurement for which internal consolidated financial statements are available means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization 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, issuance, redemption or refinancing of any Indebtedness permitted by the Senior Secured Notes Indenture or any amendment, waiver, consent or modification to any document governing any such Indebtedness (each in cash whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(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 nonrecurring items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash 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 receivables in connection with any Qualified Receivables Financing, Qualified CICE Receivables Financing, Qualified CIR Receivables Financing or any other receivables financing, representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period;

(12) the aggregate amount of credit card fees paid or payable, to the extent the same were deducted in computing Consolidated Net Income; and

(13) any charge recorded in connection with CVAE.

"*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 interest 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 subsidiary of the Issuer, 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 an Officer of the Issuer responsible for accounting or financial reporting;

(6) the consolidated interest expense that was capitalized during such period; and

(7) interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS, (iv) any Additional Amounts with respect to the Senior Secured Notes or the Senior Notes or other similar tax gross-up on any Indebtedness (including, without limitation, under any Credit Facility), which is included in interest expenses under IFRS and (v) any interest expense related to a Guarantee of Indebtedness of the Senior Notes Issuer Incurred in compliance with the Senior Secured Notes Indenture; *provided* that the interest expense of any Senior Notes Proceeds Loan related thereto is included in the calculation of Consolidated Interest Expense in an equal or greater amount. Consolidated Interest Expense shall not include any interest expense relating to Subordinated Shareholder Funding.

"*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 (3) 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 (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", any net income (loss) of any Restricted Subsidiary if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the 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 Senior Secured Notes, the Senior Notes, the Senior Secured Notes Indenture or the Senior Notes Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Senior Facilities Agreement and the Intercreditor Agreement) and contractual restrictions in effect on the Completion Date with respect to the Target Group, and other restrictions with respect to any such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date or the Completion Date, as applicable, and (d) restrictions specified in clause (11) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*", except that the 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, 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/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any 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, 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 (or 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 the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;

(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 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 Net 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 Board of Directors or an Officer of the Issuer)) less cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters ending prior to such date of 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 Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting) 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 Net 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 an Officer of the Issuer responsible

for accounting or financial reporting and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the 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 expense and cost reduction synergies resulting from any such disposal, as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting);

(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;

(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 Net Leverage shall be treated in accordance with IFRS;

(7) the reasonably anticipated full run rate effect of expense and cost reduction synergies (as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting) projected to result from actions taken by the Issuer or its Restricted Subsidiaries shall be included as though such synergies had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, *provided* that such synergies (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any cost savings, reductions or synergies already included for such period;

(8) cash shall include all cash at hand or in transit or in tills or payments made by cheques or debit cards or credit cards which are yet to be reserved or cleared funds; and

(9) an adjustment in respect of the difference between (i) the total *pro forma* consolidated amount of CICE for the four quarter period as determined on the basis of CICE applicable to all relevant entities of the group as at the end of the period and (ii) the total amount of CICE already included in Consolidated EBITDA for that period, shall be added to Consolidated EBITDA.

"*Consolidated Senior Secured Net 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 the Board of Directors or an Officer of the Issuer)) less cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries.

"*Consolidated Senior Secured Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the 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 Net 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 Senior Facilities Agreement or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Senior Facilities Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "*Credit Facility*" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*CVAE*" means *cotisation sur la valeur ajoutée des enterprises* or any similar tax enacted in replacement or complement thereof.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Issuer 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 Entity, 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 clauses (c)(ii) and (c)(iii) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", excluding, for the avoidance of doubt, any Preferred Stock issued as part of the Equity Contribution or the Managers' Investment.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Senior Secured Notes or (b) the date on which there are no Senior Secured Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Senior Secured Notes Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Contribution*" has the meaning given to such term in the section of this Offering Memorandum captioned "*The Transactions*".

"*Equity Offering*" means (x) a sale of Capital Stock of the Issuer or a Restricted Subsidiary (other than to the Issuer or any of its Subsidiaries (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the U.S. Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person (other than to the Issuer or any of its Subsidiaries), the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer or any of its Restricted Subsidiaries.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "*Escrowed Proceeds*" shall include any interest earned on the amounts held in escrow.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Board of Directors or an Officer of the Issuer) on the date of such determination.

"*Euroclear*" means Euroclear Bank SA/NV or any successor securities clearing agency.

"*European Government Obligations*" means any security denominated in euro that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Senior Secured Notes Indenture and whose long-term debt on such date 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, 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.

"*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 (excluding, for the avoidance of doubt, the Equity Contribution and the Managers' Investment), in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*fair market value*" wherever such term is used in this "*Description of the Senior Secured Notes*" or the Senior Secured Notes Indenture (except in relation to an enforcement action or distressed disposal pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "*Description of the Senior Secured Notes*" or the Senior Secured Notes Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or 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 an officer of such Person responsible for accounting or financial reporting), 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 above 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 above 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 an officer of such Person responsible for accounting or financial reporting), 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 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;

(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 if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness);

(7) Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by an Officer of the Issuer responsible for accounting or financial reporting to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS;

(8) the reasonably anticipated full run rate effect of expense and cost reduction synergies (as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting) projected to result from actions taken by the Issuer or its Restricted Subsidiaries shall be included as though such synergies had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, *provided* that such synergies (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any cost savings, reductions or synergies already included for such period; and

(9) an adjustment in respect of the difference between (i) the total *pro forma* consolidated amount of CICE for the four quarter period as determined on the basis of CICE applicable to all relevant entities of the group as at the end of the period and (ii) the total amount of CICE already included in Consolidated EBITDA for that period, shall be added to Consolidated EBITDA.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense and Receivables Fees 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 Capital Stock payable to the Issuer or a Restricted Subsidiary.

"*Founders*" means Henning Kreke and (a) his parents or spouse and/or any of Henning Kreke's, his spouse's or his parents' respective direct descendants; or (b) any trust, corporation, partnership, limited liability company or other entity (each an "*investment vehicle*") in relation to which any one or more of Henning Kreke and/or any of the persons specified in paragraph (a) above is (i) a beneficiary or (ii) a shareholder, partner, member or other person controlling such investment vehicle. For the purposes of this definition, "*controlling*" means (A) holding more than 50.1% of the shares or other instruments issued by such investment vehicle and/or (B) being entitled, directly or indirectly, to give directions with respect to the operating and financial policies of such investment vehicle with which the directors or other equivalent officers of such investment vehicle are obliged to comply.

"*French NewCo*" means Kirk Beauty France SAS.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term "*Guarantee*" will not include endorsements for collection or deposit in the ordinary course of business. The term "*Guarantee*" used as a verb has a corresponding meaning.

"*Guarantor*" means the Senior Notes Issuer, the Post-Completion Date Guarantors and any other Restricted Subsidiary that Guarantees the Senior Secured Notes.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder*" means each Person in whose name the Senior Secured Notes are registered on the Registrar's books, which shall initially be the common depositary for the accounts of Euroclear and Clearstream or its nominee.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) ("*IFRS*") endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Senior Secured Notes Indenture, all ratios and calculations based on IFRS contained in the Senior Secured Notes Indenture shall be computed in accordance with IFRS as in effect on the Issue Date.

"*Incur"* means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for, and the terms "*Incurred*" and "*Incurrence*" have meanings correlative to the foregoing; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and any Indebtedness pursuant to any revolving credit or similar facility shall only be "*Incurred*" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person (the amount of such Indebtedness being equal to the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons);

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "*Indebtedness*" shall not include (i) Subordinated Shareholder Funding, (ii) 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 or (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Senior Secured Notes Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of 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; or

(3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"*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 any funds or limited partnerships managed or advised by Affiliates of CVC Capital Partners SICAV-FIS S.A. or any of its Affiliates or direct or indirect Subsidiaries or any investors in such funds or limited partnerships (but excluding, in each case, any portfolio companies in which such funds or limited partnerships hold an investment and excluding CVC Credit Partners LP and its direct and indirect Subsidiaries) who are investors in such funds or limited partnerships as at the Completion Date, investing directly or indirectly in Parent (collectively, the "*Sponsor*") and the Founders.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent Entity or any successor of the Issuer or any Parent Entity (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated on or about the Issue Date, by and among, inter alios, the Issuer, the Security Agent and the Trustee, as amended from time to time.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment"* means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer 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 above under the caption "*—Certain Covenants—Limitation on Restricted Payments*".

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "*Investment*" will include the portion (proportionate to the 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 of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United Kingdom, United States, or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction, Norway or Switzerland or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB–" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"*Investment Grade Status*" shall occur when all of the Senior Secured Notes receive 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 Rating Organization.

"IPO Entity" has the meaning given it in the definition of Initial Public Offering.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means July 10, 2015.

"*Issuer*" means Kirk Beauty Zero GmbH.

"*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 Entity, 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 Entity with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Issuer;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €10 million in the aggregate outstanding at any time.

"*Management Investors"* means (i) members of the management team of the Issuer or its Subsidiaries who subsequently invest directly or indirectly in the Issuer from time to time and (ii) any entity that may hold shares transferred by departing members of the management team of the Issuer or its Subsidiaries for future redistribution to the management team of the Issuer or its Subsidiaries. For the avoidance of doubt, the expression "management team" shall include, but not be limited to, any managers, officers and (executive and non-executive) directors of the Target Group.

"*Managers' Investment*" has the meaning given to such term in the section of this Offering Memorandum captioned "*The Transactions*".

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's* " means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) the U.S. Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition (other than Capitalized Lease Obligations), in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Issuer 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.

"*Net Cash Proceeds*", with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"*Note Guarantee*" means the guarantee by any Guarantor of the Issuer's obligations under the Senior Secured Notes Indenture and the Senior Secured Notes.

"*Offering Memorandum*" means this offering memorandum in relation to the Senior Secured Notes.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "*Officer*" for the purposes of the Senior Secured Notes Indenture by the Board of Directors of such Person.

"*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 Kirk Beauty One GmbH.

"*Parent Entity*" 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 Entity.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Senior Secured Notes Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the U.S. Securities Act or the U.S. Exchange Act;

(2) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees and expenses payable by any Parent Entity in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Entity related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, and (b) costs and expenses with respect to the

ownership, directly or indirectly, of the Issuer and its Restricted Subsidiaries by any Parent Entity, (c) any Taxes and other fees and expenses required to maintain such Parent Entity's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent Entity and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent Entity;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent Entity or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €3 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 such Subsidiaries; and

(8) expenses Incurred by any Parent Entity in connection with any public offering or other sale of Capital Stock or Indebtedness:

(a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

(b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

(c) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Pari Passu Indebtedness*" means Indebtedness of the Issuer or any Restricted Subsidiary that is a Guarantor which does not constitute Subordinated Indebtedness.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal, interest and premium and Additional Amounts, if any, on any Senior Secured Note on behalf of the Issuer.

"*Permissible Jurisdiction*" means any member state of the European Union as of January 1, 2004 (other than any member state so long as European Government Obligations issued, or unconditionally guaranteed, by the governments of such jurisdictions do not have a rating of "BBB-" or higher from S&P and "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)).

"*Permitted Collateral Liens*" means Liens on the Collateral:

(a) that are described in one or more of clauses (2), (3), (4), (5), (6), (9), (11), (12), (14), (18), (20), (23) and (24) of the definition of "*Permitted Liens*" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interest in the Collateral;

(b) to secure:

(i) the Senior Secured Notes (other than any Additional Senior Secured Notes);

(ii) Senior Secured Indebtedness permitted to be Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" to the extent incurred by the Issuer or a Guarantor;

(iii) Indebtedness described under clause (1) of the definition of "*Permitted Debt*", to the extent Incurred by the Issuer or a Guarantor;

(iv) Indebtedness described under clause (2) of the definition of "*Permitted Debt*", to the extent Incurred by the Issuer or a Guarantor and to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured on the Collateral pursuant to this definition of Permitted Collateral Liens;

(v) Indebtedness described under paragraph (a)(i) or (c) of clause (4) of the definition of "*Permitted Debt*";

(vi) Indebtedness described under clause (5) of the definition of "*Permitted Debt*" Incurred by the Issuer or a Guarantor, *provided* that, at the time of the acquisition or other transaction pursuant to which such Indebtedness is Incurred and after giving *pro forma* effect to the Incurrence of such Indebtedness and the application of the proceeds thereof, (a) the Issuer would have been able to Incur €1.00 of additional Senior Secured Indebtedness pursuant to the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (b) the Consolidated Senior Secured Net Leverage Ratio would have been no greater than it was prior to giving *pro forma* effect to such acquisition or transaction, the Incurrence of such Indebtedness and the application of the proceeds thereof;

(vii) Indebtedness described under clause (6) of the definition of "*Permitted Debt*" (other than with respect to Commodity Hedging Agreements) or Indebtedness described under clause (8)(d) of the definition of "*Permitted Debt*" under Cash Management Agreements;

(viii) Indebtedness described under clause (7) (other than with respect to Capitalized Lease Obligations), (12) or (13) of the definition of "*Permitted Debt*"; and

(ix) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (viii);

provided that, (A) other than as set forth below, with respect to any Indebtedness referred to in this clause (b), such Lien must rank *pari passu* with, or junior to, the Liens on the Collateral securing the Obligations under the Senior Secured Notes and the Note Guarantees and (B) each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; and *provided further* that following a debt refinancing of the Senior Secured Facilities, Indebtedness described in (X) clause (iii) of this definition (limited to an aggregate amount not to exceed the greater of €225 million and 75% of Consolidated EBITDA (measured at the time at which commitments for such facility are obtained (in case of a revolving facility) or the date on which such Indebtedness is Incurred (in the case of other Indebtedness)) and (Y) clause (vii) of this definition (in the case of Hedging Obligations only, to the extent such Hedging Obligations are entered into for the purposes of hedging any interest rate exposure and/or any foreign exchange exposure under Indebtedness permitted under the Senior Secured Notes Indenture that is subject to the Intercreditor Agreement or any Additional Intercreditor Agreement), may receive super priority status in respect of the proceeds from the enforcement of Collateral;

(c) to secure Indebtedness described under paragraph (4)(a)(ii) of the definition of "Permitted Debt" and any other Indebtedness constituting "Senior Unsecured Liabilities" under the Intercreditor Agreement or any Additional Intercreditor Agreement; *provided* that such security is limited to Collateral constituting Senior Notes Collateral and is granted on a junior priority basis; and

(d) that are fixed charges incurred to secure Capitalized Lease Obligations covering only the assets acquired with or financed by such Indebtedness; and

(e) Incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries with respect to obligations that in total do not exceed €15 million at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money or business and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Issuer's or such Restricted Subsidiary's business.

"*Permitted Holders*" means, collectively, (1) the Sponsor, (2) the Founders, (3) the Management Investors, (4) any Related Person of any Persons specified in clause (1) or (3), (5) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent Entity or the Issuer, acting in such capacity and (6) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the U.S. Exchange Act or any successor provision) of which any of the foregoing (or any Persons mentioned in the following sentence) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the Capital Stock of the Issuer or any of its direct or indirect Parent Entities held by such group. Any Person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Secured Notes Indenture or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted 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 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, including 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 and any advances or loans not to exceed €10 million at any one time outstanding to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock (other than Disqualified Stock) of the Issuer or a Parent Entity of the Issuer;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business 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 (i) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Senior Secured Notes Indenture;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €60 million and 20% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "*Permitted Investments*" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "*Permitted Liens*" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of clauses (4), (6), (10) or (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*";

(15) Guarantees of Indebtedness of the Issuer or its Restricted Subsidiaries that is permitted to be Incurred 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 Senior Facilities Agreement, the Senior Secured Notes and any Additional Senior Secured Notes;

(17) Investments acquired after the Issue Date as a result of the acquisition by the 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; and

(18) Investments in joint ventures, Unrestricted Subsidiaries or a Similar Business, taken together with all other Investments made pursuant to this clause (18) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €60 million and 20% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "*Permitted Investments*" and not this clause.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens (i) on assets or property of any direct or indirect Restricted Subsidiary of the Issuer that is not a Guarantor securing Indebtedness of any direct or indirect Restricted Subsidiary of the Issuer that is not a Guarantor permitted by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (ii) on the assets or property of the Senior Notes Issuer other than any assets or property constituting Collateral;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, 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 Senior Secured Notes Indenture and relating to Indebtedness permitted to be Incurred under the Senior Secured Notes Indenture and which is secured by a Lien on the same assets or property that secures such Indebtedness;

(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 relating to banker's Liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(13) (a) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date or (b) with respect to the Target Group, Liens existing on, or provided for or required to be granted under written agreements existing on, the Completion 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), including Liens created, incurred or assumed in connection with, or in contemplation of such acquisition or transaction; *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of 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 Senior Secured Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary of the Issuer has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing and Liens Incurred in connection with any Qualified CICE Receivables Financing, Qualified CIR Receivables Financing or any other receivables financing permitted to be Incurred pursuant to sub-clause 11(c) of the definition of "*Permitted Debt*";

(22) Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;

(23) Liens arising under general business conditions in the ordinary course of business, including without limitation the general business conditions of any bank or financial institution with whom

the Issuer or any of its Restricted Subsidiaries maintains a banking relationship in the ordinary course of business (including arising by reason of any treasury and/or cash management, cash pooling, netting or set-off arrangement or other trading activities);

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) any security granted over the marketable securities portfolio described in clause (9) of the definition of "*Cash Equivalents*" in connection with the disposal thereof to a third party;

(27) (a) Liens created for the benefit of or to secure, directly or indirectly, the Senior Secured Notes, and (b) Liens pursuant to the Intercreditor Agreement;

(28) Liens on the Senior Secured Notes Escrow Collateral created for the benefit of, or to secure, directly or indirectly, the Senior Secured 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 €80 million;

(30) 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; and

(31) Liens or assets or property of a Restricted Subsidiary securing Indebtedness of such Restricted Subsidiary permitted by clause (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*".

"*Person* " means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Proceeds Loan*" means any loan to be made after the Issue Date under a loan agreement between a Parent Entity, as lender, and the Issuer, as borrower, pursuant to which the gross proceeds of the issuance of the Indebtedness of such Parent Entity have been or will be advanced to the Issuer, as amended, accreted or partially repaid from time to time.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the U.S. Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the U.S. Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the U.S. Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified CICE Receivables Financing*" means any financing arrangement through which the Issuer or any of its Subsidiaries sell, convey or otherwise transfer to any other Person any accounts receivable (whether now existing or arising in the future) of the Issuer and its Subsidiaries arising from the CICE.

"*Qualified CIR Receivables Financing*" means any financing arrangement through which the Issuer or any of its Subsidiaries sell, convey or otherwise transfer to any other Person any accounts receivable (whether now existing or arising in the future) of the Issuer and its Subsidiaries arising from the CIR.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary 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) such Qualified Receivables Financing shall be non-recourse to the Issuer or any of its Restricted Subsidiaries.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Senior Secured Notes shall not be deemed a Qualified Receivables Financing.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing, Qualified CICE Receivables Financing or Qualified CIR Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer 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 may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly-Owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with 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 of the Issuer (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 of the Issuer, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary of the Issuer 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 of the Issuer, 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 other Restricted Subsidiary of the Issuer 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 other Restricted Subsidiary of the Issuer 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 Senior Secured Notes Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Senior Secured Notes Indenture or Incurred in compliance with the Senior Secured Notes 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 Senior Secured Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith);

(3) if the Indebtedness being refinanced is expressly subordinated to the Senior Secured Notes, such Refinancing Indebtedness is subordinated to the Senior Secured Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

provided, *however*, that Refinancing Indebtedness shall not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person;

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent Entity), required to be paid (*provided* such Taxes are in fact paid) by any Parent Entity by virtue of its:

(a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a Holding Company, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries; or

(e) having made any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent Entity pursuant to "*—Certain Covenants—Limitation on Restricted Payments*".

"*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 as of the Issue Date or any and all businesses that in the good faith judgment of the Board of Directors or an Officer of the Issuer are reasonably related thereto.

"*Representative"* means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Investment"* means any Investment other than a Permitted Investment.

"*Restricted Subsidiary"* means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*S&P* " means Standard & Poor's Ratings Services, a division of McGraw Hill, Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Senior Secured Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Senior Secured Notes Indenture.

"*Senior Credit Facilities*" means the term and revolving facilities made available under the Senior Facilities Agreement.

"*Senior Facilities Agreement*" means the senior facilities agreement dated on June 26, 2015 that the Issuer has entered into with, *inter alios*, Deutsche Bank AG, London Branch, as agent and security agent and Deutsche Bank AG, London Branch, UniCredit Bank AG, Goldman Sachs International, J.P. Morgan Limited, Bayerische Landesbank, Commerzbank Aktiengesellschaft, Crédit Industriel et Commercial and Landesbank Baden-Württemberg as lead arrangers, as the same may be amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*Senior Notes*" has the meaning given to such term under "*Description of the Senior Notes*".

"*Senior Notes Collateral*" means the collateral securing the Senior Notes . See "*Description of the Senior Notes—Collateral*".

"*Senior Notes Escrow Account*" means the escrow account into which the proceeds of the offering of Senior Notes are deposited on the Issue Date.

"*Senior Notes Indenture*" means the indenture governing the Senior Notes.

"*Senior Notes Issuer*" means Kirk Beauty One GmbH.

"*Senior Notes Proceeds Loans*" means the €335 million loan to be made under the loan agreement to be entered into on the Completion Date between the Senior Notes Issuer, as lender, and the Issuer, as borrower, and any loans to be made after the Issue Date under such agreement, in each case pursuant to which the gross proceeds of the issuance of the Senior Notes have been or will be advanced to the Issuer, as amended, accreted or partially repaid from time to time.

"*Senior Secured Indebtedness*" means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that (a) is secured by a first-priority Lien on the Collateral or (b) that is Incurred by a Restricted Subsidiary that is not a Guarantor and that, in the case of each of (a) and (b), is Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or clauses (1), (4), (5), (12), (13) or (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (in the case of clause (4), to the extent such Indebtedness constitutes Indebtedness under the Senior Secured Notes (excluding Additional Senior Secured Notes and Management Advances)) and any Refinancing Indebtedness in respect thereof.

"*Senior Secured Notes Documents*" means the Senior Secured Notes (including Additional Senior Secured Notes), the Senior Secured Notes Indenture, the Security Documents, the Senior Secured Notes Escrow Agreement, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*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 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 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 Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that immediately prior to the occurrence of such event and immediately thereafter and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio would have been less than 5.25 to 1.0. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Senior Secured Notes Indenture after the Issue Date.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the 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 "*—Limitation on Sales of Assets and Subsidiary Stock*", to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Senior Secured Notes or any Note Guarantee pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent Entity, any Affiliate of any Parent Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Senior Secured Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Senior Secured Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Senior Secured Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement 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 the terms of the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment

to the Senior Secured Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "*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.

"*Successor Parent Entity*" means, with respect to any Person, any other Person more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "*beneficially owned*" (as defined below) by one or more Persons that "*beneficially owned*" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "*beneficially own*" has the meaning correlative to the term "*beneficial owner*", as such term is defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act (as in effect on the Issue Date).

"*Tax Sharing Agreement*" means any tax sharing agreement and/or profit and loss pooling agreement (*Ergebnisabfuehrungsvertrag*) and/or domination agreement (*Beherrschungsvertrag*) entered into between the Issuer as dominated entity and the Senior Notes Issuer as dominating entity (*herrschendes Unternehmen*) or, for the purposes of the covenant described under "*—Certain Covenants—Limitation on Activities of the Senior Notes Issuer*" only, any tax sharing agreement and/or profit and loss pooling agreement (*Ergebnisabfuehrungsvertrag*) and/or domination agreement (*Beherrschungsvertrag*) entered into between the Senior Notes Issuer as dominated entity and any Parent Entity which is its Holding Company as dominating entity (*herrschendes Unternehmen*) in order to establish a fiscal unity (*Organschaft*) between the Issuer and the Senior Notes Issuer (or, as applicable, the Senior Notes Issuer and the relevant Parent Entity), as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms hereof and the Senior Facilities Agreement, and any arrangements or transactions made between the Issuer and the Senior Notes Issuer (or, as the case may be, the Senior Notes Issuer and the relevant Parent Entity) in order to satisfy the obligations of the Issuer or the Senior Notes Issuer (or, in the case of the tax sharing agreement and/or profit and loss pooling agreement (*Ergebnisabfuehrungsvertrag*) and/or domination agreement (*Beherrschungsvertrag*) entered into between the Senior Notes Issuer as dominated entity and any Parent Entity which is its Holding Company as dominating entity (*herrschendes Unternehmen*), the relevant Parent Entity) under any such Tax Sharing Agreement (including, for the avoidance of doubt, upstream loans and distribution of profits or capital reserves from the Issuer to the Senior Notes Issuer (or the Senior Notes Issuer to the relevant Parent Entity) to enable the Senior Notes Issuer (or the relevant Parent Entity) to compensate the Issuer (or, as the case may be, the Senior Notes Issuer) for losses incurred which may need to be compensated by the Senior Notes Issuer (or the relevant Parent Entity) under any profit and loss pooling agreement and/or domination agreement).

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest 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 Kingdom, the United States or Canada, (ii) any European Union member state to the extent 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), (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Senior Facilities Agreement;

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (7) below; or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A-" by S&P or "A-3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United Kingdom, United States, Canada, any Permissible Jurisdiction, Norway or Switzerland or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United Kingdom, United States, Canada, a Permissible Jurisdiction, Norway, Switzerland or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds (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).

"*Transactions*" has the meaning given to such term in this Offering Memorandum under the caption "*The Transactions*" and all corporate and other actions to be taken by the Senior Notes Issuer, the Issuer and its Restricted Subsidiaries related thereto.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer 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) 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 complies with "*—Certain Covenants—Limitation on Restricted Payments*".

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (a) no Default or Event of Default would result therefrom and (b) (x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*U.S. Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*U.S. Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary of the Issuer, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

DESCRIPTION OF THE SENIOR NOTES

You will find definitions of certain capitalized terms used in this "*Description of the Senior Notes*" under the heading "*—Certain Definitions*". For the purposes of this "*Description of the Senior Notes*", references to the "*Issuer*" refer to Kirk Beauty One GmbH only and not to any of its Subsidiaries.

The Issuer will issue €335.0 million aggregate principal amount of Senior Notes due 2023 (the "*Senior Notes*") under an indenture to be dated as of the Issue Date (the "*Senior Notes Indenture*"), among, *inter alios*, the Issuer, Deutsche Trustee Company Limited, as trustee (the "*Trustee*"), Deutsche Bank AG, London Branch, as security agent (the "*Security Agent*"), Deutsche Bank AG, London Branch, as paying agent (the "*Paying Agent*") and as transfer agent (the "*Transfer Agent*"), and Deutsche Bank Luxembourg S.A., as registrar (the "*Registrar*") and as transfer agent (the "*Transfer Agent*"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act. The Senior Notes Indenture will not be qualified under, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Senior Notes Indenture, the Senior Notes and the Senior Notes Escrow Agreement and refers to the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Senior Notes Indenture, the Senior Notes, the Senior Notes Escrow Agreement, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as Holders of the Senior Notes. Copies of the Senior Notes Indenture, the forms of Senior Note, the Senior Notes Escrow Agreement, 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 Senior Notes sold on the Issue Date will be used by the Issuer, together with the proceeds of the offering of the Senior Secured Notes, amounts borrowed under the Senior Credit Facilities and the Equity Contribution, to (i) fund the purchase price payable under the Acquisition Agreement, (ii) repay certain existing indebtedness of the Target Group (as defined below) and (iii) pay certain fees and expenses incurred in connection with the Transactions, as set forth in this Offering Memorandum under the caption "*Use of Proceeds*". Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the initial purchasers will, concurrently with the closing of the offering of the Senior Notes on the Issue Date, deposit the gross proceeds of the offering of the Senior Notes into an escrow account (the "*Senior Notes Escrow Account*") pursuant to the terms of an escrow deed (the "*Senior Notes Escrow Agreement*") dated as of the Issue Date among the Issuer, the Trustee and Deutsche Bank AG, London Branch, as escrow agent (the "*Escrow Agent*"). If the Acquisition is not consummated on or prior to November 26, 2015 (the "*Escrow Longstop Date*"), or upon the occurrence of certain other events, the Senior Notes will be redeemed at a price equal to 100% of the initial issue price of the Senior Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date. See "*—Escrow of Proceeds; Special Mandatory Redemption*". Following the Completion Date, the Senior Notes will be secured by the Senior Notes Collateral. See "*—Security*".

Upon the initial issuance of the Senior Notes, the Senior Notes will be obligations of the Issuer and will be guaranteed on a senior subordinated basis by Kirk Beauty Zero GmbH (the "*Senior Secured Notes Issuer*") and will not be guaranteed by Beauty Holding Zero GmbH (the "*Target*") or any of its subsidiaries (the Target and such entities, together with their subsidiaries, the "*Target Group*"). The Senior Notes Indenture will require (subject to the Agreed Security Principles) that the Target and certain other members of the Target Group, as soon as reasonably practicable and in any event on or prior to the date falling 90 days after the Completion Date, become a party to the Senior Notes Indenture and guarantee the Senior Notes on a senior subordinated basis. Prior to the Completion Date, the Issuer will not control the Target Group, and the Target Group will not be subject to the covenants described in this Description of the Senior Notes. As such, we cannot assure you that prior to the Completion Date, the Target Group will not engage in activities that would otherwise have been prohibited by the Senior Notes Indenture had those covenants been applicable to such entities after the Issue Date and prior to the Completion Date.

The aggregate principal amount of Senior Notes issued in this offering will be €335.0 million. We may issue an unlimited principal amount of additional Senior Notes from time to time after this offering having identical terms and conditions as the Senior Notes (the "*Additional Senior Notes*"). We will only be permitted to issue Additional Senior Notes in compliance with the covenants contained in the Senior Notes Indenture, including the covenant restricting the Incurrence of Indebtedness and the covenant restricting the Incurrence of Liens (as described below under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*", respectively). Except with respect to right of payment and optional redemption, and except as otherwise provided in the Senior Notes Indenture, the Senior Notes issued on the Issue Date and any Additional Senior Notes subsequently issued under the Senior Notes Indenture will be treated as a single class for all purposes under the Senior Notes Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. If the Additional Senior Notes are not fungible with the Senior Notes issued on the Issue Date for U.S. federal income tax purposes, the Additional Senior Notes will be issued with separate ISIN codes or common codes, as applicable. Unless the context otherwise requires, in this "*Description of the Senior Notes*", references to the "*Senior Notes*" include the Senior Notes and any Additional Senior Notes that are actually issued.

The Senior Notes Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements. The terms of the Intercreditor Agreement are important to understanding the relative ranking of Indebtedness and security, the ability to make payments in respect of the Indebtedness, the procedures for undertaking enforcement action, the subordination of certain Indebtedness, turnover obligations, release of security and guarantees and the payment waterfall for amounts received by the Security Agent. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of certain terms of the Intercreditor Agreement.

The registered Holder of a Senior Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Senior Notes Indenture.

Brief Description of the Senior Notes and the Note Guarantees

The Senior Notes

The Senior Notes will:

- be general senior obligations of the Issuer;
- be secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Senior Notes, including the Issuer's Guarantee of the Senior Secured Notes and the Issuer's Guarantee of the Senior Facilities Agreement;
- rank senior in right of payment to any future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Senior Notes;
- be effectively subordinated to any existing or future Indebtedness of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Senior Notes or that is secured on a first-priority basis over property and assets that secure the Senior Notes on a second-priority basis (including the Senior Secured Notes and Indebtedness Incurred under the Senior Facilities Agreement), to the extent of the value of the property and assets securing such Indebtedness;
- be guaranteed by the Senior Secured Notes Issuer as of the Issue Date and required to be guaranteed by the Post-Completion Date Guarantors, as described under "*—Note Guarantees*";
- be structurally subordinated to all Indebtedness and obligations of the Issuer's Subsidiaries that are not Guarantors; and
- mature on July 15, 2023.

The Senior Notes will be represented by one or more registered Senior Notes in global registered form, but in certain circumstances may be represented by Definitive Registered Notes. See "*Book-Entry, Delivery and Form*".

The Note Guarantees

The Senior Notes will be guaranteed by the Senior Secured Notes Issuer on the Issue Date. Subject to the Agreed Security Principles, the Senior Notes Indenture will also require the Issuer to cause, as soon as reasonably practicable and in any event on or prior to the date falling 90 days after the Completion Date, the Post-Completion Date Guarantors to guarantee the Senior Notes as described below. In addition, if required by the covenant described under "*—Certain Covenants—Additional Guarantees*", certain other Restricted Subsidiaries may provide a Note Guarantee in the future.

The Note Guarantee of each Guarantor will:

- be a general, joint and several, full and unconditional, senior subordinated obligation of that Guarantor;

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

The obligations of the Guarantors will be contractually limited under the applicable Note Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance, financial assistance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests*". By virtue of these limitations, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Senior Notes. See also "*Risk Factors—Risks Relating to the Notes—The insolvency laws of Germany and the respective jurisdictions of incorporation of the Guarantors may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.*"

General

As of the Issue Date, the Issuer's sole Subsidiaries will be the Senior Secured Notes Issuer and French NewCo. As of the Issue Date and as of the Completion Date, all of the Issuer's Subsidiaries will be "*Restricted Subsidiaries*" for purposes of the Senior Notes Indenture. However, under the circumstances described below under the caption "—*Certain Definitions—Unrestricted Subsidiary*", the Issuer will be permitted to designate certain of its Subsidiaries as "*Unrestricted Subsidiaries*". None of the restrictive covenants in the Senior Notes Indenture will apply to Unrestricted Subsidiaries and no future Unrestricted Subsidiary will guarantee the Senior Notes.

Following the Completion Date, all of the operations of the Issuer will be conducted through its Subsidiaries and, therefore, the Issuer will depend on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Senior Notes.

Not all of the Issuer's Subsidiaries will guarantee the Senior Notes. Any right of the Issuer or any Guarantor to receive assets of any of its non-guarantor Subsidiaries upon that non-guarantor Subsidiary's bankruptcy, liquidation or reorganization (and the consequent right of the Holders of Senior Notes to participate in those assets) will be structurally subordinated to that non-guarantor Subsidiary's Indebtedness and other obligations (including trade payables, preference shares and lease obligations, if any), except to the extent that the Issuer or such Guarantor is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Issuer or such Guarantor, as the case may be, would still be effectively subordinated to any obligations secured over the assets of the non-guarantor Subsidiary and subordinated in right of payment to any Indebtedness of the non-guarantor Subsidiary that is senior to the claims held by the Issuer or such Guarantor. See "*Risk Factors—Risks Relating to our Structure—Each of the Issuers is dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Note Guarantees.*". For the twelve months ended March 31, 2015, the Post-Completion Date Guarantors generated 57.6% of the consolidated sales and 63.8% of the consolidated Adjusted EBITDA of the Target Group (such consolidated sales and consolidated Adjusted EBITDA include the Nocibé Group for the nine months since July 1, 2014, the effective date of the Nocibé Acquisition).

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 Subsidiaries would have had €1,870.0 million of Indebtedness outstanding, of which €300.0 million is represented by the Senior Secured Notes, €1,235.0 million is represented by borrowings under the Senior Facilities Agreement (including €15.0 million in anticipated drawings under the Revolving Credit Facility) and €335.0 million is represented by the Senior Notes. In addition, after giving effect to €15.0 million in anticipated drawings on the

Completion Date and €10.2 million of utilizations for outstanding letters of credit, there would have been €174.8 million available for drawing under the revolving credit facility under the Senior Facilities Agreement.

Subordination on the Basis of the Intercreditor Agreement

The Notes Guarantees are senior subordinated indebtedness, which means that, pursuant to the terms of the Senior Notes Indenture and the Intercreditor Agreement, the Note Guarantees rank behind, and are expressly subordinated to, all the existing and future Senior Indebtedness of the Guarantors, including any obligations under the Senior Facilities Agreement and the Senior Secured Notes and any other indebtedness ranking *pari passu* therewith incurred after the Issue Date. The ability to take enforcement action against the Guarantors is subject to significant restrictions imposed by the Intercreditor Agreement, and potentially any Additional Intercreditor Agreements entered into after the Issue Date. In addition, the Note Guarantees and the collateral securing the Senior Notes and Note Guarantees are subject to release under certain circumstances, including, but not limited to, the sale of the Senior Secured Notes Issuer pursuant to an enforcement of security over shares of the Senior Secured Notes Issuer taken by the Security Agent acting at the direction of an instructing group of senior secured creditors. Because of the foregoing subordination provisions, it is likely that holders of Senior Indebtedness and other creditors (including trade creditors) of the Guarantors would recover disproportionately more than the holders of the Senior Notes recover in any insolvency or similar proceeding relating to such entity. In any such case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Senior Notes after the repayment in full of all Senior Indebtedness.

Principal and Maturity

The Issuer will issue €335.0 million in aggregate principal amount of Senior Notes on the Issue Date. The Senior Notes will mature on July 15, 2023. The Senior Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Senior Notes

Interest on the Senior Notes will accrue at the rate of 8.75% per annum. Interest on the Senior 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 January 15 and July 15, commencing on January 15, 2016;
- be payable to the Holder of record of such Senior Notes on the immediately preceding January 1 and July 1; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

The rights of Holders to receive the payments of interest on such Senior Notes are subject to the applicable procedures of the common depositary and Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Senior Notes

Principal, interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a common depositary for Euroclear and Clearstream, or its nominee, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest and premium and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in 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 Senior Notes for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Senior Notes*".

Paying Agent and Registrar for the Senior Notes

The Issuer will maintain a Paying Agent for the Senior Notes in the City of London. The Issuer will also undertake to maintain a Paying Agent in a European Union member state that will not be obligated to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN meeting of 26 and 27 November 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 Deutsche Bank AG, London Branch.

The Issuer will also maintain a registrar (the "*Registrar*") in Luxembourg and a transfer agent (the "*Transfer Agent*") in Luxembourg. The initial Registrar will be Deutsche Bank Luxembourg S.A. and the initial Transfer Agent will be Deutsche Bank Luxembourg S.A. The Registrar, the Paying Agent and Transfer Agent, as applicable, will maintain a register reflecting ownership of the Senior Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Senior Notes on behalf of the Issuer.

The Issuer may change the Paying Agent, Registrar or Transfer Agent for the Senior Notes without prior notice to the Holders of Senior Notes. However, for so long as Senior Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a daily newspaper with general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*). The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Senior Notes.

Transfer and Exchange

The Senior Notes will be issued in global registered form without interest coupons, as follows:

- Senior Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream;

- Senior Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*"). The Regulation S Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to Persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*". In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "*144A Book-Entry Interests*") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "*Regulation S Book-Entry Interests*") only upon delivery by the transferor of a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

During the 40-day distribution compliance period (as such term is defined in Rule 902 of Regulation S), Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, in each case upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Senior Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Notes Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*".

Subject to the restrictions on transfer referred to above, Senior Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Senior Notes Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Registrar and the Transfer Agent are not required to register the transfer or exchange of any Senior Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of Senior Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Senior Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date with respect to such Senior Notes; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will be entitled to treat the registered Holders of Senior Notes as the owners thereof for all purposes.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of the Senior Notes on the Issue Date, the Issuer will enter into the Senior Notes Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the Initial Purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of the offering of the Senior Notes sold on the Issue Date into the Senior Notes Escrow Account. The Senior Notes Escrow Account (together with the Shortfall Agreement described below) will be pledged on a first-priority basis in favor of the Trustee for the benefit of the Holders of the Senior Notes pursuant to an escrow charge dated the Issue Date between the Issuer, the Trustee and the Escrow Agent (the "*Senior Notes Escrow Charge*"). The initial funds deposited in the Senior Notes Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Senior Notes Escrow Account (less any property and/or funds paid in accordance with the Senior Notes Escrow Agreement) are referred to, collectively, as the "*Senior Notes Escrowed Property*".

In order to cause the Escrow Agent to release the Senior Notes Escrowed Property to the Issuer (the "*Escrow Release*"), the Escrow Agent and the Trustee shall have received from the Issuer, at a time that is on or before the Escrow Longstop Date, an Officer's Certificate, upon which both the Escrow Agent and the Trustee will be able to rely without further investigation, to the effect that all of the following conditions have been met or will be satisfied on or prior to the Escrow Longstop Date:

- the Transactions will be completed substantially as described in this Offering Memorandum, including with respect to the sections of this Offering Memorandum entitled "*The Transactions*" and "*Use of Proceeds*;"
- the Acquisition will be completed on the terms set forth in the Acquisition Agreement promptly following the Escrow Release, except for any changes, waivers or other modifications that are not, individually or when taken as whole, materially adverse to the interests of the Holders of the Senior Notes;
- immediately after consummation of the Acquisition, the Senior Secured Notes Issuer will directly beneficially own the entire share capital of the Target; and
- as of the delivery date of such Officer's Certificate, there is no Default or Event of Default under clause (5) of the first paragraph under the heading titled "*Events of Default*" below relating to the Issuer and the Senior Notes Issuer.

The Escrow Release shall occur following receipt of such Officer's Certificate. Upon the Escrow Release, the Senior Notes Escrow Account shall be reduced to zero, and the Senior Notes Escrowed Property shall be paid out in accordance with the Senior Notes Escrow Agreement.

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) the Sponsor has announced their intention to abandon the Acquisition or the sellers under the Acquisition Agreement have announced that they have decided to sell the Target Group or any of its direct or indirect parent entities or Significant Subsidiaries to an entity other than the Sponsor or one or more of its Affiliates, (c) or the Issuer notifies the Trustee and the Escrow Agent that in its reasonable judgment the Acquisition will not be completed by the Escrow Longstop Date, (d) the Acquisition Agreement terminates at any time prior to the Escrow Longstop Date, (e) the Sponsor ceases to beneficially own and control a majority of the issued and outstanding Capital Stock of the Issuer and the Senior Secured Notes Issuer or (f) a Default or Event of Default arises under clause (5) of the first paragraph under the heading titled "*Events of Default*" on or prior to the Escrow Longstop Date (the date of any such event being the "*Special Termination Date*"), the Issuer will redeem all of the Senior Notes (the "*Special Mandatory Redemption*") at a price (the "*Special Mandatory Redemption Price*") equal to 100% of the aggregate issue price of the Senior Notes, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory 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.

Written notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee, the Paying Agent and the Escrow Agent, and the Senior Notes Escrow Agreement and Senior Notes Indenture will provide that the Senior Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Senior Notes Escrow Agreement (the "*Special Mandatory Redemption Date*"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay, on behalf of the Issuer, to the Paying Agent for payment to each Holder of Senior Notes the Special Mandatory Redemption Price for such Holder's Senior Notes and, concurrently with the payment to such Holders, deliver any excess Senior Notes Escrowed Property (if any) to the Issuer.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Senior Notes Escrowed Property, the Sponsor will be required to fund the Issuer with interest accrued and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date due on the Senior Notes pursuant to an agreement between the Issuer and such Sponsor (the "*Shortfall Agreement*"). To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee, for the benefit of the Holders of the Senior Notes, a security interest in the Senior Notes Escrow Account and a security interest in the Shortfall Agreement, in each case pursuant to the Senior Notes Escrow Charge.

Receipt by the Trustee of either an Officer's Certificate for the Escrow Release or a notice of Special Mandatory Redemption (*provided* that the Senior Notes Escrowed Property and amounts drawn under the Shortfall Agreement are sufficient to fund the Special Mandatory Redemption Price on the Special Mandatory Redemption Date) shall constitute deemed consent by the Trustee for the release of the Senior Notes Escrowed Property and the Shortfall Agreement from the Escrow Charge.

If at the time of such Special Mandatory Redemption, the Senior Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will notify the Irish Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such special mandatory redemption.

Note Guarantees

General

The Senior Notes will be guaranteed by the Senior Notes Issuer on the Issue Date. Subject to the Agreed Security Principles, the Senior Notes Indenture will also require the Issuer to cause, as soon as reasonably practicable and in any event on or prior to the date falling 90 days after the Completion Date, the Target and certain other members of the Target Group that will be guarantors under the Senior Facilities Agreement other than subsidiaries incorporated in France (the "*Post-Completion Date Guarantors*") to guarantee the Senior Notes on a senior subordinated basis.

The Post-Completion Date Guarantors and their respective jurisdictions of organization will be as follows:

Beauty Holding Zero GmbH	Germany
Beauty Holding One GmbH	Germany
Beauty Holding Two GmbH	Germany
Douglas Holding AG	Germany
Parfümerie Douglas GmbH	Germany
Parfümerie Douglas Beteiligungs GmbH	Germany
Parfümerie Douglas Deutschland GmbH	Germany
Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG	Germany
Parfümerie Douglas International Verwaltungs GmbH	Germany
Parfümerie Douglas International GmbH	Germany
Douglas Marken- und Lizenzen GmbH & Co. KG	Germany
Douglas Grundstücks- und Verwaltungsgesellschaft mbH & Co. KG	Germany
Douglas Investment B.V.	The Netherlands
Parfumerie Douglas Nederland B.V.	The Netherlands
Douglas Finance B.V.	The Netherlands
"Douglas Polska" sp. z o.o.	Poland

Releases of Note Guarantees

The Note Guarantee of any Guarantor will be released:

- upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a Holding Company) or the sale or disposition of all or substantially all the assets of the Guarantor, if the sale or other disposition does not violate the covenant described below "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and the Guarantor ceases to be a Restricted Subsidiary of the Issuer as a result of the sale or other disposition;

- upon the designation in accordance with the Senior Notes Indenture of the Guarantor as an Unrestricted Subsidiary;

- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Notes Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

- in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;

- as described under "*—Amendments and Waivers*"*;*

- as described in the covenant described below under "*—Certain Covenants—Additional Guarantees*"; or

- as described under "*—Merger and Consolidation—The Guarantors*".

The Trustee and the Security Agent shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, reasonably requested by the Issuer 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 Trustee without the consent of the Holders or any other action or consent on the part of the Trustee.

Security

General

On the Issue Date, the Senior Notes and Notes Guarantees will be secured by security interests over the following assets (the "*Collateral*"): (a) a first-priority security interest over the Senior Notes Escrowed Property deposited in the Senior Notes Escrow Account and the rights of the Issuer under the Shortfall Agreement (the "*Senior Notes Escrow Collateral*"); (b) a first-priority security interest over the issued share capital (and any other equity or quasi-equity instrument) of the Issuer and any intercompany receivables owed by the Issuer to TopCo; and (c) a second-priority security interest over the issued share capital (and any other equity or quasi-equity instrument) of the Senior Secured Notes Issuer and any intercompany receivables owed by the Senior Secured Notes Issuer to the Issuer. The Senior Notes Escrowed Property that is deposited in the Senior Notes Escrow Account and the rights of the Issuer under the Shortfall Agreement will not be charged to secure any obligations other than the Issuer's obligations under the Senior Notes. Upon the Escrow Release, the first-priority security interests over the Senior Notes Escrowed Property and the Shortfall Agreement will be released. See "*—Escrow of Proceeds; Special Mandatory Redemption.*"

The security interests listed under (a) and (b) above are referred to, collectively, as the "*Senior Notes Only Collateral*". The security interests listed under (c) above are referred to, collectively, as the "*Shared Collateral*".

The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the Holders of the Senior Notes and holders of the other secured obligations that are secured by the Collateral (including obligations under the Senior Secured Notes and the Senior Facilities Agreement). Any additional security interests that may in the future be pledged to secure obligations under the Senior Notes and the Note Guarantees would also constitute Collateral.

Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants— Impairment of Security Interest*" and "*—Certain Covenants—Limitation on Liens*", the Issuer and its Restricted Subsidiaries will be permitted to grant security over the Collateral in connection with certain future issuances of Indebtedness of the Issuer or Restricted Subsidiaries, including any Additional Senior Notes, in each case, as permitted under the Senior Notes Indenture and the Intercreditor Agreement.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests*".

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of Senior Notes and the creditors of other obligations secured thereby. No appraisals of any Collateral have been prepared by or on behalf of the Issuer, the Security Agent or the Trustee in connection with the offering of the Senior Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Relating to the Notes—The collateral may not be sufficient to secure the obligations under the Notes.*"

Priority

The Senior Notes will be secured on an exclusive basis, subject to Permitted Collateral Liens, by the Senior Notes Only Collateral.

The relative priority with regard to the security interests in the Shared Collateral that are created by the Security Documents (the "*Security Interests*") as between (a) the lenders under the Senior Facilities Agreement, (b) the counterparties under certain Hedging Obligations and Cash Management Agreements, (c) the Trustee, the Security Agent and the Holders of the Senior Notes under the Senior Notes Indenture; (d) the trustee, security agent and holders of the Senior Secured Notes under the Senior Secured Notes Indenture and (e) certain other credit representatives, respectively, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide that the obligations under the Senior Facilities Agreement and the Senior Secured Notes are secured by a security interest on a first-priority basis in the Shared Collateral and that the obligations under the Senior Notes are secured by a security interest on a second-priority basis in the Shared Collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

Security Documents

Under the Security Documents, the Issuer and the Guarantors will grant security over the Collateral to secure the payment when due of, among others, the Issuer's and the Guarantors' payment obligations under the Senior Notes, the Note Guarantees and the Senior Notes Indenture. The Security Documents have been or will be entered into by, among others as the case may be, the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent will act in its own name, but for the benefit of the secured parties (including the Trustee and the Holders of Senior Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Senior Facilities Agreement, the holders of the Senior Secured Notes and the counterparties under certain Hedging Obligations and Cash Management Agreements in relation to the Security Interests created in favor of such parties over the Shared Collateral.

The Senior Notes Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Senior Notes and the Note Guarantees, as applicable, will be secured by the Security Interests in the Collateral. However, the Security Interests with respect to the Senior Notes and the Note Guarantees may be released under certain circumstances as provided under "*—Release of Liens*" below. See "*—Enforcement of Security Interests*" and "*Risk Factors—Risks Relating to our Structure—There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Note Guarantees will be released automatically, without your consent or the consent of the relevant Trustee.*" The validity and enforceability of the Security Interests will be subject to, *inter alios*, the limitations described in "*Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Note Guarantees and the Security Interests*".

Holders of Senior Notes may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders of Senior Notes may only act through the Security Agent in accordance with the terms of the Senior Notes Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement. Due to the laws and other jurisprudence governing the creation and perfection of security interests in certain jurisdictions, the Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the Security Agent, and the security interests in such jurisdictions will secure the parallel debt (and not the Indebtedness under the Senior Notes, the Note Guarantees and the other secured obligations arising in connection with the Senior Notes). The parallel debt construct has not been fully tested under law in certain of these jurisdictions. See "*Risk Factors—Risks Related to the Notes—The security interests in the collateral will be granted to the Security Agent rather than directly to the holders of the Notes and certain collateral will be granted subsequent to the issuance of the Notes. The ability of the Security Agent to enforce certain of the collateral may be restricted by local law.*"

In the event that the Guarantors, the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were successful, the Holders of Senior Notes might not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Related to the Notes—It may be difficult to realize the value of the collateral securing the Notes.*"

Subject to the terms of the Senior Notes 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 Senior 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; Limitations

The Intercreditor Agreement restricts the ability of the Trustee or the holders of Senior Notes to instruct the Security Agent to take enforcement action in relation to the Shared Collateral and provides for the release of Security Interests over Shared Collateral created by the Security Documents upon a disposal of Shared Collateral which is being effected (a) by way of an enforcement of Security Interests over the Shared Collateral; (b) at the request of an instructing group of senior secured creditors in circumstances where the Security Interests over the Shared Collateral have become enforceable; or (c) by a member of the Group or a Holding Company of a member of the Group to a person outside of the Group following an acceleration of the Senior Facilities Agreement, the Senior Secured Notes, the Senior Notes or any other indebtedness ranking *pari passu* with any of the foregoing. In general, the rights of the Security Agent (acting on its behalf or on behalf of the holders of the Senior Notes) to take enforcement action under the Security Documents in respect of the Shared Collateral are subject to certain standstill provisions and other limitations on enforcement. The ability of the holders of Senior Notes to enforce Security Interests in the Shared Collateral may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Shared Collateral in compliance with the Senior Indenture and the Intercreditor Agreement.

The lenders under the Senior Facilities Agreement, the holders of Senior Secured Notes, the counterparties to Hedging Obligations secured by the Shared Collateral and the Trustee have, and, by accepting a Senior Note, each Holder will be deemed to have, appointed, the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents, and by accepting a Senior Note, each Holder will be deemed to have authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

The restrictions under the Intercreditor Agreement do not restrict the ability of the Security Agent (acting on its behalf and on behalf of the holders of the Senior Notes and any future Pari Passu Indebtedness of the Issuer) to take enforcement action in respect of the Senior Notes Only Collateral or against the Issuer in respect of its obligations under the Senior Notes Indenture.

Intercreditor Agreement; Additional Intercreditor Agreements; Security Documents; Agreement to be Bound

The Senior Notes Indenture will provide that each Holder of the Senior Notes, by accepting such Senior Note, will be deemed to have:

(1) consented and agreed to the terms of the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement entered into in compliance with the covenant described under "*—Certain Covenants—Additional Intercreditor Agreements*" (including, without limitation, the provisions providing for foreclosure and release of the Collateral and authorizing the Security Agent to enter into the Security Documents on its behalf), as the same may be in effect or may be amended from time to time in accordance with its terms;

(2) authorized the Trustee and the Security Agent, as applicable, to enter into the Security Documents and the Intercreditor Agreement and to be bound thereby and to perform their respective obligations and exercise their respective rights thereunder in accordance therewith; and

(3) have appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreement.

Please see the sections entitled *"Description of Certain Financing Arrangements—Intercreditor Agreement*".

Similar provisions to those described above may be included in any Additional Intercreditor Agreement entered into in compliance with the covenant described under "*—Certain Covenants—Additional Intercreditor Agreements*".

Release of Liens

The Issuer and the Guarantors will be entitled to release Security Interests in respect of the Collateral owned by it or by any such Guarantor under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral to (a) 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 below under *"—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or (b) any Restricted Subsidiary that is not a Guarantor;

(2) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Senior Notes Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under *"—Amendments and Waivers";*

(4) upon payment in full of principal, interest and all other obligations on the Senior Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Notes Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) in connection with the granting of Liens on such property or assets, which may include Collateral, or the sale of such property or assets, which may include Collateral, pursuant to a Qualified Receivables Transaction;

(8) as permitted by the covenant described under "*—Certain Covenants—Impairment of Security Interest*"; or

(9) as otherwise permitted in accordance with the Senior Notes Indenture.

The Security Agent and the Trustee (to the extent action is required by it in order to effectuate such release) will take all necessary action reasonably requested by the Issuer to effectuate any release of Collateral securing the Senior Notes and the Note Guarantees, in accordance with the provisions of the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders of Senior Notes or any action on the part of the Trustee (unless action is required by it to effect such release).

The Senior Notes Proceeds Loan

On the Completion Date, the Issuer will loan the gross proceeds of the offering of the Senior Notes issued on the Issue Date to the Senior Secured Notes Issuer (the "*Notes Proceeds Loan*") pursuant to a proceeds loan agreement (the "*Senior Notes Proceeds Loan Agreement*"). The Senior Notes Proceeds Loan Agreement will provide that the Senior Secured Notes Issuer will pay to the Issuer interest and principal as it becomes payable on the Senior Notes (including any additional amounts due thereunder). The Senior Notes Proceeds Loan will bear interest at a rate at least equal to the interest rate of the Senior Notes and interest on the Senior Notes Proceeds Loan will be payable semi-annually in arrears at least one, and no more than five, Business Days prior to the corresponding interest payment under the Senior Notes. Principal payments of the Senior Notes Proceeds Loan will be payable at least one, and no more than five, Business Days prior to a corresponding payment of the Issuer to redeem or defease the Senior Notes or as consideration payable under a Change of Control Offer or Asset Disposition Offer (each as defined below), each in accordance with the Senior Notes Indenture. The Senior Secured Notes Issuer may on-lend a portion of the Senior Notes Proceeds Loan to certain of its Subsidiaries to repay Indebtedness of those Subsidiaries. The terms of the Senior Notes Proceeds Loan Agreement and any agreement governing such onlending of portions of the Senior Notes Proceeds Loan will permit the prepayment of all such loans in whole or in part at any time. As a result, the initial amount of the Senior Notes Proceeds Loan and such on-lending may be reduced, potentially to zero, prior to the maturity of the Senior Notes. Payments by the Senior Secured Notes Issuer and any subsequent borrower under the Senior Notes Proceeds Loan will be subject to significant restrictions imposed by the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*". The Senior Notes Proceeds Loan will be pledged on a second-priority basis to secure the obligations of the Issuer and the Guarantors under the Senior Notes and the Notes Guarantees.

Optional Redemption

Senior Notes

Except as described below and except as described under "*—Redemption for Taxation Reasons*", the Senior Notes are not redeemable until July 15, 2018.

On and after July 15, 2018, the Issuer may redeem all or, from time to time, part of the Senior Notes upon not less than 10 nor more than 60 days' notice at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) if redeemed during the twelve-month period beginning on July 15 of the years indicated below:

Year	Redemption Price
2018	104.375%
2019	102.188%
2020 and thereafter	100.000%

At any time prior to July 15, 2018, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Notes (including the principal amount of any Additional Senior Notes), upon not less than 10 nor more than 60 days' notice, with funds in an aggregate amount (the "*Redemption Amount*") not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 108.750% of the principal amount of the Senior Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 60% of the original principal amount of the Senior Notes (including the original principal amount of any Additional Senior Notes) issued under the Senior Notes Indenture remains outstanding immediately after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

In addition, prior to July 15, 2018, the Issuer may redeem all or, from time to time, a part of any Senior Notes upon not less than 10 nor more than 60 days' notice to the Holders (with a copy to the Trustee and the Paying Agents) at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

General

Subject to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement, we may repurchase the Senior Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under "—*Selection and Notice*" below.

If the Issuer effects an optional redemption of any Senior Notes, it will, for so long as Senior Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, inform the Irish Stock Exchange of such optional redemption and confirm the aggregate principal amount of Senior Notes that will remain outstanding immediately after such redemption.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Senior Notes or portions thereof called for redemption on the applicable redemption date. If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Senior Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior Notes are subject to redemption by the Issuer.

Any redemption or notice of redemption may, at the Issuer's discretion, be subject to one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering).

Sinking Fund

Other than in connection with a Special Mandatory Redemption, the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior Notes.

Selection and Notice

If less than all of the Senior Notes is to be redeemed at any time, the Paying Agent or the Registrar will select Senior Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which Senior Notes are listed, and in compliance with the requirements or recommendations of Euroclear and Clearstream, or if the Senior Notes are not so listed or such exchange prescribes no method of selection and the Senior Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a *pro rata* basis (or, in the case of Senior Notes issued in global form as discussed under "*—Book-Entry, Delivery and Form*", based on a method that most nearly approximates a *pro rata* selection); *provided, however*, that no such partial redemption shall reduce the outstanding aggregate principal amount of any Senior Note not redeemed to less than €100,000. Neither the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

For so long as the Senior Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will publish the notice of redemption in a daily newspaper with general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*). In addition to such publication, if the Senior Notes are in definitive certificated form, not less than 10 nor more than 60 days prior to the redemption date, the Issuer will mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar.

If any Senior Note is to be redeemed in part only, the notice of redemption that relates to that Senior Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Senior Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Notes or portions of Senior Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem the Senior Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the Senior Notes (with a copy to the Trustee and the Paying Agents) (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice or revenue guidance) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

a Payor (as defined below) is, or on the next interest payment date in respect of the Senior Notes would be, required to pay Additional Amounts with respect to the Senior Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be formally announced and become effective on or after the

Issue Date (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Senior Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Senior Notes Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Senior Notes Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and Notice*". Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of any Senior Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Payor (as defined below) has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (each, a "*Payor*") in respect of the Senior Notes or with respect to any Note Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Senior Note is made, or any political subdivision or governmental authority thereof or therein having the power to tax, by or on behalf of any Payor or the Paying Agent; or

(2) any other jurisdiction in which a Payor is organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Senior Note, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received by each Holder in respect of such payments, after such withholding, or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received by each Holder in respect of such payments on any such Senior Note in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Senior Note or the receipt of any payment or the exercise or enforcement of rights under such Senior Note, the Senior Notes Indenture or a Note Guarantee;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior Note to comply with a written request of the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding is payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all

or part of such Tax but, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed as a result of the presentation of the Senior Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder;

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment on or with respect to the Senior 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 pursuant to the Directive or any law implementing, or complying with, or introduced in order to conform to, such Directive;

(7) any Taxes imposed in connection with a Senior Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Senior 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 (or any amended or successor version that is substantively comparable) or otherwise imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code (or any amended or successor version that is substantively comparable), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or

(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 Senior Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Senior Notes directly.

The Payor will (i) make or cause to be made any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant taxing authority in the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies, or if, notwithstanding the Payor's reasonable efforts to obtain such tax receipts, such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the Paying Agent. The Payor will attach to each certified copy a certificate or other reasonable evidence stating that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Senior Notes then outstanding.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Senior Note or any Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agent shall be entitled to rely solely, without further inquiry, on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Senior Notes Indenture, the Senior Notes or this "*Description of the Senior Notes*" there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Senior Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Senior Notes or any Note Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay (and will indemnify the Holders, the Trustee, the Paying Agent, the Transfer Agent and the Registrar for) any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration or enforcement of, or receipt of payments with respect to, any Senior Notes, any Note Guarantee, the Senior Notes Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Senior Notes after this offering and limited, solely to the extent of such taxes or similar charges or levies that arise from the receipt of any payments of principal or interest on the Senior Notes, to any such taxes or similar charges or levies that are not excluded under clauses (1) through (3) and (5) through (8)).

The foregoing obligations will survive any termination, defeasance or discharge of the Senior Notes Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Senior Notes is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control*", each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof, *provided* that Senior Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder's Senior Notes at a purchase price in cash equal to 101% of the principal amount of the Senior Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obligated to repurchase any Senior Notes as described under this heading "*Change of Control*", in the event and to the extent that it has unconditionally exercised its right to redeem all of the Senior Notes and given notice of redemption as described under "*—Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Senior Notes and given notice of redemption as described under "*—Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will send a notice (the "*Change of Control Offer*") to the Paying Agent or tender agent for such Change of Control Offer, as applicable (with a copy to the Trustee) who will send such notice to each Holder of any Senior Notes:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Senior Notes at a purchase price in cash equal to 101% of the principal amount of such Senior Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*");

(3) stating that any Senior Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Senior Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Senior Notes Indenture, that a Holder must follow in order to have its Senior Notes repurchased (including that Holders will be entitled to withdraw their election if the Paying Agent or such tender agent, as applicable, receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a facsimile or electronic transmission or letter setting forth the name of the Holder, the principal amount of Senior Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have such Senior Notes purchased); and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Senior Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent or tender agent for such Change of Control Offer, as applicable, an amount equal to the Change of Control Payment in respect of all Senior Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Senior Notes or portions of the Senior Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Trustee (or an authenticating agent) the Global Notes in order to reflect thereon the portion of such Senior Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent or tender agent for such Change of Control Offer, as applicable, will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Senior Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Senior Notes surrendered, if any; *provided* that each such new Senior Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Senior Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a daily newspaper with general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Irish Stock Exchange (*www.ise.ie*).

Except as described above with respect to a Change of Control, the Senior Notes Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Senior Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Senior Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the 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 Senior Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place 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 U.S. Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Senior

Notes Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Senior Notes Indenture by virtue of such compliance.

The Issuer's ability to repurchase Senior Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Senior Facilities Agreement and would require the Senior Secured Notes Issuer to offer to repurchase all of the Senior Secured Notes. In addition, certain events that may constitute a change of control under the Senior Facilities Agreement and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Senior Notes Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a change of control or require such Indebtedness to be repurchased upon a change of control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Senior Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Relating to the Notes—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Senior Secured Notes and the Senior Notes upon the occurrence of certain events constituting a change of control as required by each Indenture and the change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events.*"

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole or the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all" there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of the Issuer and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Senior Notes as described above.

The provisions of the Senior Notes Indenture relating to the Issuer's obligation to make an offer to repurchase the Senior Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Senior 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 Restricted Subsidiary 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), for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such Indebtedness is Incurred, the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("*Permitted Debt*"):

(1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (a) €1,520 million, *plus* (b) the greater of (i) €200 million and (ii) 75% of Consolidated EBITDA, *plus* (c) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer 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; or

(b) without limiting the covenant described under "—*Limitation on Liens*", Indebtedness arising by reason of any Lien granted by or applicable to any Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Notes 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 lender is not the Issuer or a Guarantor, such Indebtedness is unsecured and expressly subordinated to the prior payment in full in cash of all obligations with respect to the Senior Notes, in the case of the Issuer, or the applicable Note Guarantee, in the case of a Guarantor; and

(b) (x) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer and (y) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary of the Issuer, 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 (i) the Senior Notes (other than any Additional Senior Notes) and the related Note Guarantees outstanding on the Issue Date and any related "parallel debt" obligations under the Intercreditor Agreement and the Security Documents and (ii) the Senior Secured Notes and related guarantees and any related "parallel debt" obligations under the Intercreditor Agreement and the Security Documents outstanding on the Issue Date, (b) any Indebtedness of the Issuer (other than Indebtedness Incurred under the Senior Facilities Agreement or the Senior Secured Notes Indenture or Indebtedness described in clause (3) of this paragraph) outstanding on the Issue Date, (c) any Indebtedness of the Target Group (other than Indebtedness Incurred under the Senior Facilities Agreement or Indebtedness described in clause (3) of this paragraph) outstanding on the Completion Date after giving effect to the Transactions, including in respect of the Senior Secured Notes, (d) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses (4) and (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (e) Management Advances; (f) any loan or other instrument contributing the proceeds of the Senior Notes; and (g) any loan or other instrument contributing the proceeds of any Indebtedness Incurred in accordance with the Senior Notes Indenture and the Senior Secured Notes Indenture;

(5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer or any Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer 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 any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided* that, with respect to this clause (5), that at the time of such acquisition or other transaction, either (x) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0 after giving *pro forma* effect to the relevant acquisition and the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such date would not be less than it was immediately prior to giving effect to such acquisition or other transaction and related Incurrence of Indebtedness;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(7) Indebtedness consisting of (a) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (b) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of €75 million and 25% of Consolidated EBITDA, so long as the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 270 days thereafter;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer 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 treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements (including pursuant to Cash Management Agreements), in each case in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the 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 Incurred (a) by a Receivables Subsidiary in a Qualified Receivables Financing, (b) in a Qualified CICE Receivables Financing or a Qualified CIR Receivables Financing or (c) under other receivables financings in an amount, in the case of clause (c), not to exceed €20 million outstanding at any one time;

(12) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Issuer, in each case, subsequent to the Completion Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the 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 below under "*—Limitation on Restricted Payments*" in reliance thereon;

(13) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed the greater of €100 million and 35% of Consolidated EBITDA; and

(14) Indebtedness under local Credit Facilities in an aggregate principal amount not to exceed, at any one time outstanding, the greater of €40 million and 12.5% of Consolidated EBITDA.

Notwithstanding the foregoing, the aggregate principal amount of Indebtedness Incurred by Restricted Subsidiaries that are not Guarantors pursuant to the first paragraph of this covenant and clauses (5) and (13) of the second paragraph of this covenant at any time outstanding shall not exceed the greater of €100.0 million and 35% of Consolidated EBITDA at any time.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding on the Completion Date under the Senior Facilities Agreement shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant, and may not be reclassified;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (12), (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;

(7) for the purposes of determining "Consolidated EBITDA" under clause (1)(b), (7), (13) and (14) of the second paragraph of this covenant, (x) pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries and (y) in relation to clause (1)(b) of the second paragraph of this covenant, Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date on which new Indebtedness is Incurred (in the case of term facilities) and for the period of the most recent four consecutive fiscal quarters ending prior to such date for which such internal consolidated financial statements of the Issuer are available; and

(8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

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*". Except as otherwise specified, the amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness*", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Layered Debt

The Issuer will not Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer unless such Indebtedness is also contractually subordinated in right of payment to the Senior Notes on substantially identical terms and no Guarantor will Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of such Guarantor unless such Indebtedness is *pari passu* with such Guarantor's Note Guarantee or is also contractually subordinated in right of payment to, such Guarantor's Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

Limitation on Restricted Payments

The Issuer will not, 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 Entity of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*");

(4) make any payment (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 €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (9), (10), (14), (16), (17) and (18) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately after the Completion 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 clause (1) or (6) of the second succeeding paragraph, (y) Excluded Contributions and (z) Net Cash Proceeds used to Incur Indebtedness pursuant to clause (12) of the covenant described under "*—Limitation on Indebtedness*"), excluding, for the avoidance of doubt, the Equity Contribution and the Managers' Investment;

(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 of the Issuer 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 clause (1) or (6) of the second succeeding paragraph and (y) Excluded Contributions, and excluding, for the avoidance of doubt, the Equity Contribution and the Managers' Investment;

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the disposition of any Investment in any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date (other than a disposition to the Issuer or a Restricted Subsidiary of the Issuer 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);

(v) in the event that an Unrestricted Subsidiary (designated as such subsequent to the Issue Date) is redesignated as a Restricted Subsidiary, all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary or such 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 the foregoing clause (iv), (v) or (vi).

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by an Officer of the Issuer, or, if such fair market value exceeds €30 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 (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) 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 clauses (c)(ii) and (c)(iii) of the first paragraph of this covenant;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under *"—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer 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*" below, but only (i) if the Issuer shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Senior Notes tendered pursuant to any offer to repurchase all the Senior 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 Senior Notes tendered pursuant to the offer to repurchase all the Senior 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 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent Entity to permit any Parent Entity to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (a) €10 million, plus €5 million multiplied by the number of calendar years that have commenced since the Issue Date, *plus* (b) 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 Entity), or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), *plus* (c) the Net Cash Proceeds of any key man life insurance policies, to the extent such Net Cash Proceeds in (b) and (c) are not included in any calculation under clause (c)(ii) or (c)(iii) of the first paragraph of this covenant and are not Excluded Contributions, excluding, for the avoidance of doubt, the Equity Contribution and the Managers' Investment;

(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 Entity or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent Entity, without duplication, to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or disclosed in this Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under "*—Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent Entity to pay, dividends on the common stock or common equity interests of the Issuer or any Parent Entity following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 4.25 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 Net Leverage Ratio shall be equal to or less than 4.5 to 1.0;

(11) payments by the Issuer, or loans, advances, dividends or distributions to any Parent Entity to make payments, to holders of Capital Stock of the Issuer or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock; *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);

(13) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and

(ii) the declaration and payment of dividends to any Parent Entity or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Entity or Affiliate issued after the Issue Date,

provided, *however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by Parent Entity or an Affiliate the issuance of

Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;

(15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(16) [reserved];

(17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided* that, on the date of any such Restricted Payment, the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries does not exceed 4.5 to 1.0 on a *pro forma* basis after giving effect thereto; and

(18) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €90 million and 30% of Consolidated EBITDA.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the assets 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.

For the purposes of calculating "Consolidated EBITDA" under clause (18) of the third paragraph of the covenant described under *"—Limitation on Restricted Payments,"* pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Company and its Restricted Subsidiaries.

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 of the Issuer), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior Notes and the Senior Notes Indenture are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Notes pursuant to clause (a)(2) above will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens*".

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, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any other 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 Senior Facilities Agreement), (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date (including the Senior Secured Notes Indenture and the Intercreditor Agreement) or (c) any other agreement or instrument with respect to the Target Group, in each case, in effect at or entered into on the Completion 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 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; *provided further*, that, in the case of Indebtedness, such Indebtedness was permitted to be Incurred under the Senior Notes Indenture;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, charges, pledges or other security agreements permitted under the Senior Notes Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Senior Notes Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, 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 Senior Notes Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of those described in 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;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Senior Notes than (i) the encumbrances and restrictions contained in the Senior Facilities Agreement, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or (b) constituting an Additional Intercreditor Agreement;

(12) restrictions effected in connection with a Qualified Receivables Financing, Qualified CICE Receivables Financing or Qualified CIR 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, Qualified CICE Receivables Financing or Qualified CIR Receivables Financing, as applicable; 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 Issuer's Board of Directors); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

(i) 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);

(ii) Cash Equivalents;

(iii) the assumption by the purchaser of (x) any liabilities recorded on the Issuer's or such Restricted Subsidiary's balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the 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 is released from any guarantee of such Indebtedness as a result of such Asset Disposition;

(iv) Replacement Assets;

(v) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

(vi) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(vii) any Designated Non-Cash Consideration received by the Issuer 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 €30 million and 10% of Consolidated EBITDA (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(viii) a combination of the consideration specified in clauses (i) through (vii) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Cash Proceeds of the Asset Disposition, within 390 days (or 570 days in the circumstances described in clause (8) below) of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Cash Proceeds, may be used by the Issuer or such Restricted Subsidiary to:

(1) (i) prepay, repay, purchase or redeem any Senior Indebtedness of a Restricted Subsidiary or any Refinancing Indebtedness in respect thereof; *provided*, *however*, that, in connection with any prepayment, repayment, purchase or redemption of Indebtedness pursuant to this clause (i), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchase or redeemed; or (ii) prepay, repay, purchase or redeem any Pari Passu Indebtedness at a price of no more than 100% (other than Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that the Issuer shall prepay, repay, purchase or redeem Pari Passu Indebtedness pursuant to this clause (ii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Senior Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Senior Notes equal to the proportion that (x) the total aggregate principal amount of Senior Notes outstanding bears to (y) the sum total aggregate principal amount of the Senior Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness (other than the Senior Notes);

(2) purchase Senior Notes pursuant to an offer to all Holders of the Senior Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and/or redeem Notes pursuant to the redemption provisions of the Indenture;

(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 Cash Proceeds pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof; *provided* that, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 390-day period, if the investment has not been consummated by that date.

The amount of such Net Cash Proceeds not so used as set forth in this paragraph constitutes "*Excess Proceeds*". Pending the final application of any such Net Cash Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Senior Notes Indenture.

On the 391st day after an Asset Disposition (or the 571st day if a binding commitment as described in clause (8) above has been entered into), if the aggregate amount of Excess Proceeds exceeds €30 million, the Issuer will be required within 10 Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Senior Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Senior Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Senior Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Senior Notes Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof in the case of the Senior Notes.

To the extent that the aggregate amount of Senior Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer or the relevant Restricted Subsidiary may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Senior Notes Indenture. If the aggregate principal amount of the Senior Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Senior Notes and Pari Passu Indebtedness to be repaid or purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Senior Notes is denominated in a currency other than the currency in which the relevant Senior Notes are denominated, the amount thereof payable in respect of such Senior Notes shall not exceed the net amount of funds in the currency in which such Senior Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, insofar as it relates to the Senior Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will repay the principal amount of Senior Notes and, to the extent it elects, Pari Passu Indebtedness required to be repaid or purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Senior Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Senior Notes and Pari Passu Indebtedness or portions of Senior Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Senior Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Senior Notes or portions thereof were accepted for payment by the

Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Senior Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Senior Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Senior Note to such Holder, in a principal amount equal to any unpurchased portion of the Senior Note surrendered; *provided* that each such new Senior Note will be in a principal amount with a minimum denomination of €100,000. Any Senior Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the U.S. Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Notes pursuant to the Senior Notes Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Notes Indenture by virtue of 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 €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 at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €35 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.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*", any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under "*—Limitations on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(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), or between or among Restricted Subsidiaries or any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary of the Issuer or any Parent Entity (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date or described in "*Certain Relationships and Related Party Transactions*" in this Offering Memorandum, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the entry into, delivery and performance of obligations of, or making of any payments by, the Issuer or any of its Restricted Subsidiaries pursuant to any Tax Sharing Agreement among the Issuer as dominated entity and Topco as dominating entity (*herrschendes Unternehmen*) required under applicable law and the applicable Tax Sharing Agreement; *provided*, however, that any amounts in excess of the amounts required to discharge tax liabilities relating to corporate income tax and trade tax incurred by reference to the income of the Issuer or any Restricted Subsidiary may only be so paid (A) to the extent otherwise permitted under "*—Certain Covenants—Limitation on Restricted Payments*" or (B) (x) in the form of book entry (and on a cashless basis) by way of conversion of such amounts into one or more (interest or non-interest bearing) loans or other receivables owed by the Issuer to Topco or (y) (in case of losses to be compensated by Topco) in the form of book entry by the creation of a receivable of the Issuer (including a receivable for the disbursement of a loan or for the distribution of profits or capital reserves made by the Issuer to Topco) towards the Issuer to enable Topco to settle any loss compensation claim of the Issuer under the relevant Tax Sharing Agreement, it being understood that any (interest or non-interest bearing) loans or other receivables (and all associated interest) resulting from the aforementioned conversion of amounts payable owing from the Issuer to Topco must (x) be downstreamed to the Issuer via Topco and not directly from any other Parent Entity to the Issuer and (y) be pledged or assigned as part of the Collateral and subject to the terms of the Intercreditor Agreement as "*Holdco Liabilities*" (as defined therein) and it being further understood that any payment on or with respect to any such loans or receivables created pursuant to clause (B)(x) above are deemed to constitute a Restricted Payment for purposes of the covenant described under "*—Limitation on Restricted Payments*");

(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 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; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Senior Notes 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 Entity) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed the greater of €3 million and 1% of Consolidated EBITDA 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 Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors of the Issuer in good faith;

(12) any transactions for which the Issuer or a Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable that 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) investments by any of the Initial Investors in securities of any of the Issuer's Restricted Subsidiaries (and the payment of reasonable out-of-pocket expenses of the Initial Investors in connection therewith) so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) the investment is being offered generally to other investors on the same or more favorable terms and (iii) the investment constitutes less than 5% of the issue amount of such securities;

(14) pledges of Capital Stock of Unrestricted Subsidiaries; and

(15) any transaction effected as part of a Qualified Receivables Financing, Qualified CICE Receivables Financing or Qualified CIR Receivables Financing.

Limitation on Changes to Enterprise Agreement of Douglas Holding

For as long as Douglas Holding AG is incorporated as a German stock corporation, the Issuer will ensure that the domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Ergebnisabführungsvertrag*) between Douglas Holding AG as dominated entity and its direct Holding Company as dominating entity (*herrschendes Unternehmen*) (as originally entered into between Beauty Holding Two GmbH as dominating entity (*herrschendes Unternehmen*) and Douglas Holding AG as dominated entity on September 18, 2013 and as amended, restated, renewed or replaced, from time to time) will not be amended, modified, supplemented or terminated and that no right thereunder will be waived, after the Completion Date, in each case, in a manner that would materially adversely affect the interests of the Holders (including by materially and adversely affecting the ability of Douglas Holding AG to grant a Notes Guarantee or Collateral or the validity or enforceability of such Note Guarantee or Collateral) or enter into any agreement that would have the same effect. Nothing in this covenant shall restrict the ability of any of the parties to any domination and/or profit and loss pooling agreement to merge with and into each other in compliance with the Senior Notes Indenture.

Reports

So long as any Senior Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 150 days following the end of the Issuer's fiscal year ending September 30, 2015 and thereafter within 120 days following the end of each fiscal year of the Issuer, annual reports containing: (i) information with a level and type of detail that is substantially comparable in all material respects to information in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" in this Offering Memorandum; (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 fiscal year with comparative balance sheet information as at the end of the prior fiscal year and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years with comparative income statement and cash flow statement information for the applicable prior fiscal year, 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; and (vi) Consolidated EBITDA; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;

(2) within 90 days following the end of the quarters ending June 30, 2015 and December 31, 2015 and thereafter within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Issuer, beginning with the quarter ending March 31, 2016, 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 review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, Consolidated EBITDA 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; and (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries (other than the Acquisition), taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

In addition, the Issuer will furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act for so long as the Senior Notes are not freely transferable under the U.S. Exchange Act by persons who are not "affiliates" under the U.S. Securities Act.

The Issuer will also make available to Holders and prospective Holders of the Senior Notes copies of all reports furnished to the Trustee on the Issuer's website and if and so long as the Senior Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market thereof and, to the extent that the rules and regulations of the Irish Stock Exchange so require, copies of such reports furnished to the Trustee will also be made available at the specified office of the listing agent in Luxembourg.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. GAAP.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Issuer's (a) total consolidated revenue or Consolidated EBITDA for the most recent four quarters for which annual or quarterly financial reports have been delivered to the Trustee or (b) consolidated assets as of the last day of the most recent quarter for which annual or quarterly financial reports have been delivered to the Trustee.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries under the Senior Secured Notes Indenture or the Senior Notes Indenture and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, would (if it were restricted) constitute a Significant Subsidiary of the 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.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the 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 U.S. Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the 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.

All reports provided pursuant to this covenant will be made in the English language.

For any period ending prior to the Completion Date, the reports and financial statements required by this covenant will be provided with respect to the Target Group instead of the Issuer.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all the assets of the Issuer or its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions to, any Person, unless:

(1) either the Issuer is the surviving entity or the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of the United Kingdom, any member state of the European Union, any State of the United States or the District of Columbia, Canada or any province of Canada, Australia or any state thereof, Norway or Switzerland and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Senior Notes and the Senior Notes Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Fixed Charge Coverage for the Issuer or the Successor Company and its Restricted Subsidiaries would be at least 2.0 to 1.0 or (b) the Fixed Charge Coverage Ratio for the Issuer or the Successor Company and its Restricted Subsidiaries 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 (and the Trustee will be able to rely without further inquiry on) an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Senior Notes Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company in accordance with its terms (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness*".

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Senior Notes Indenture but in the case of a lease of all or substantially all its assets, the Issuer will not be released from its obligations under the Senior Notes Indenture or the Senior Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of the Issuer and its Restricted Subsidiaries.

The Guarantors

No Guarantor (other than a Guarantor whose guarantee is to be released in accordance with the terms of the Senior Notes Indenture or the Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of the assets of such Guarantor and its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it unless:

(a) in the case of a Restricted Subsidiary that is a Guarantor, the other Person is the Issuer or another 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 surviving entity or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Senior Notes 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 is continuing; or

(c) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Senior Notes Indenture;

provided, however, that the prohibition in clauses (1), (2) and (3) of this covenant shall not apply to the extent that compliance with clauses (a) and (b)(1) could give rise to or result in: (1) any breach or violation of general statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference or thin capitalization rules, retention of title claims or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses.

The provisions set forth in this "*Merger and Consolidation*" covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) a Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) a Guarantor transferring all or part of its properties and assets to a Restricted Subsidiary that is not a Guarantor in order to comply with any law, rule, regulation or order, recommendation or direction of, or agreement with, any regulatory authority having jurisdiction over the Issuer and/or any of its Restricted Subsidiaries; (iv) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Senior Notes, the Senior Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading "*—The Issuer*" shall apply to such transaction; and (v) 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*" shall apply to any such transaction in respect of the Issuer.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Senior Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until such time, if any, at which the Senior Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Senior Notes Indenture summarized under the following captions will not apply to the Senior Notes:

(1) "*—Limitation on Indebtedness*";

(2) "*—Limitation on Restricted Payments*";

(3) "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "*—Limitation on Affiliate Transactions*";

(5) "*—Limitation on Sales of Assets and Subsidiary Stock*";

(6) "*—Additional Guarantees*"; and

(7) the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer*;"

and, in each case, any related default provision of the Senior Notes 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 or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Senior Notes Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment being made while the Covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause

(4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness.*" In addition, the Senior Notes 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 Senior Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Senior Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption have been satisfied; *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Senior Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged and released in accordance with the Senior Notes Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced from time to time to (i) cure any ambiguity, mistake, omission, defect or inconsistency therein, (ii) provide for Permitted Collateral Liens, (iii) add to the Collateral and (iv) make any other change thereto that does not adversely affect the Holders in any material respect; *provided*, *however*, that except with respect to any discharge or release in accordance with the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, 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 relevant Person and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, release, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer or the relevant Restricted Subsidiary complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Additional Guarantees

The Issuer shall cause, subject to the Agreed Security Principles, as soon as is reasonably practicable after the Completion Date and in any event prior to the date falling 90 days after the Completion Date, each Post-Completion Date Guarantor to:

(1) execute and deliver to the Trustee a supplemental indenture in the form attached to the Senior Notes Indenture pursuant to which such Subsidiary will provide a Note Guarantee; and

(2) accede as a party to the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Issuer will not cause or permit any Restricted Subsidiary that is not a Guarantor to Guarantee the Indebtedness outstanding under the Senior Credit Facilities, any Credit Facility or any other Public Debt, in each case unless such Restricted Subsidiary becomes a Guarantor on the date on which the Guarantee is Incurred and executes and delivers to the Trustee a supplemental indenture providing for a Note Guarantee of such Restricted Subsidiary, which Note Guarantee will be subordinated to any Senior Indebtedness of such Guarantor; *provided*, *however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Note Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of general statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference or thin capitalization rules, retention of title claims or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Note Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors or other considerations under applicable law or regulation.

Note Guarantees granted pursuant to this provision shall be released as set forth under "*—Releases of Note Guarantees*". A Note Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Senior Notes Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Note Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Risk Factors*".

Additional Intercreditor Agreements

The Senior Notes Indenture will provide that, at the request of the Issuer and without the consent of Holders, in connection with the Incurrence by the Issuer 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), (4), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (12) 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), 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 (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Security Interest; *provided* that such Additional Intercreditor Agreement or restatement, amendment or modification of the Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnities or immunities of the Trustee or Security Agent under the Senior Notes Indenture or the Intercreditor Agreement.

The Senior Notes Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect 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 Senior Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior Notes (including Additional Senior Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Senior Notes, (6) implement any Permitted Collateral Liens or (7) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to the Intercreditor Agreement or any Additional Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Senior Notes then outstanding, except as otherwise permitted below under "*Amendments and Waivers*" or as permitted by the terms of the Intercreditor Agreement or any such Additional Intercreditor Agreement, and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Senior Notes Indenture also will provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*".

The Senior Notes Indenture also will provide that each Holder, by accepting a Senior Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement will be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the Issuer or at the offices of the listing agent.

Limitation on Activities Prior to the Completion Date

Prior to the Completion Date, the Issuer will not, and will not permit any of its Restricted Subsidiaries to, engage in any business activities or undertake any other activity, except for any activity (i) reasonably relating to the Acquisition, the Senior Notes, the Senior Notes Indenture, the Senior Secured Notes, the Senior Secured Notes Indenture, the Senior Facilities Agreement, the Senior Notes Escrow Agreement, the Senior Secured Notes Escrow Agreement, the Shortfall Agreement, the shortfall agreement entered into by the Senior Secured Notes Issuer, the Security Documents, the security documents securing the Senior Facilities Agreement or the Senior Secured Notes and the Intercreditor Agreement; (ii) undertaken with the purpose of fulfilling any other obligations relating to the Acquisition under the Senior Notes, the Senior Notes Indenture, the Senior Secured Notes, the Senior Secured Notes Indenture, the Senior Facilities Agreement, the Senior Notes Escrow Agreement, the Senior Secured Notes Escrow Agreement, the Security Documents, the security documents securing the Senior Facilities Agreement or the Senior Secured Notes or the Intercreditor Agreement; (iii) the establishment of the Issuer and French NewCo; and (iv) other activities not specifically enumerated above that are *de minimis* in nature.

Events of Default

Each of the following is an "*Event of Default*" under the Senior Notes Indenture:

(1) default in any payment of interest on any Senior Note issued under the Senior Notes Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Senior Note issued under the Senior Notes Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or any of its Restricted Subsidiaries to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Senior Notes with its other agreements contained in the Senior Notes Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the 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, 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 €30 million or more;

(5) certain events of bankruptcy, insolvency or court protection of 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), 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 and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €30 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(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 Senior Notes Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Notes Indenture and except through the gross negligence or willful misconduct of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of €10 million for any reason other than the satisfaction in full of all obligations under the Senior Notes Indenture or the release of any such security interest in accordance with the terms of the Senior Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or 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 or group of Guarantors that, taken together (as of the latest audited consolidated financial statements for the Issuer) would constitute a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee or the Senior Notes 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.

However, a default under clauses (3), (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Senior Notes under the Senior Notes Indenture notify the Issuer of the default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Senior Notes under the Senior Notes Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Senior Notes under the Senior Notes Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Senior Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

In the event of a declaration of acceleration of the Senior Notes because an Event of Default described in clause (4) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Senior 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 Senior Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Senior Notes that became due solely because of the acceleration of the Senior Notes, have been cured or waived.

Holders of the Senior Notes may not enforce the Senior Notes Indenture or the Senior Notes except as provided in the Senior Notes Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Senior Notes under the Senior Notes Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Senior Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

If an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Senior Notes Indenture at the request or direction of any of the Holders unless such Holders have offered and, if requested, provided to the Trustee indemnity, security or prefunding satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Senior Notes Indenture or the Senior 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 Senior Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security, prefunding or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security, prefunding or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Senior Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Senior Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Senior Notes Indenture will provide that, in the event an Event of Default of which the Trustee has actual knowledge has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Notes Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Senior Notes Indenture, the Trustee will be entitled to indemnification, security or prefunding satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action. The Senior Notes Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Senior Note, the Trustee may (without liability for so doing) withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee (and the Trustee shall be able to rely without further inquiry on), within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee (and the Trustee shall be able to rely without further inquiry on), within 30 days after 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 Senior Notes Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "*Initial Default*") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of this Senior Notes Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Senior Notes Indenture.

The Senior Notes Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified, prefunded or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Senior Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Senior Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Senior Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Senior Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes). Without the consent of Holders holding not less than 90% (or, in the case of clause (8), 75%) of the then outstanding principal amount of the Senior Notes then outstanding, an amendment or waiver may not, with respect to any Senior Notes held by a non-consenting Holder:

(1) reduce the principal amount of Senior Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Senior Note;

(3) reduce the principal of or extend the Stated Maturity of any Senior Note;

(4) reduce the premium payable upon the redemption of any Senior Note or change the time at which any Senior Note may be redeemed, in each case as described above under "*—Optional Redemption*";

(5) make any Senior Note payable in money other than that stated in the Senior Note;

(6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Senior Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Senior Notes;

(7) make any change in the provision of the Senior Notes Indenture described under "*Withholding Taxes*" that adversely affects the right of any Holder of such Senior Notes in any material respect or amends the terms of such Senior Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any security interest granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Notes Indenture;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Senior Notes (except pursuant to a rescission of acceleration of the Senior Notes by the Holders of at least a majority in aggregate principal amount of such Senior Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Guarantor from any of its obligations under its Note Guarantee or the Senior Notes Indenture, except in accordance with the terms of the Senior Notes Indenture and the Intercreditor Agreement and any Additional Intercreditor Agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, any Guarantor, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Senior Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under any Senior Notes Document;

(3) add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) 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 Senior Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Senior Notes;

(6) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or "*Certain Covenants—Additional Guarantees*, to add Note Guarantees with respect to the Senior Notes, to add security to or for the benefit of the Senior Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Senior Notes when such release, termination, discharge or retaking or amendment is provided for under the Senior Notes Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Senior Notes Indenture, the Security Documents or the Senior Notes to any provision of this "*Description of the Senior Notes*" to the extent that such provision in this "*Description of the Senior Notes*" was intended to be a verbatim recitation of a provision of the Senior Notes Indenture, the Security Documents or the Senior Notes;

(8) to evidence and provide for the acceptance and appointment under the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Senior Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Senior Facilities Agreement, in any property which is required by the Security Documents or the Senior Facilities Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with; or

(10) as provided in "*—Certain Covenants—Additional Intercreditor Agreements*".

In connection with such matters, the Trustee shall be entitled to receive and rely absolutely on an Officer's Certificate and Opinions of Counsel.

The consent of the Holders is not necessary under the Senior Notes Indenture to approve the particular form of any proposed amendment of any Senior Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Notes Indenture by any Holder of Senior Notes given in connection with a tender of such Holder's Senior Notes will not be rendered invalid by such tender.

For so long as the Senior Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Ireland in a daily newspaper with general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*).

Acts by Holders

In determining whether the Holders of the required principal amount of the Senior Notes have concurred in any direction, waiver or consent, the Senior Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and the Guarantors under the Senior Notes and the Senior Notes Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Senior Notes, registration of Senior Notes, mutilated, destroyed, lost or stolen Senior Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Senior 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 Guarantors' obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) of "*—Certain Covenants—Merger and Consolidation*") and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Senior Notes may not be accelerated because of an Event of Default with respect to such Senior Notes. If the Issuer exercises its covenant defeasance option with respect to the Senior Notes, payment of the Senior Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation*", (4), (5) (with respect only to the Significant Subsidiaries), (6), (7) or (8) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated or appointed as agent by the Trustee for this purpose) cash in euro or euro-denominated European Government Obligations or a combination thereof in an amount sufficient for the payment of principal, premium, if any, and interest on the Senior Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of the relevant Senior Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Senior Notes Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents, will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Senior Notes, as expressly provided for in the Senior Notes Indenture) as to all outstanding Senior Notes when (1) either (a) all the Senior Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Notes, and certain Senior Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Senior Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed as agent by the Trustee for this purpose), money or in euro or euro-denominated European Government Obligations or a combination thereof in an amount sufficient to pay and discharge the entire Indebtedness on the Senior Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Senior 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 Senior Notes Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee to apply the funds deposited towards the payment of the Senior Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (which the Trustee may rely on without further inquiry) each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Senior Notes Indenture relating to the satisfaction and discharge of the Senior Notes Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, any Guarantor or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Senior Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

Deutsche Trustee Company Limited is to be appointed as Trustee under the Senior Notes Indenture. The Senior Notes Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Senior Notes Indenture. During the existence of an Event of Default of which the Trustee has actual knowledge, the Trustee will exercise such of the rights and powers vested in it under the Senior Notes Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Senior Notes Indenture will not be construed as an obligation or duty. The Trustee will be permitted to engage in transactions with the Issuer and its Affiliates.

The Senior Notes Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Senior Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Senior Notes Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, expenses Incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Senior Notes Indenture.

Notices

For so long as any of the Senior Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, notices of the Issuer with respect to the Senior Notes will be published in a daily newspaper with general circulation in Ireland (which is expected to be the *Irish Times*) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe or, to the extent and in the manner permitted by such rules, such notices will be posted on the official website of the Irish Stock Exchange (*www.ise.ie*). In addition, for so long as any Senior Notes are represented by Global Notes, all notices to Holders of the Senior Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Senior Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Senior Notes will be prescribed six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Senior Notes and the Note Guarantees, if any, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Senior Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Senior Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Senior Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Senior Note or any Note Guarantee of a Senior Note, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application has been made to list the Senior Notes on the Official List of the Irish Stock Exchange and to admit the Senior Notes to trading on the Global Exchange Market thereof.

Enforceability of Judgments

Since substantially all the assets of the Issuer are located outside the United States, any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Senior Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Senior Notes Indenture and the Senior Notes, the Issuer and the Guarantors will in the Senior Notes Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Senior Notes Indenture will provide that the Issuer and each Guarantor, will appoint Lord Securities Corporation, as their agent for service of process in any suit, action or proceeding with respect to the Senior Notes Indenture, the Senior Notes and the Note Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Senior Notes Indenture and the Senior Notes, and the rights and duties of the parties thereunder, will be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or (2) assumed in connection with an acquisition of assets, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Issuer 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 Group by the Issuer pursuant to the Acquisition Agreement.

"*Acquisition Agreement*" means the share sale agreement dated as of June 1, 2015, among, *inter alios*, the Issuer and the existing shareholders of the Target.

"*Acquisition Documents*" means the Acquisition Agreement and the funds' guarantee given by certain of the existing shareholders of Target.

"*Additional Senior Notes*" has the meaning given to such term under the "*Description of Senior Notes*".

"*Affiliate* " of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "*control*" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "*controlling*" and "*controlled*" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the agreed security principles appended to the Senior Facilities Agreement, as of the Completion Date, as applied *mutatis mutandis* with respect to the Senior Notes in good faith by the Issuer.

"*Applicable Premium*" means, with respect to any Senior Note the greater of:

(a) 1% of the principal amount of such Senior Note; and

(b) the excess (to the extent positive) of:

(i) the present value at such redemption date of (A) the redemption price of such Senior Note at July 15, 2018 (such redemption price (expressed in percentage of principal amount) being set forth under the heading "*—Optional Redemption*"), plus (B) all required interest payments due on such Senior Note to and including July 15, 2018 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(ii) the outstanding principal amount of such Senior Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee or any Paying Agent.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "*disposition*") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the 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, equipment or other 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 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 €30 million and 10% of Consolidated EBITDA;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment;

(9) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Limitation on Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or 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 or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, 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, Qualified CICE Receivables Financing, Qualified CIR Receivables Financing, any other receivables financing permitted to be Incurred pursuant to sub-clause 11(b) of the definition of "*Permitted Debt*", or any factoring transaction or 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 or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer 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 €40 million;

(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 redeemable Capital Stock that is permitted by the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" covenant; and

(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 Senior Notes Indenture.

"*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 of the Issuer.

"*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 Senior Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"*Bund Rate*" means, as of any redemption date, the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or an Officer of the Issuer) most nearly equal to the period from the redemption date to July 15, 2018; *provided*, *however*, that if the period from the redemption date to, with respect to the Senior Notes, July 15, 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 July 15, 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 London, United Kingdom, Munich, Germany or Frankfurt, Germany are authorized or required by law to close and, with respect to payments to be made under the Senior Notes Indenture, other than any day which is not a TARGET Settlement Day.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect 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 Kingdom, United States or Canadian governments, a Permissible Jurisdiction, Norway or Switzerland or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, recognized time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Senior Facilities Agreement or by any bank or trust company (a) whose commercial paper is rated at least "A-2" or the equivalent thereof by S&P or at least "P-2" 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 €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 the United Kingdom, any state of the United States, any province of Canada, any Permissible Jurisdiction, Norway or Switzerland or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United Kingdom, the United States, Canada, a Permissible Jurisdiction, Norway or Switzerland or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and

(9) for purposes of clause (2) of the definition of "*Asset Disposition*", the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date, and by the Target Group on the Completion Date.

"*Cash Management Agreement*" means any agreement or arrangement in the ordinary course of business pursuant to which a Cash Management Provider (as defined in the Intercreditor Agreement) provides treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements, to the Issuer or a Restricted Subsidiary.

"*Change of Control*" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the U.S. Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the U.S. Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent Entity; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders;

provided that, in each case, a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

"*CICE*" means the competitive and employment tax credit pursuant to the French 3rd Amended Finance Law for 2012 (*3ème loi de finances rectificative pour 2012*) No. 2012 1510, dated December 29, 2012.

"*CIR*" means the research tax credit pursuant to, *inter alia*, article 244 quarter B of the French Tax Code (*Code général des impôts*) and any provision implemented in furtherance or replacement thereof.

"*Clearstream* " means Clearstream Banking, *société anonyme,* or any successor securities clearing agency.

"*Collateral*" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date and the Completion Date or thereafter pursuant to any Security Document to secure the obligations under the Senior Notes Indenture, the Senior Notes and/or any Note Guarantee.

"*Commodity Hedging Agreement*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Completion Date*" means the date of completion of the Acquisition.

"*Consolidated EBITDA*" for the period of the four most recent fiscal quarters ending prior to the relevant date of measurement for which internal consolidated financial statements are available means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization 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, issuance, redemption or refinancing of any Indebtedness permitted by the Senior Notes Indenture or any amendment, waiver, consent or modification to any document governing any such Indebtedness (each in cash whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(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 nonrecurring items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash 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 receivables in connection with any Qualified Receivables Financing, Qualified CICE Receivables Financing, Qualified CIR Receivables Financing or any other receivables financing, representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period;

(12) the aggregate amount of credit card fees paid or payable, to the extent the same were deducted in computing Consolidated Net Income; and

(13) any charge recorded in connection with CVAE.

"*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 interest 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 subsidiary of the Issuer, 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 an Officer of the Issuer responsible for accounting or financial reporting;

(6) the consolidated interest expense that was capitalized during such period; and

(7) interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS and (iv) any Additional Amounts with respect to the Senior Notes or the Senior Notes or other similar tax gross-up on any Indebtedness (including, without limitation, under any Credit Facility), which is included in interest expenses under IFRS. Consolidated Interest Expense shall not include any interest expense relating to Subordinated Shareholder Funding.

"*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 (3) 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 (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", any net income (loss) of any Restricted Subsidiary if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the 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 Senior Secured Notes, the Senior Notes, the Senior Secured Notes Indenture or the Senior Notes Indenture, (c) contractual

restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Senior Facilities Agreement and the Intercreditor Agreement) and contractual restrictions in effect on the Completion Date with respect to the Target Group, and other restrictions with respect to any such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date or the Completion Date, as applicable, and (d) restrictions specified in clause (11) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*", except that the 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, 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/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any 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, 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 (or 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 the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;

(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 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 Net 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 Board of Directors or an Officer of the Issuer)) less cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters ending prior to such date of 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 Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting) 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 Net 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 an Officer of the Issuer responsible for accounting or financial reporting and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the 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 expense and cost reduction synergies resulting from any such disposal, as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting);

(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;

(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 Net Leverage shall be treated in accordance with IFRS;

(7) the reasonably anticipated full run rate effect of expense and cost reduction synergies (as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting) projected to result from actions by the Issuer or its Restricted Subsidiaries shall be included as though such synergies had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, *provided* that such synergies (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any cost savings, reductions or synergies already included for such period;

(8) cash shall include all cash at hand or in transit or in tills or payments made by cheques or debit cards or credit cards which are yet to be reserved or cleared funds; and

(9) an adjustment in respect of the difference between (i) the total *pro forma* consolidated amount of CICE for the four quarter period as determined on the basis of CICE applicable to all relevant entities of the group as at the end of the period and (ii) the total amount of CICE already included in Consolidated EBITDA for that period, shall be added to Consolidated EBITDA.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Senior Facilities Agreement or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Senior Facilities Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "*Credit Facility*" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*CVAE*" means *cotisation sur la valeur ajoutée des enterprises* or any similar tax enacted in replacement or complement thereof.

"*Default* " means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Issuer 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 Entity, 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 clauses (c)(ii) and (c)(iii) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", excluding, for the avoidance of doubt, any Preferred Stock issued as part of the Equity Contribution or the Managers' Investment.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Senior Notes or (b) the date on which there are no Senior Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Senior Notes Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Contribution*" has the meaning given to such term in the section of this Offering Memorandum captioned "*The Transactions*".

"*Equity Offering*" means (x) a sale of Capital Stock of the Issuer or a Restricted Subsidiary (other than to the Issuer or any of its Subsidiaries (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the U.S. Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person (other than to the Issuer or any of its Subsidiaries), the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer or any of its Restricted Subsidiaries.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "*Escrowed Proceeds*" shall include any interest earned on the amounts held in escrow.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Board of Directors or an Officer of the Issuer) on the date of such determination.

"*Euroclear*" means Euroclear Bank SA/NV or any successor securities clearing agency.

"*European Government Obligations*" means any security denominated in euro that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Senior Notes Indenture and whose long-term debt on such date 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, 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.

"*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 (excluding, for the avoidance of doubt, the Equity Contribution and the Managers' Investment), in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*fair market value*" wherever such term is used in this "*Description of the Senior Notes*" or the Senior Notes Indenture (except in relation to an enforcement action or distressed disposal pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "*Description of the Senior Notes*" or the Senior Notes Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or 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 an officer of such Person responsible for accounting or financial reporting), 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 above 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 above 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 an officer of such Person responsible for accounting or financial reporting), 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 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;

(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 if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness);

(7) Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by an Officer of the Issuer responsible for accounting or financial reporting to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS;

(8) the reasonably anticipated full run rate effect of expense and cost reduction synergies (as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting) projected to result from actions taken by the Issuer or its Restricted Subsidiaries shall be included as though such synergies had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, *provided* that such synergies (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any cost savings, reductions or synergies already included for such period; and

(9) an adjustment in respect of the difference between (i) the total *pro forma* consolidated amount of CICE for the four quarter period as determined on the basis of CICE applicable to all relevant entities of the group as at the end of the period and (ii) the total amount of CICE already included in Consolidated EBITDA for that period, shall be added to Consolidated EBITDA.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense and Receivables Fees 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 Capital Stock payable to the Issuer or a Restricted Subsidiary.

"*Founders*" means Henning Kreke and (a) his parents or spouse and/or any of Henning Kreke's, his spouse's or his parents' respective direct descendants; or (b) any trust, corporation, partnership, limited liability company or other entity (each an "*investment vehicle*") in relation to which any one or more of Henning Kreke and/or any of the persons specified in paragraph (a) above is (i) a beneficiary or (ii) a shareholder, partner, member or other person controlling such investment vehicle. For the purposes of this definition, "*controlling*" means (A) holding more than 50.1% of the shares or other instruments issued by such investment vehicle and/or (B) being entitled, directly or indirectly, to give directions with respect to the operating and financial policies of such investment vehicle with which the directors or other equivalent officers of such investment vehicle are obliged to comply.

"*French NewCo*" means Kirk Beauty France SAS.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term "*Guarantee*" will not include endorsements for collection or deposit in the ordinary course of business. The term "*Guarantee*" used as a verb has a corresponding meaning.

"*Guarantor* " means the Senior Secured Notes Issuer, the Post-Completion Date Guarantors and any other Restricted Subsidiary that Guarantees the Senior Notes.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder* " means each Person in whose name the Senior Notes are registered on the Registrar's books, which shall initially be the common depositary for the accounts of Euroclear and Clearstream or its nominee.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) ("*IFRS*") endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Senior Notes Indenture, all ratios and calculations based on IFRS contained in the Senior Notes Indenture shall be computed in accordance with IFRS as in effect on the Issue Date.

"*Incur"* means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for, and the terms "*Incurred*" and "*Incurrence*" have meanings correlative to the foregoing; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and any Indebtedness pursuant to any revolving credit or similar facility shall only be "*Incurred*" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the

aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person (the amount of such Indebtedness being equal to the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons);

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "*Indebtedness*" shall not include (i) Subordinated Shareholder Funding, (ii) 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 or (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Senior Notes Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of 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; or

(3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"*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 any funds or limited partnerships managed or advised by Affiliates of CVC Capital Partners SICAV-FIS S.A. or any of its Affiliates or direct or indirect Subsidiaries or any investors in such funds or limited partnerships (but excluding, in each case, any portfolio companies in which such funds or limited partnerships hold an investment and excluding CVC Credit Partners LP and its direct and indirect Subsidiaries) who are investors in such funds or limited partnerships as at the Completion Date, investing directly or indirectly in Parent (collectively, the "*Sponsor*") and the Founders.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent Entity or any successor of the Issuer or any Parent Entity (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated on or about the Issue Date, by and among, inter alios, the Issuer, the Security Agent and the Trustee, as amended from time to time.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment"* means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer 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 above under the caption "*—Certain Covenants—Limitation on Restricted Payments*".

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "*Investment*" will include the portion (proportionate to the 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 of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United Kingdom, United States, or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction, Norway or Switzerland or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB–" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"*Investment Grade Status*" shall occur when all of the Senior 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 Rating Organization.

"IPO Entity" has the meaning given it in the definition of Initial Public Offering.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means July 10, 2015.

"*Issuer*" means Kirk Beauty One GmbH.

"*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 Entity, 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 Entity with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Issuer;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €10 million in the aggregate outstanding at any time.

"*Management Investors" means (i) members of the management team of the Issuer or its Subsidiaries who subsequently invest directly or indirectly in the Issuer from time to time and (ii) any entity that may hold shares transferred by departing members of the management team of the Issuer or its Subsidiaries for future redistribution to the management team of the Issuer or its Subsidiaries. For the avoidance of doubt, the expression "management team" shall include, but not be limited to, any managers, officers and (executive and non-executive) directors of the Target Group.

"*Managers' Investment*" has the meaning given to such term in the section of this Offering Memorandum captioned "*The Transactions*".

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) the U.S. Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition (other than Capitalized Lease Obligations), in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Issuer 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.

"*Net Cash Proceeds*", with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"*Note Guarantee*" means the guarantee by any Guarantor of the Issuer's obligations under the Senior Notes Indenture and the Senior Notes.

"*Offering Memorandum*" means this offering memorandum in relation to the Senior Notes.

"*Officer* " means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "*Officer*" for the purposes of the Senior Notes Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"*Parent Entity*" 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 Entity.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Senior Notes 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 U.S. Securities Act or the U.S. Exchange Act;

(2) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees and expenses payable by any Parent Entity in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Entity related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, and (b) costs and expenses with respect to the ownership, directly or indirectly, of the Issuer and its Restricted Subsidiaries by any Parent Entity, (c) any Taxes and other fees and expenses required to maintain such Parent Entity's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent Entity and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent Entity;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent Entity or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €3 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 such Subsidiaries; and

(8) expenses Incurred by any Parent Entity in connection with any public offering or other sale of Capital Stock or Indebtedness:

    (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

    (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

    (c) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Pari Passu Indebtedness*" means (a) any Indebtedness of the Issuer that ranks equally in right of payment with the Senior Notes and (b) with respect to any Notes Guarantee of a Guarantor, any Indebtedness that ranks equally in right of payment with such Notes Guarantee.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal, interest and premium and Additional Amounts, if any, on any Senior Note on behalf of the Issuer.

"*Permissible Jurisdiction*" means any member state of the European Union as of January 1, 2004 (other than any member state so long as European Government Obligations issued, or unconditionally guaranteed, by the governments of such jurisdictions do not have a rating of "BBB-" or higher from S&P and "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)).

"*Permitted Collateral Liens*" means Liens:

(a) that are described in one or more of clauses (2), (3), (4), (5), (6), (9), (11), (12), (14), (18), (20), (23) and (24) of the definition of "*Permitted Liens*" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interest in the Collateral;

(b) to secure:

  (i) the Senior Notes (excluding any Additional Senior Notes);

  (ii) with respect to the Shared Collateral:

    (A) Indebtedness of the Issuer permitted to be Incurred under (x) the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) clause (1), (2) (to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured on the Shared Collateral pursuant to this definition of Permitted Collateral Liens), (4)(a), 4(c), (5), (6) (other than with respect to Commodity Hedging Agreements), (7) (other than with respect to Capitalized Lease Obligations), (8)(d) (in respect of Cash Management Agreements), (12) or (13) of the definition of "*Permitted Debt*" ((x) and (y) together the "*PCL Obligor Debt Baskets*"), in each case to the extent that such Indebtedness constitutes Pari Passu Indebtedness of the Issuer; *provided* that such Liens rank equal with or junior to the Liens securing the Notes;

    (B) Indebtedness of any Guarantor permitted to be Incurred under the PCL Obligor Debt Baskets; *provided* that (x) if such Indebtedness constitutes Senior Indebtedness of such Guarantor, such Liens rank (1) equal with all other Liens on such Collateral securing Senior Indebtedness (or on a super priority basis in respect of the proceeds from the enforcement of the Shared Collateral to the extent permitted by the Intercreditor Agreement) or (2) equal with or junior to the Liens securing the Notes and (y) if such Indebtedness constitutes Pari Passu Indebtedness of such Guarantor, such Liens rank equal or junior to the Liens securing the Notes;

    (C) Indebtedness of any Restricted Subsidiary that is not a Guarantor permitted to be Incurred under clause 4(a), 4(c), (6) (other than with respect to Commodity Hedging Agreements), (7) (other than with respect to Capitalized Lease Obligations), (8)(d) (in respect of Cash Management Agreements) or (13) of the definition of "*Permitted Debt*" (together the "*PCL Non-Obligor Debt Baskets*"); *provided* that such Liens rank (x) equal with all other Liens on such Collateral securing Senior Indebtedness (or on a super priority basis in respect of the proceeds from the enforcement of the Shared Collateral to the extent permitted by the Intercreditor Agreement) or (y) equal with or junior to the Liens securing the Notes;

  (iii) with respect to the Senior Notes Only Collateral, (A) Indebtedness of the Issuer or a Guarantor permitted to be Incurred under the PCL Obligor Debt Baskets and (B) Indebtedness of any Restricted Subsidiary that is not a Guarantor permitted to be Incurred under the PCL Non-Obligor Debt Baskets; *provided* that such Liens rank equal with or junior to the Liens securing the Notes;

(iv) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (iii);

provided that, each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; and

(c) Incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries with respect to obligations that in total do not exceed €15 million at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money or business and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Issuer's or such Restricted Subsidiary's business.

"*Permitted Holders*" means, collectively, (1) the Sponsor, (2) the Founders, (3) the Management Investors, (4) any Related Person of any Persons specified in clause (1) or (3), (5) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent Entity or the Issuer, acting in such capacity and (6) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the U.S. Exchange Act or any successor provision) of which any of the foregoing (or any Persons mentioned in the following sentence) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the Capital Stock of the Issuer or any of its direct or indirect Parent Entities held by such group. Any Person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Notes Indenture or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted 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 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, including 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 and any advances or loans not to exceed €10 million at any one time outstanding to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock (other than Disqualified Stock) of the Issuer or a Parent Entity of the Issuer;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business 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 (i) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Senior Notes Indenture;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants— Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €60 million and 20% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "*Permitted Investments*" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "*Permitted Liens*" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of clauses (4), (6), (10) or (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*";

(15) Guarantees of Indebtedness of the Issuer or its Restricted Subsidiaries that is permitted to be Incurred 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 Senior Facilities Agreement, the Senior Notes and any Additional Senior Notes;

(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; and

(18) Investments in joint ventures, Unrestricted Subsidiaries or a Similar Business, taken together with all other Investments made pursuant to this clause (18) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €60 million and 20% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", such Investment shall thereafter be

deemed to have been made pursuant to clause (1) or (2) of the definition of "*Permitted Investments*" and not this clause.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of (i) any direct or indirect Restricted Subsidiary of the Issuer that is not a Guarantor securing Indebtedness of any direct or indirect Restricted Subsidiary of the Issuer that is not a Guarantor and (ii) TopCo, the Issuer or any Restricted Subsidiary securing Senior Indebtedness of a Guarantor (or any Guarantee by the Issuer of such Senior Indebtedness that constitutes Pari Passu Indebtedness of the Issuer), in each case permitted by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, 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 Senior Notes Indenture and relating to Indebtedness permitted to be Incurred under the Senior Notes Indenture and which is secured by a Lien on the same assets or property that secures such Indebtedness;

(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 relating to banker's Liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(13) (a) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date or (b) with respect to the Target Group, Liens existing on, or provided for or required to be granted under written agreements existing on, the Completion 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), including Liens created, incurred or assumed in connection with, or in contemplation of such acquisition or transaction; *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of 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 Senior Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(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 of the Issuer has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing and Liens Incurred in connection with any Qualified CICE Receivables Financing, Qualified CIR

Receivables Financing or any other receivables financing permitted to be Incurred pursuant to sub-clause 11(c) of the definition of "*Permitted Debt*";

(22) Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;

(23) Liens arising under general business conditions in the ordinary course of business, including without limitation the general business conditions of any bank or financial institution with whom the Issuer or any of its Restricted Subsidiaries maintains a banking relationship in the ordinary course of business (including arising by reason of any treasury and/or cash management, cash pooling, netting or set-off arrangement or other trading activities);

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) any security granted over the marketable securities portfolio described in clause (9) of the definition of "*Cash Equivalents*" in connection with the disposal thereof to a third party;

(27) (a) Liens created for the benefit of or to secure, directly or indirectly, the Senior Notes, and (b) Liens pursuant to the Intercreditor Agreement;

(28) Liens on the Senior Notes Escrow Collateral created for the benefit of, or to secure, directly or indirectly, the Senior Notes and Liens on the Senior Secured Notes Escrow Collateral (as defined in the Senior Secured Notes Indenture) created for the benefit of, or to secure, directly or indirectly, the Senior Secured 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 €80 million;

(30) 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; and

(31) Liens or assets or property of a Restricted Subsidiary securing Indebtedness of such Restricted Subsidiary permitted by clause (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*".

"*Person* " means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Proceeds Loan*" means any loan to be made after the Issue Date under a loan agreement between a Parent Entity, as lender, and the Issuer, as borrower, pursuant to which the gross proceeds of the issuance of the Indebtedness of such Parent Entity have been or will be advanced to the Issuer, as amended, accreted or partially repaid from time to time.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the U.S. Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the U.S. Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the U.S. Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified CICE Receivables Financing*" means any financing arrangement through which the Issuer or any of its Subsidiaries sell, convey or otherwise transfer to any other Person any accounts receivable (whether now existing or arising in the future) of the Issuer and its Subsidiaries arising from the CICE.

"*Qualified CIR Receivables Financing*" means any financing arrangement through which the Issuer or any of its Subsidiaries sell, convey or otherwise transfer to any other Person any accounts receivable (whether now existing or arising in the future) of the Issuer and its Subsidiaries arising from the CIR.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary 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) such Qualified Receivables Financing shall be non-recourse to the Issuer or any of its Restricted Subsidiaries.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Senior Notes shall not be deemed a Qualified Receivables Financing.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing, Qualified CICE Receivables Financing or Qualified CIR Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer 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 may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly-Owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with 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 of the Issuer (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 of the Issuer, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary of the Issuer 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 of the Issuer, 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 other Restricted Subsidiary of the Issuer 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 other Restricted Subsidiary of the Issuer 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 Senior Notes Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Senior Notes Indenture or Incurred in compliance with the Senior Notes 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 Senior Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith);

(3) if the Indebtedness being refinanced is expressly subordinated to the Senior Notes, such Refinancing Indebtedness is subordinated to the Senior Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

provided, *however*, that Refinancing Indebtedness shall not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person;

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent Entity), required to be paid (*provided* such Taxes are in fact paid) by any Parent Entity by virtue of its:

(a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a Holding Company, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries; or

(e) having made any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent Entity pursuant to "*—Certain Covenants—Limitation on Restricted Payments*".

"*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 as of the Issue Date or any and all businesses that in the good faith judgment of the Board of Directors or an Officer of the Issuer are reasonably related thereto.

"*Representative"* means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Investment"* means any Investment other than a Permitted Investment.

"*Restricted Subsidiary"* means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*S&P* " means Standard & Poor's Ratings Services, a division of McGraw Hill, Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Senior Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Senior Notes Indenture.

"*Senior Credit Facilities*" means the term and revolving facilities made available under the Senior Facilities Agreement.

"*Senior Facilities Agreement*" means the senior facilities agreement dated on June 26, 2015 that the Issuer has entered into with, *inter alios*, Deutsche Bank AG, London Branch, as agent and security agent and Deutsche Bank AG, London Branch, UniCredit Bank AG, Goldman Sachs International, J.P. Morgan Limited, Bayerische Landesbank, Commerzbank Aktiengesellschaft, Crédit Industriel et Commercial and Landesbank Baden-Württemberg as lead arrangers, as the same may be amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*Senior Indebtedness*" means, whether outstanding on the Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all other Indebtedness of the Issuer or any Guarantor, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer or such Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; provided, however, that Senior Indebtedness will not include:

(a) any Indebtedness Incurred in violation of the Senior Indenture;

(b) any obligation of the Issuer or any Guarantor to any Restricted Subsidiary;

(c) any liability for taxes owed or owing by the Issuer or any Restricted Subsidiary;

(d) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities);

(e) any Indebtedness, guarantee or obligation of the Issuer or any Guarantor that is expressly subordinate or junior in right of payment to any other Indebtedness, Guarantee or obligation of the Issuer or such Guarantor;

(f) Pari Passu Indebtedness; or

(g) any Capital Stock.

"*Senior Notes Documents*" means the Senior Notes (including Additional Senior Notes), the Senior Indenture, the Security Documents, the Intercreditor Agreement, the Senior Notes Escrow Agreement and any Additional Intercreditor Agreements.

"*Senior Notes Escrow Account*" means the escrow account into which the proceeds of the offering of Senior Notes are deposited on the Issue Date.

"*Senior Notes Proceeds Loans*" means the €335 million loan to be made under the loan agreement to be entered into on the Completion Date between the Issuer, as lender, and the Senior Secured Notes Issuer, as borrower, and any loans to be made after the Issue Date under such agreement, in each case pursuant to which the gross proceeds of the issuance of the Senior Notes have been or will be advanced to the Issuer, as amended, accreted or partially repaid from time to time.

"*Senior Secured Notes*" has the meaning given to such term under "Description of the Senior Secured Notes".

"*Senior Secured Notes Escrow Account*" means the escrow account into which the proceeds of the offering of Senior Secured Notes are deposited on the Issue Date.

"*Senior Secured Notes Indenture*" means the indenture or indentures governing the Senior Secured Notes.

"*Senior Secured Notes Issuer*" means Kirk Beauty Zero GmbH.

"*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 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 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 Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that immediately prior to the occurrence of such event and immediately thereafter and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio would have been less than 5.25 to 1.0. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Senior Notes Indenture after the Issue Date.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the 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 "*— Limitation on Sales of Assets and Subsidiary Stock*", to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Senior Notes or any Note Guarantee pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent Entity, any Affiliate of any Parent Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Senior Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Senior Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Senior Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Senior Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Senior Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Senior 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 the terms of the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Senior 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.

"*Successor Parent Entity*" means, with respect to any Person, any other Person more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "*beneficially owned*" (as defined below) by one or more Persons that "*beneficially owned*" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "*beneficially own*" has the meaning correlative to the term "*beneficial owner*", as such term is defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act (as in effect on the Issue Date).

"*Tax Sharing Agreement*" means any tax sharing agreement and/or profit and loss pooling agreement (*Ergebnisabfuehrungsvertrag*) and/or domination agreement (*Beherrschungsvertrag*) entered into between the Issuer as dominated entity and TopCo as dominating entity (*herrschendes Unternehmen*) in order to establish a fiscal unity (*Organschaft*) between the Issuer and TopCo, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms hereof and the Senior Facilities Agreement, and any arrangements or transactions made between the Issuer and TopCo in order to satisfy the obligations of the Issuer or TopCo under any such Tax Sharing Agreement (including, for the avoidance of doubt, upstream loans and distribution of profits or capital reserves from the Issuer to TopCo to enable TopCo to compensate the Issuer for losses incurred which may need to be compensated by TopCo under any profit and loss pooling agreement and/or domination agreement).

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest 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 Kingdom, the United States or Canada, (ii) any European Union member state to the extent 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), (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Senior Facilities Agreement;

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (7) below; or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A-" by S&P or "A-3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United Kingdom, United States, Canada, any Permissible Jurisdiction, Norway or Switzerland or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United Kingdom, United States, Canada, a Permissible Jurisdiction, Norway, Switzerland or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds (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).

"*TopCo*" means Kirk Beauty Two GmbH.

"*Transactions*" has the meaning given to such term in this Offering Memorandum under the caption "*The Transactions*" and all corporate and other actions to be taken by the Issuer and its Restricted Subsidiaries related thereto.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer 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) 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 complies with "*—Certain Covenants—Limitation on Restricted Payments*".

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (a) no Default or Event of Default would result therefrom and (b) (x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*U.S. Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*U.S. Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary of the Issuer, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

GENERAL

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Notes"). Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the "144A Global Notes," the "Global Notes"). The Global Notes will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes ("144A Book-Entry Interests") and ownership of interests in the Regulation S Global Notes (the "Regulation S Book-Entry Interest" and, together with the 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by, Euroclear and Clearstream and their participants. The Book-Entry Interests in Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interest in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holder" of Notes under the Indentures for any purpose.

So long as the Notes are held in global form, the nominee of the common depositary for Euroclear and/or Clearstream will be considered the sole registered holder of the Global Notes for all purposes under the Indentures. As such, participants must rely on the procedures of Euroclear and/or Clearstream and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indentures.

Neither the Issuers, nor the Trustees under the Indentures nor any of the Issuers' respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

ISSUANCE OF DEFINITIVE REGISTERED NOTES

Under the terms of the Indentures, owners of Book-Entry Interests will receive definitive Notes in registered form (the "Definitive Registered Notes"):

- if Euroclear or Clearstream notifies an Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days; or

- if the owner of a Book-Entry interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under an Indenture and enforcement action is being taken in respect thereof under the relevant Indenture.

In such an event, the applicable Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "*Notice to Investors,*" unless that legend is not required by the Indentures or applicable law.

REDEMPTION OF GLOBAL NOTES

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuers understand that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than €100,000 principal amount at maturity may be redeemed in part.

PAYMENTS ON GLOBAL NOTES

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuers to the respective Principal Paying Agent. In turn, each Principal Paying Agent will make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indentures governing the Notes, the Issuers and the Trustees will treat the registered holder of the Global Notes (*i.e.*, the nominee of the common depositary for Euroclear or Clearstream) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuers or the Trustees or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or

- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or

- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

CURRENCY AND PAYMENT FOR THE GLOBAL NOTES

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes, will be paid to holders of interest in such Notes through Euroclear and/or Clearstream in Euro.

ACTION BY OWNERS OF BOOK-ENTRY INTERESTS

Euroclear and Clearstream have advised each Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

TRANSFERS

The Global Notes will bear a legend to the effect set forth in "*Notice to Investors*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "*Notice to Investors*".

Through and including the 40th day after the later of the commencement of the offering of the Notes and the closing of the offering (the "40-day Period"), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note denominated in the same currency only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the applicable Trustee a certificate (in the form provided in the applicable Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Notice to Investors*” and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40-day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the applicable Trustee of a written certification (in the form provided in the applicable Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act (if available).

Subject to the foregoing, and as set forth in “*Notice to Investors*” Book-Entry Interests may be transferred and exchanged as described under “*Description of the Senior Secured Notes—Transfer and Exchange*” and “*Description of the Senior Notes—Transfer and Exchange*.” Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “*Description of the Senior Secured Notes—Transfer and Exchange*” and “*Description of the Senior Notes—Transfer and Exchange*” and, if required, only if the transferor first delivers to the applicable Trustee a written certificate (in the form provided in the applicable Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “*Notice to Investors*”.

INFORMATION CONCERNING EUROCLEAR AND CLEARSTREAM

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuers or the initial purchasers is responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

GLOBAL CLEARANCE AND SETTLEMENT UNDER THE BOOK-ENTRY SYSTEM

The Notes represented by the Global Notes are expected to be admitted to trading on the Global Exchange Market and listed on the official list of the Irish Stock Exchange. The Issuers expect that secondary trading in any certificated Notes will also be settled in immediately available funds.

INITIAL SETTLEMENT

Initial settlement for the Notes will be made in Euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

SECONDARY MARKET TRADING

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

CERTAIN TAX CONSEQUENCES

GERMAN TAXATION

The following is a general discussion of certain German tax consequences of the acquisition, ownership and disposal of the Notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws (including tax treaties) currently in force and as applied on the date of this offering memorandum in the Federal Republic of Germany which are subject to change, possibly with retroactive 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 OR LOCAL TAXES UNDER THE TAX LAWS APPLICABLE IN THE FEDERAL REPUBLIC OF GERMANY AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS OR WHOSE TAX LAWS APPLY TO THEM FOR OTHER REASONS.

Responsibility of the Issuer for the withholding of tax at the source

The Issuer does not assume any responsibility for the deduction of withholding tax (including solidarity surcharge thereon) at the source.

Withholding Tax

For German tax residents (e.g., persons whose residence, habitual abode, statutory seat or place of management is located in Germany), interest payments on the Notes are subject to withholding tax, provided that the Notes are held in custody with a German custodian, who is required to deduct the withholding tax from such interest payments (the “Disbursing Agent”). Disbursing Agents are German resident credit institutions and financial services institutions (including in both cases German permanent establishments of foreign institutions), securities trading companies or securities trading banks. The applicable withholding tax rate is 25% (plus 5.5% solidarity surcharge thereon and, if applicable, church tax). For individuals who are subject to church tax an electronic information system for church withholding tax purposes applies in relation to investment income, with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the investor will be assessed to church tax.

The withholding tax regime generally also applies to any gains from the sale, transfer or redemption of Notes realized by private investors holding the Notes as private (and not as business) assets in custody with a Disbursing Agent. Subject to exceptions, the amount of capital gains on which the withholding tax charge is applied is generally levied on the difference between the proceeds received upon the disposal or redemption of the Notes and (after the deduction of actual expenses directly related thereto) the acquisition costs. If interest claims are disposed of separately (i.e. without the Notes), the proceeds from the disposition are also subject to withholding tax. The same applies to proceeds from the payment of interest claims if the Notes have been disposed of separately.

If the Notes have not been kept in a custodial account with the same Disbursing Agent since their acquisition and the current Disbursing Agent has not been notified of the actual acquisition costs of the Notes in the form required by law, the tax at a rate of 25% (plus 5.5% solidarity surcharge and, if applicable, church tax) will be imposed on an amount equal to 30% of the proceeds from the sale or redemption of the Notes.

In computing any withholding tax, the Disbursing Agent generally deducts from the basis of the withholding tax negative investment income realized by the private individual investor via the Disbursing Agent (e.g. losses from sale of other securities with the exception of shares). The Disbursing Agent also deducts accrued interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent credits foreign withholding taxes levied on investment income in a given year regarding securities held by the private individual investor in the custodial account with the Disbursing Agent.

The withholding tax is not applied if the total investment income of a private investor is not exceeding the lump sum deduction (Sparer-Pauschbetrag) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly), provided that the private individual investor files an exemption certificate (Freistellungsauftrag) with the Disbursing Agent. Expenses of the private individual investor actually incurred are not deductible. No withholding tax will be levied if a private individual investor has submitted to the Disbursing Agent a certificate of non-assessment (Nichtveranlagungs-Bescheinigung) issued by the competent German tax office.

German resident corporate and other German resident business investors should in essence not be subject to the withholding tax on gains from the disposal, sale or redemption of the Notes (i.e., for these investors only interest payments, but not gains from the sale or redemption of the Notes, are subject to the withholding tax regime). In computing the withholding tax, the Disbursing Agent will not account for any deductions of foreign tax and capital losses incurred.

Private Individual Investors

For private individual investors the withholding tax is—without prejudice to certain exceptions—definitive. Private individual investors can apply to have their income from the investment into the Notes assessed in accordance with the general rules on determining an individual's tax bracket if this would result in a lower tax burden.

To the extent withholding tax has not been levied, such as in the case of Notes kept in custody abroad or if no Disbursing Agent is involved in the payment process, the private individual investor must report his or her income and capital gains derived from the Notes on his or her tax return and then will also be taxed at a rate of 25% (plus solidarity surcharge and church tax thereon, where applicable). If the withholding tax on a disposal or redemption of the Notes has been calculated on the basis of 30% of the disposal proceeds (rather than on the basis of the actual gain), a private individual investor may and in case the actual gain is higher than 30% of the disposal proceeds must also apply for an assessment on the basis of his or her actual acquisition costs.

Losses resulting from the sale or redemption of the Notes can only be set off against other investment income. In the event that a set-off is not possible in the assessment period in which the losses have been realized, such losses can be carried forward into future assessment periods only and can be set off against investment income generated in future assessment periods.

Business Investors

Interest payments and capital gains from the disposal or redemption of the Notes held as business assets by German tax resident business investors are generally subject to German income tax or corporate income tax (plus 5.5% solidarity surcharge and church tax (where applicable) thereon). The respective investor will have to report income and related (business) expenses on the tax return and the balance will be taxed at the investor's applicable tax rate. Any withholding tax deducted from interest payments is—subject to certain requirements—creditable. To the extent the amount withheld exceeds the (corporate) income tax liability, the withholding tax is—as a general rule—refundable.

The interest payments and capital gains are also subject to trade tax, if the Notes are attributable to a German trade or business.

Foreign Tax Residents

Investors not resident in Germany should, in essence, not be taxable in Germany with the proceeds from the investment in the Notes and no German withholding tax should be withheld from such income, even if the Notes are held in custody with a German credit (or comparable) institution. Exceptions apply, e.g., where the Notes are held as business assets in a German permanent establishment, including a permanent representative, or a fixed base of the investor maintained in Germany or the income from the Notes otherwise constitutes German-source income.

Inheritance and Gift Tax; other Taxes

Inheritance or gift taxes with respect to the Notes will, in principle, arise under German law if, in the case of inheritance tax, either the decedent or the beneficiary or, in the case of gift tax, either the donor or the donee is a resident of Germany at the relevant point in time, or if the Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany. In addition, certain German expatriates will be subject to inheritance and gift tax. However, applicable double taxation treaties may provide for exceptions to the German domestic inheritance and gift tax regulations.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the "EU Savings Directive"), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted Council Directive 2014/48/EU (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 fulfil 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

On 14 February 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common financial transactions tax (FTT) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016. However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. 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.

PROSPECTIVE INVESTORS ARE RECOMMENDED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE INDIVIDUAL TAX CONSEQUENCES ARISING FROM THE INVESTMENT IN THE NOTES.

U.S. TAXATION

The following discussion is a summary based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. This discussion addresses only U.S. Holders (as defined below) who purchase Notes in the original offering at the original offering price, hold the Notes as capital assets and use the U.S. dollar as their functional currency. This discussion is not a complete description of all U.S. tax considerations relating to the Notes. It does not address the tax treatment of prospective purchasers subject to special rules, such as banks, dealers in securities or currencies, traders that elect to mark-to-market, insurance companies, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities or persons holding the Notes as part of a hedge, straddle, conversion or other integrated financial transaction. It also does not address the tax treatment of U.S. Holders that will hold the Notes in connection with a permanent establishment or fixed base outside of the United States. It does not consider U.S. federal estate or gift taxes, U.S. state or local tax matters or non-U.S. tax considerations. The Notes are debt in form and, if required, the Issuers intend to report the Notes as debt for U.S. tax purposes. Accordingly, this disclosure assumes that the Notes will be treated as debt for U.S. federal income tax purposes.

THE FOLLOWING STATEMENTS ABOUT U.S. FEDERAL TAX ISSUES ARE MADE TO SUPPORT MARKETING OF THE NOTES. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE NOTES UNDER THE LAWS OF GERMANY, THE UNITED STATES, THEIR CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation (or other business entity treated as a corporation) that is organized under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The tax treatment of a partner in a partnership (or an entity treated as a partnership for U.S. federal income tax purposes) that acquires, owns or disposes of the Notes generally will depend upon the status of the partner and the activities of the partnership. A prospective investor that is a partnership should consult its own advisors about the tax consequences for its partners of the acquisition, ownership or disposition of the Notes.

Interest

A U.S. Holder must include stated interest on the Notes (and additional amounts paid on account of foreign withholding tax, if any) in gross income in accordance with its regular method of tax accounting. Interest on the Notes and Additional Amounts, if any, will be ordinary income from sources outside the United States. Subject to applicable limitations, a U.S. Holder may claim a deduction or a foreign tax credit only for tax withheld at the appropriate rate.

If the Notes are issued at an original issue discount (“OID”), a U.S. Holder must accrue the OID into income on a constant yield to maturity basis whether or not it receives cash payments. The Notes will have been issued with OID if their stated redemption price exceeds their issue price by as much as 0.25% multiplied by the number of complete years to maturity. The OID will be the amount by which the stated redemption price at maturity exceeds the issue price. The issue price of the Notes is the initial offering price at which a substantial amount of the Notes are sold to the public (excluding sales to brokers or similar persons). The stated redemption price at maturity is the sum of all payments due on a Note other than payments of stated interest. This disclosure assumes that the payment schedule for the Notes, without payment of the redemption premium that the Issuer must pay on a Change of Control, is more likely than not the actual payment schedule for the Notes and therefore such premium is not taken into account in determining the redemption price at maturity of the Notes. However, due to the contingency the Notes could be considered “contingent payment debt instruments” for U.S. federal income tax purposes, in which case the redemption premium would be treated as ordinary income rather than as capital gain and accruals of interest would be treated as OID. OID will be treated as ordinary income from sources outside of the United States.

A cash basis U.S. Holder receiving interest in Euro must include in income a U.S. dollar amount based on the spot exchange rate on the date of receipt whether or not the payment is converted to U.S. dollars. An accrual basis U.S. Holder generally must include in income a U.S. dollar amount based on the average exchange rate during the accrual period (or, for an accrual period that spans two taxable years, the partial accrual period within each taxable year). Upon receipt of a payment in Euro, U.S. Holders that have accrued interest or OID will recognize exchange gain or loss equal to any difference between the U.S. dollar amount accrued and the U.S. dollar value of the payment received at the spot exchange rate on the date of receipt. Exchange gain or loss generally will be U.S. source ordinary income or loss.

An accrual basis U.S. Holder may elect to translate accrued interest into U.S. dollars at the spot exchange rate on the last day of the accrual period (or the last day of the first taxable year for the initial portion of an accrual period that spans two taxable years) or the spot exchange rate on the date of receipt in the case of interest received within five business days of the last day of the accrual period. Currency translation elections apply to all debt instruments that the electing U.S. Holder holds or acquires, and they cannot be revoked without the consent of the U.S. Internal Revenue Service ("IRS").

Interest, OID and exchange gain or loss received by certain individuals, estates and trusts will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

Disposition

A U.S. Holder generally will recognize gain or loss on a sale, redemption or other disposition of a Note in an amount equal to the difference between the U.S. dollar value of the amount realized (less any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will be the amount paid for the Note reduced by any payments other than stated interest.

Gain or loss on disposition of a Note will generally be U.S. source capital gain or loss except to the extent of any exchange gain or loss. Payments that are attributable to accrued interest or OID will be treated as interest or OID for U.S. federal income tax purposes and will be treated in accordance with the rules applicable to interest and OID discussed above. Any capital gain or loss 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 disposition. A non-corporate U.S. Holder's long-term capital gain may be taxed at lower rates. Deductions for capital losses are subject to limitations.

A U.S. Holder that receives currency other than U.S. dollars upon sale or other taxable disposition of the Notes will realize an amount equal to the U.S. dollar value of the currency on the date of sale. If the Notes are traded on an established securities market, a cash basis U.S. Holder or electing accrual basis taxpayer will determine the amount realized on the settlement date. A U.S. Holder will have a tax basis in the currency equal to the U.S. dollar amount realized. Any gain or loss realized by a U.S. Holder on a subsequent conversion of currency for U.S. dollars will generally be U.S. source ordinary income or loss. Any exchange gain or loss realized by a U.S. Holder generally will be U.S. source ordinary income or loss.

A U.S. Holder generally will recognize exchange gain or loss on sale or other taxable disposition of a Note equal to the difference between the U.S. dollar value of the principal amount of the Note on the date of acquisition and the date of disposition (or, if the Notes are traded on an established securities exchange and the U.S. Holder is a cash basis or an electing accrual basis holder, the settlement date). Exchange gain or loss cannot exceed overall gain or loss realized on disposition of the Note. Exchange gain or loss generally will be U.S. source ordinary income or loss.

Capital gain or loss received by certain individuals, estates and trusts will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

Reportable Transactions

A sale, exchange, retirement or other taxable disposition of a Note or of foreign currency received in respect of a Note that results in a recognized loss in excess of a threshold amount may be required to be reported to the IRS. U.S. Holders subject to these reporting rules that fail to timely file a required disclosure may be subject to substantial penalties. Potential investors should consult with their own tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes.

Information Reporting and Backup Withholding

Payments of interest and proceeds from the sale, redemption or other disposition of a Note may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess.

Certain rules may require individual U.S. Holders to report to the IRS information with respect to Notes not held through an account with certain financial institutions. Investors who fail to report required information could become subject to substantial penalties. Potential investors should consult their own tax advisors regarding the possible implications of these rules for their investment in Notes.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

POLISH TAXATION

The following summary outlines certain principal Polish tax law consequences resulting from investing in the Notes. It does not purport to be a comprehensive description of all potentially relevant Polish tax considerations. This summary is not tax advice; it is intended as general information only, and each prospective investor should consult a professional tax advisor with respect to the tax consequences of an investment in the Notes.

This summary has been prepared on the basis of the tax legislation, published case law, treaties, regulations, and published official interpretations of Polish tax law in force as at the date of this offering memorandum, and does not take into account any developments or amendments thereto after that date, whether or not such developments or amendments operate retroactively.

In the following paragraphs, 'interest' and other terms are to be understood within the meaning of Polish tax law.

Income Tax

Taxation of non-Polish tax residents

Companies and individuals who are non-Polish tax residents are subject to Polish income tax only on their income earned in Poland.

As the Notes are being issued by a non-Polish entity outside the territory of Poland, as a general rule, payments of principal, interest and other revenue with respect to the Notes to non-Polish residents should not be subject to Polish income tax regulations. However, payments made by a Polish entity in its capacity as a Guarantor may be subject to the Polish withholding tax.

Generally, Polish withholding tax of 20% may apply to payments made by the Polish Guarantor to non-residents of Poland, if these payments are classified by the tax authorities as "revenues resulting from guarantee or suretyship" referred to in Polish tax regulations. To the extent these payments are classified by the tax authorities as interest, 19% (in case of non-resident individuals) or 20% (in case of non-resident corporate income tax payers) withholding tax may apply. However, the standard withholding tax rate may be reduced by an appropriate double taxation treaty to which Poland is a party. It cannot be excluded that the Polish tax authorities could regard any payment made by the Guarantor as subject to withholding tax, however, under almost all of the double tax treaties concluded by Poland, the portion of the payment that does not correspond to interest should be exempt from withholding tax.
The benefit of a preferential rate of withholding tax, or exemption from withholding tax, provided pursuant to double taxation treaties, is obtainable only upon the acquisition by the Guarantor of a valid certificate of tax residency issued to the recipient (being the beneficial owner) of payments. Such certificate should be issued by the competent tax authority of the country in which such recipient (being the beneficial owner) is a tax resident. Unless stated otherwise in the certificate of tax residency, it is valid for twelve consecutive months from its date of issue. Furthermore, according to the Polish regulations the benefit of the preferential rate of withholding tax, or exemption from withholding tax, pursuant to relevant double taxation treaties is obtainable subject to the existence of the provisions on the exchange of the information between the tax authorities under the provisions of the mentioned double taxation treaties or other treaties to which Poland is a party.

The Polish tax regulations, subject to various conditions, provides also for specific tax exemption on the payments of interest to the foreign investment and pension funds as defined in the mentioned regulations.

It is advisable that any payment by the Polish Guarantor be preceded by a thorough analysis of the applicable law and the respective double taxation treaty with the country in which the recipient of guarantee payments has its residence.

Moreover, with respect to the interest payments, the relevant provisions of the EU Savings Directive may apply.

Gains from the sale of Notes by holders of Notes who are non-Polish tax residents should not be subject to Polish income tax. However, in the view of the Polish Finance Ministry, income earned from a sale of securities constitutes income from a Polish source if the securities are sold on the Polish stock exchange. Consequently, the income from sale of Notes should not be treated as income from a Polish source if the sale was not made on the Polish stock exchange.

Income earned by a non-Polish tax resident through a permanent establishment in Poland, as a rule, will be taxed in the same way as income of a Polish tax resident.

Taxation of Polish tax residents

Polish tax residents (corporate income taxpayers and individuals) are subject to Polish income tax on their worldwide income, including capital gains and interest derived from foreign instruments.

The corporate income tax rate is 19% (for both interest and capital gains).

Capital gains realised by Polish individuals on a sale of Notes are, as a general rule, subject to personal income tax at a flat rate of 19% and, if the individual holds Notes as a business asset, either subject to a 19% flat rate or progressive rates (from 18% up to 32%) depending on the taxpayer's position.

Income from interest earned by a Polish individual is, as a general rule, subject to personal income tax at a flat rate of 19% and, if the individual holds Notes as a business asset, subject to a 19% flat rate or to progressive rates (from 18% up to 32%) depending on the taxpayer's position. If the interest was paid out by a Polish qualified third party (such as a Polish bank or brokerage house), the third party is obliged to withhold that tax and pay it to the relevant tax office.

Withholding tax paid abroad on interest received by Polish residents from foreign parties may, as a rule, be credited against income tax payable on this interest in Poland (depending on the method of avoiding double taxation treaty and domestic tax law). The amount of deduction cannot, however, exceed that part of the tax assessed before deduction and corresponding proportionally to the income earned in the foreign country.

Civil law transaction tax

Civil law transaction tax at the rate of 1% applies to a sale or exchange of property rights, including Notes, provided that the right attached to the security is exercisable in Poland, or that the right is exercisable outside of Poland but the civil law transaction was concluded in Poland and the purchaser has its registered office or place of residence in Poland. Although there are no clear regulations where property rights are exercisable, under the current practice it appears that sale of Notes should not be considered as sale of property rights exercisable in Poland.

Moreover, there are certain exemptions stipulated by law. Exempt from civil law transaction tax is, *inter alia*, the sale of property rights that are financial instruments:

- to investment firms and foreign investment firms;
- effected through investment firms and foreign investment firms;
- effected as a part of organised trading; and
- effected outside organised trading by investment firms and foreign investment firms if such rights had been acquired by such firms as a part of organised trading,

within the meaning of relevant regulations of Polish Act on Trading in Financial Instruments.

Also, if the sale of Notes is subject to or exempt from VAT in one of the EU countries, such transaction would not be charged with PCC.

Donation and inheritance tax

Gift and inheritance tax is charged in the case of a donation or inheritance of property rights exercisable in Poland if, at the time of the donation or the inheritance, either the donor/decedent or donatee/heir was a Polish resident or had a permanent place of residence in Poland, and also in the case of property rights exercisable outside the territory of Poland where, at the time of the donation or inheritance, the acquirer was a Polish resident or had a permanent place of residence in Poland. The amount of such tax depends on the relationship between donor and beneficiary, and on the value of the gift. Polish tax law on donations and inheritance also provides for certain exemptions from donation and inheritance tax, in particular for close family donations/inheritance as provided in the Donation and Inheritance Tax Act.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE NOTE GUARANTEES AND SECURITY INTERESTS

EUROPEAN UNION

Pursuant to Council Regulation (EC) No. 1346/2000 on insolvency proceedings (the "EU Insolvency Regulation"), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the 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 such company has its "center of main interests" is generally a question of fact on which the courts of different EU Member States may have differing and even conflicting views.

The term "center of main interests" is not a static, but rather a fact and circumstances based concept and may hence change from time to time. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that a company has its "center of main interests" in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." In that respect, factors such as the location where board meetings are held and the location where the company conducts the majority of its business including the perception of the company's creditors of the local center of the company's business operations may all be relevant in determining where the company has its "center of main interests," with the company's "center of main interests" at the time of initiation of the relevant insolvency proceedings being not only decisive for the international jurisdiction of the courts of a certain Member State, but also for the insolvency laws applicable to these insolvency proceedings as each court would, subject to certain exemptions, apply its local insolvency laws (*lex fori concursus*).

If the center of main interests of such company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of such company under the 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. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "center of main interests" of a debtor is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" in the territory of such other Member State. The effects of those territorial proceedings are restricted to the assets of the debtor located in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such issuer or guarantor under the EU Insolvency Regulation. Irrespective of whether the insolvency proceedings are main or territorial proceedings, such proceedings will always, subject to certain exemptions, be governed by the *lex fori concursus*, *i.e.*, the local insolvency law of the court which has assumed jurisdiction for the insolvency proceedings of the debtor.

In the event that the Issuers or any provider of collateral experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings will be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuers and the collateral provided by the Issuers or any other company. The insolvency, administration and other laws of the jurisdictions in which the respective companies are organized or operate may be materially different from, or conflict with, each other and there is no assurance as to how the insolvency laws of the potentially involved jurisdictions will be applied in relation to one another.

GERMANY

Insolvency

The Issuers and certain Guarantors, are organized under the laws of Germany, have their registered offices in Germany and substantially all of their assets are located in Germany. Consequently, under Article 3 paragraph 2 of Regulation (EC) 1436/2000, absent any change in circumstances, the Issuers' and certain Guarantors' center of main interests at the time of an application for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is likely to be in Germany, and insolvency proceedings are likely to be initiated in Germany, in which case German insolvency law would govern such proceedings. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions, including, *inter alia*, in respect of priority of creditors' claims, the ability to obtain post-petition interest as well as security interests and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the notes to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany:

Under German insolvency law, there is no group insolvency concept, which generally means that, despite the economic ties between various entities within one group of companies, there will be one separate insolvency proceeding for each of the entities if and to the extent there exists an insolvency reason on the part of the relevant entity. Each of these insolvency proceedings will be legally independent from all other insolvency proceedings (if any) within the group. In particular, there is no consolidation of assets and liabilities of a group of companies in the event of insolvency and also no pooling of claims among the respective entities of a group.

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over-indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business is predominantly likely (*positive Fortführungsprognose*). If a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) or a German stock corporation (*Aktiengesellschaft*) any other company not having an individual as personally liable shareholder—such as in the case of the Issuers—gets into a situation of illiquidity and/or over-indebtedness, the management of such company and, under certain circumstances, its shareholders are obliged to file for the opening of insolvency proceedings without undue delay, however, at the latest within 3 weeks after the mandatory insolvency reason, *i.e.*, illiquidity and/or over-indebtedness, occurred. Non-compliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law. In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency reason under German law which exists if the company currently is able to service its payments obligations, but will presumably not be able to continue to do so at some point in time within a certain prognosis period. However, only the debtor, but not the creditors, is entitled (but not obliged) to file for the opening of insolvency proceedings if the debtor is likely to not be able to pay its debts as and when they fall due.

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. In addition, the court will also appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for debtor-in-possession status (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a custodian (*Sachwalter*)—with this petition not being obviously futile. Depending on the size of the debtor's business operations, the insolvency court must or may appoint a preliminary creditors' committee (*vorläufiger Gläubigerausschuss*) to form a view on the profile of the officeholder to be appointed or even to make a suggestion for a particular individual to be appointed by the court. In case the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible; *i.e.*, incompetent and/or not disinterested). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it shall comprise a representative of the secured creditors, one for the large and one for the small creditors as well as one for the employees. The duty of the preliminary insolvency administrator is, in particular, to safeguard and to preserve the debtor's assets (which includes the continuation of the business carried out by the debtor), to verify the existence of an insolvency reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. The court orders the opening (*Eröffnungsbeschluss*) of formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if there are sufficient assets to cover at least the costs of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of formal insolvency proceedings, an insolvency administrator (usually the same person who acted as preliminary insolvency administrator) is appointed by the insolvency court unless a debtor in possession status (*Eigenverwaltung*) is ordered. In the absence of a debtor-in-possession status, the right to administer the debtor's business affairs and to dispose of the assets of the debtor passes to the insolvency administrator with the insolvency creditors (*Insolvenzgläubiger*) only being entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by heads and amount of insolvency claims) has voted in favor of the proposed individual to become insolvency administrator and (ii) the proposed individual being eligible as officeholder, *i.e.*, sufficiently qualified, business-experienced and impartial. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's business. These new liabilities incurred by the insolvency administrator qualify as preferential claims against the estate (*Masseverbindlichkeiten*) which are preferred to any insolvency claim of an unsecured creditor (with the residual claim of a secured insolvency creditor remaining after realization of the available collateral (if any) also qualifying as unsecured insolvency claim).

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)), wishing to assert claims against the insolvent debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code. Therefore, secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. In this context, it should be noted that the insolvency administrator generally has the sole right to realize any moveable assets in his/the debtor's possession which are subject to preferential rights (e.g., liens over movable assets (*Mobiliarsicherungsrechte*), security transfer of title (*Sicherungsübereignung*)) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). In case the enforcement right is vested with the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add-up to 9%. of the gross enforcement proceeds plus VAT (if any), are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. With the remaining unencumbered assets of the debtor the insolvency administrator has to satisfy the creditors of the insolvency estate (*Massegläubiger*) first (including the costs of the insolvency proceedings as well as any preferred liabilities incurred by the insolvency estate after the opening of formal insolvency proceedings). Thereafter, all other claims (insolvency claims—*Insolvenzforderungen*), in particular claims of unsecured creditors, will be satisfied on a pro rata basis if and to the extent there is cash remaining in the insolvent estate (*Insolvenzmasse*) after the security interest and the preferential claims against the estate have been settled and paid in full. Hence, the proceeds resulting from the realization of the insolvency estate of the debtor may not be sufficient to satisfy unsecured creditors of the Issuers or under a guarantee granted by any German guarantor in full after the secured creditors have been satisfied. Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other non-subordinated creditors (including the unsecured insolvency claims) have been fully satisfied.

While in ordinary insolvency proceedings, the value of the debtor's assets is realized by a piecemeal sale or, as the case may be, by a bulk sale of the debtor's business as a going concern, a different approach aiming at the rehabilitation of the debtor can be taken based on an insolvency plan (*Insolvenzplan*). Such plan can be submitted by the debtor or the insolvency administrator and requires, among other things and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules and the approval of the insolvency court. If the debtor is a corporate entity, also the shares or, as the case may be, the membership rights in the debtor can be included in the insolvency plan, e.g., these can be transferred to third-parties, including a transfer to creditors based on a debt-to-equity swap. Moreover, if the debtor has filed a petition for the opening of insolvency proceedings based on an insolvency reason other than illiquidity (*i.e.*, imminent illiquidity or over-indebtedness), combined with a petition to initiate such process based on a debtor-in-possession status and can prove that a restructuring of its business is not obviously futile, the court may grant a period of up to three months to utilize up an insolvency plan for the debtor business. During this period, the creditors' rights to enforce security may—upon application of the filing debtor—be suspended. Under these circumstances, the insolvency court has to appoint a custodian (*Sachwalter*) to supervise the process. The debtor is entitled to suggest an individual to be appointed as custodian with such suggestion being binding on the insolvency court unless the suggested person is obviously not eligible to become a custodian (*i.e.*, is obviously not competent or impartial).

Under the German Insolvency Code, the insolvency administrator may avoid (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to the commencement of formal insolvency proceedings during applicable avoidance periods. Generally, if transactions, performances or other acts are successfully avoided by the insolvency administrator, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvency estate. The administrator's right to avoid transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings.

In the event of insolvency proceedings with respect to the Issuers based on and governed by the insolvency laws of Germany, the payment of any amounts to the noteholders as well as the granting of collateral for or providing credit support for the benefit of the Notes could be subject to potential challenges by an insolvency administrator under the rules of avoidance as set out in the German Insolvency Code. In case the validity or enforceability of the Notes or any collateral in favor of the Notes is avoided successfully, you may not be able to recover any amounts under the Notes or the collateral. If payments have already been made under the Notes or collateral, the insolvency administrator may require that the recipients return the payment to the insolvency estate and you would instead then only have a general unsecured claim under the Notes without preference in insolvency proceedings.

In particular, an act (*Rechtshandlung*) or a legal transaction (which term includes the granting of a guarantee, the provision of security and the payment of debt) detrimental to the creditors of the debtor may be avoided according to the German Insolvency Code in the following cases:

- any act granting a creditor security or satisfaction for a debt (*Befriedigung*) can be avoided if the act was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings, if at the time of the transaction the debtor was cash flow insolvent (*zahlungsunfähig*), which means such debtor was unable to pay its debt when due and the creditor had knowledge thereof, or (ii) after a petition for the opening of insolvency proceedings has been filed and the creditor had knowledge thereof or of the debtor being cash flow insolvent (or knowledge of circumstances which imperatively suggested such cash flow insolvency or filing);

- any act granting a creditor security or satisfaction for a debt to which such creditor had no right, no right at the respective time or no right as to the respective manner, can be avoided if the act was effected in the month prior to the filing of a petition for the opening of insolvency proceedings; if the transaction was effected in the second and third month prior to the filing, it can be avoided if at the time of the transaction (i) the debtor was cash flow insolvent, or (ii) the creditor knew that the transaction would be detrimental to the creditors of the debtor;

- any legal transaction effected by the debtor which is directly detrimental to the creditors of the debtor can be avoided if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings against the debtor, if at the time of the legal transaction the debtor was insolvent and the other party to the legal transaction had knowledge thereof or (ii) after a petition for the opening of insolvency proceedings has been filed against the debtor and the other party to the legal transaction had knowledge thereof or of the debtor being insolvent;

- if an act whereby a debtor grants security for a third party debt is regarded as having been granted gratuitously (*unentgeltlich*), such gratuitous transaction can be avoided unless it was effected earlier than four years prior to the filing of a petition for the opening of insolvency proceedings against the debtor;

- any act performed by the debtor during a period of ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after such filing can be avoided if the debtor acted with the intent to disadvantage its creditors and the beneficiary of the transaction had knowledge of such intent at the time of the transaction, with such knowledge being presumed if the beneficiary knew that the debtor is cash-flow insolvent and that the transaction disadvantaged the other creditors;

- any non-gratuitous contract concluded between the debtor and an affiliated party which directly operates to the detriment of the creditors can be avoided unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term 'affiliated party' includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;

- any act that provides security or satisfaction for a claim of a shareholder for repayment of a shareholder loan (*Gesellschafterdarlehen*) or an economically equivalent claim can be avoided (i) in the event it provided security, if the transaction was effected within the last ten years prior to the filing of a petition for opening of insolvency proceedings or thereafter or (ii) in the event it provided satisfaction, if the transaction was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter; or

- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party can be avoided if the transaction was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter and if a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

For purposes of the above, the knowledge of circumstances from which a compelling conclusion regarding the debtor's insolvency or regarding the filing of a petition for the opening of insolvency proceedings can be drawn, will be considered tantamount to the actual knowledge of the debtor's insolvency or of the filing of the petition for the opening of insolvency proceedings.

Apart from the examples of an insolvency administrator avoiding transactions according to the German Insolvency Code described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also avoid any security right or payment performed under the relevant security right according to the German Law of Avoidance (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites vary to a certain extent from the rules described above and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

Finally, the insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offence binding the debtor to pay money; (iv) claims to the debtor's gratuitous performance of a consideration and (v) claims for restitution of a loan replacing equity capital or claims resulting from legal transactions corresponding in economic terms to such a loan.

Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests

The granting of guarantees and security interests by German subsidiary guarantors is subject to certain limitations under German law.

Any guarantee and security interest granted by a German guarantor being a direct or indirect subsidiary of the Issuer incorporated in Germany in the form of a limited liability company (*Gesellschaft mit beschränkter Haftung*—"GmbH") or a limited partnership with a limited liability company as general partner (*GmbH & Co. KG*) is subject to certain provisions of the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*—"GmbHG").

As a general rule, sections 30 and 31 of the GmbHG ("Sections 30 and 31") prohibit a GmbH from disbursing its assets to its (direct or indirect) shareholders to the extent that the amount of the GmbH's, or in the case of a GmbH & Co. KG, its general partner's net assets determined in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*) is or would fall below, or increases or would increase an existing shortfall of, the amount of its registered share capital (*Begründung oder Vertiefung einer Unterbilanz*). Guarantees and any other security granted by a GmbH or by a GmbH & Co. KG in order to secure the liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to grant guarantees and security interests securing liabilities of a direct or indirect parent or a sister company without the risk of violating Sections 30 and 31 and to protect management from personal liability, it is standard market practice for credit agreements, notes, guarantees and security documents to contain so-called—limitation language—in relation to subsidiaries incorporated in Germany in the legal form of a GmbH or a GmbH & Co. KG. Pursuant to such limitation language, the enforcement of any subsidiary guarantee and security documents given by the German subsidiary incorporated as a German limited liability company (*Gesellschaft mit beschränkter Haftung*) or as a German limited partnership with a German limited liability company as general partner (*GmbH & Co. KG*) will be limited if and to the extent payments under any such subsidiary guarantee or, as the case may be, the enforcement of security documents would cause the German subsidiary Guarantor's (or, in the case of a GmbH & Co. KG, its general partner's) net assets to fall below, or increase an existing shortfall of, the amount of its registered share capital (*Begründung oder Vertiefung einer Unterbilanz*) (provided that the determination and calculation of such shortfall is subject to certain adjustments and exemptions). Accordingly, any security and guarantee provided by a (direct or indirect) subsidiary of the Issuer in the legal form of a GmbH or a GmbH & Co. KG incorporated or established in Germany will contain such limitation language in the manner described.

Furthermore, the validity and enforceability of any guarantee and security interest granted by a German guarantor being a direct or indirect subsidiary of the Issuer incorporated in Germany in the form of a stock corporation (*Aktiengesellschaft*—"AG") or of any subsidiary of the AG are subject to certain provisions of the German Stock Corporation Act (*Aktiengesetz*—"AktG").

As a general rule, section 71a of the AktG prohibits an AG such as Douglas Holding AG (and any of its subsidiaries) from making any payment, granting any loan, any security (including any guarantee) or any other benefit to any other person for the purpose of, with a view to or in support of, the (direct or indirect) acquisition of any shares in the AG. According to section 71a of the AktG any transaction or agreement providing for any such financial assistance would be held void. In addition, section 57 of the AktG prohibits an AG generally from disbursing its assets to its (direct or indirect) shareholders or to its sister companies. Therefore, in order to enable a German subsidiary incorporated as an AG or subsidiaries of an AG to grant guarantees and security interests securing liabilities of a direct or indirect parent or sister company without the risk of violating sections 57 and 71a of the AktG and to protect management from personal liability, it is standard market practice for credit agreements, notes, guarantees and security documents to contain so-called—limitation language—in relation to subsidiaries incorporated in Germany in the legal form of an AG (such as Douglas Holding AG) and any of the AG's subsidiaries. Pursuant to such limitation language, the subsidiary guarantee and security documents given by the German subsidiary incorporated as an AG or any subsidiaries of an AG do not secure any liabilities of a direct or indirect parent or sister company of the AG (or any of its subsidiaries) unless the AG is subject to a domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*) as the dominated entity (*beherrschtes Unternehmen*) with a direct or indirect shareholder or any subsidiary of such shareholder (other than the AG and the subsidiaries of the AG) as the dominating entity (*herrschendes Unternehmen*). If the AG is subject to such a domination and/or profit and loss pooling agreement as the dominated entity, payments under the subsidiary guarantee or, as the case may be, the enforcement of security documents may be limited by reference to the dominating entity's ability to compensate losses of the AG under the domination and/or profit and loss pooling agreement due to the dominating entity's solvency situation. Accordingly, any security and guarantee provided by a (direct or indirect) subsidiary of the Issuer in the legal form of an AG incorporated in Germany and any subsidiary of the AG will contain such limitation language in the manner described.

These limitations would, to the extent applicable, restrict the right of payment and would limit the claim accordingly irrespective of the granting of the subsidiary guarantee or the security interests pursuant to the security documents. In addition, subsidiary guarantees in other jurisdictions may be subject to similar limitations.

German capital maintenance and financial assistance rules and other restrictions referred to above are subject to evolving case law. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of the German subsidiary guarantors, which can negatively affect the ability of the Issuer to make payment on the Notes, of the German subsidiary guarantors to make payments on the subsidiary guarantees or of the secured parties to enforce any collateral.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding section 64 sentence 3 of the German Limited Liability Company Act (*GmbHG*) (*i.e.* a situation where a managing director makes a payment to the GmbH's shareholder which inevitably leads to the illiquidity of the GmbH) or a so-called—destructive interference (*existenzvernichtender Eingriff*) (*i.e.* a situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its payment obligations towards its creditors (or in the case of a GmbH & Co. KG, its general partner)) may be applied by courts with respect to the enforcement of a subsidiary guarantee or collateral granted by the German subsidiary guarantors or security provider. In such case, the amount of proceeds permitted or capable to be realized in an enforcement process may be (further) reduced (up to zero). According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), *inter alia*, a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the distressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of subsidiary guarantees by the German subsidiary guarantors. Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the subsidiary guarantee could moreover become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if for example the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee is close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

Accessory security interests / Parallel debt

Under German law, certain security interests such as pledges (*Pfandrechte*) are of a strict accessory nature (*akzessorisch*) and are therefore dependent on the corresponding secured claims and require the security holder and the creditor of the secured claims to be identical. Such accessory security interests (*akzessorische Sicherungsrechte*) (i) will automatically lapse to the extent a secured claim is settled, discharged or novated, (ii) may not be assigned independently, but would automatically follow the claims they secure in case the relevant secured claim is assigned, and (iii) may only be granted to the creditor of a claim to be secured by the accessory security interests. The accessory security interests will only be granted to the Security Agent. The Security Agent is however not a creditor under the Notes or the Note Guarantees, in contrast with holders of the Notes (the "Holders"), who are creditors under the Notes and the Note Guarantees. In order to allow the Holders to benefit from such accessory security interests, the accessory security interests will only secure a so-called ''parallel debt'' obligation created under the Intercreditor Agreement in favor of the Security Agent, rather than securing the Holders' claims under the Notes and the Guarantees directly. The parallel debt is in the same amount and payable at the same time as the obligations of the Senior Secured Notes Issuer, the Senior Notes Issuer and the Guarantors under the Notes and the Note Guarantees (the ''Principal Obligations''), and any payment in respect of the Principal Obligations will discharge the corresponding parallel debt, and any payment in respect of the parallel debt will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a theoretical legal claim against the Senior Secured Notes Issuer, the Senior Notes Issuer and the Guarantors for the full principal amount of the Notes and the Notes Guarantees, the legal concept of creating parallel debt obligations has not yet been tested before a German court. Therefore, the possibility cannot be ruled out that this concept will not be recognized by German courts or that the courts will eliminate or mitigate the validity or the enforceability of accessory security interests, and that the ability of the Security Agent to enforce the collateral may thus be restricted.

POLAND

One of the Guarantors is incorporated in Poland (the "Polish subsidiary guarantor") in the form of a limited liability company (*spółka z ograniczoną odpowiedzialnością*). Consequently, its obligations under the Note Guarantees and security interests are subject to limitations resulting from the application of laws on bankruptcy and insolvency, and the laws on restructuring proceedings, as set out in the Polish Bankruptcy and Restructuring Act (*Prawo Upadłościowe i Naprawcze*) of February 28, 2003 (Journal of Laws of 2012, item 1112, as amended) (the "Polish Bankruptcy and Restructuring Law").

Specifically, pursuant to Article 11 sec. 2 of the Polish Bankruptcy and Restructuring Act, a corporate entity is deemed to be insolvent if its obligations (*zobowiązania*) exceed the value of its assets (property) (*majątek*), even if it discharges those obligations on a current basis. Given certain legal controversies regarding the application of this rule, and in order to mitigate the possibility that the Polish subsidiary guarantor could be declared bankrupt under this rule, the liability of any Guarantor incorporated under Polish law on account of payments under the Note Guarantees shall be limited to the amount equivalent to the Polish subsidiary guarantor's assets.

The Note Guarantees by these companies are also subject to certain provisions of the Polish Commercial Companies Code (*Kodeks Spółek Handlowych*) of September 15, 2000 (Journal of Laws of 2013, item 1030, as amended) (the "Polish Commercial Companies Code").

In accordance with Article 189 sec. 2 of the Polish Commercial Companies Code, shareholders of a limited liability company (*spółka z ograniczoną odpowiedzialnością*) may not receive, on whatever account, payments out of a company's assets which are necessary for the initial capital to be fully paid up. Article 189 sec. 1 of the Polish Commercial Companies Code prohibits the return of capital, either full or partial, to such shareholders. In the Polish legal doctrine opinions are expressed that in certain situations payment by a company under a guarantee may constitute in fact the return of capital to a shareholder. This issue is not clearly regulated in Poland and must be analyzed on a case-by-case basis, subject to such limitations and risks.

Therefore, in order to enable Polish subsidiary guarantor to grant guarantees and security interests securing liabilities of the Issuer without the risk of violating Polish law provisions and to protect management from personal liability, it is standard market practice for credit agreements, notes, guarantees and security documents to include so-called "limitation language". Pursuant to such limitation language the obligations and liabilities of each Polish subsidiary guarantor will be limited to the extent required so that such obligations do not and cannot result in:

- a reduction of the assets required for the coverage of the total nominal capital as defined in, or a repayment of capital as prohibited under Article 189 of the Polish Commercial Companies Code; and
- insolvency as defined by Article 11 sec. 2 of the Polish Bankruptcy and Restructuring Act.

The limitations described above will not apply if one or more of the following circumstances occurs:

- an Event of Default occurred under the applicable Indenture in respect of which an acceleration notice has been delivered to the relevant Polish subsidiary guarantor by the applicable trustee under the applicable Indenture irrespective of whether such Event of Default occurs before or after the relevant Polish subsidiary guarantor becomes insolvent within the meaning of Article 11 sec. 2 of the Polish Bankruptcy and Restructuring Act;
- the liabilities of the relevant Polish subsidiary Guarantor (other than those under the applicable Indenture or in any other documents relating to the relevant Notes) result in its insolvency within the meaning of Article 11 sec. 2 of the Polish Bankruptcy and Restructuring Act; or
- Polish law is amended in a such manner that over-indebtedness defined in Art. 11 sec. 2 of the Polish Bankruptcy and Restructuring Act (as in force on the date of the applicable Indenture) no longer gives grounds for declaration of bankruptcy or obliges the representatives of the relevant Polish subsidiary guarantor to file our bankruptcy.

Finally, maximum interest rate per annum permitted pursuant to Article 359 sec. 2^{1} of the Polish Civil Code (*Kodeks cywilny*) of April 23, 1964 (Journal of Laws 2014 item 121, as amended) (the "Polish Civil Code") is equal to four times the "lombard" rate of the National Bank of Poland. Therefore, the Polish subsidiary guarantor potentially could not be held liable for interest exceeding such maximum interest rate set by the Polish Civil Code.

Insolvency Laws

If a Polish subsidiary guarantor's centre of main business activity is in Poland, then pursuant to Polish Bankruptcy and Restructuring Law and EU Insolvency Regulation, bankruptcy proceedings of the Guarantor should be conducted before a Polish court. Consequently, in the event of the insolvency of such Guarantor, insolvency proceedings would be governed by Polish law.

According to the Polish Bankruptcy and Restructuring Law, a Polish subsidiary guarantor as a debtor will be declared bankrupt: (i) if it does not fulfill its due and payable pecuniary obligations (*wymagalne zobowiązania pieniężne*); and/or (ii) if its obligations (*zobowiązania*) exceed the total value of its assets (*majątek*), even if it discharges these obligations on a current basis. Each individual who has the right to represent the Polish subsidiary guarantor (whether alone or with others) is obliged to file a motion to declare the Polish subsidiary guarantor bankrupt within two weeks from the moment when the grounds for declaration of bankruptcy above materialize. Additionally, the Polish subsidiary guarantor's creditors may file for bankruptcy of the Polish subsidiary guarantor.

There are two types of bankruptcy proceedings under Polish law: (i) "liquidation" bankruptcy, the principal aim of which is the satisfaction of the creditors' claims from the proceeds obtained after the sale of the debtor's assets (such bankruptcy proceedings would result in dissolution of the debtor's company unless otherwise permitted by law); and (ii) "arrangement" bankruptcy essentially designed for the satisfaction of the creditors through a settlement with the debtor (such bankruptcy could allow the debtor to continue its business activity also following the completion of these proceedings).

Liquidation bankruptcy proceedings

In the event of liquidation bankruptcy, the court appoints a bankruptcy receiver (*syndyk*) who takes over the management of the bankrupt's assets. From this moment on, the management of a debtor–bankrupt entity is replaced by the receiver who administers the bankrupt entity's assets and represents the bankrupt entity. The bankrupt entity's assets become bankruptcy assets which will be liquidated to pay off creditors. The receiver determines the composition of bankruptcy assets. Upon the bankruptcy declaration all of the debtor's debts become due and payable. Interest may be paid from the bankruptcy estate only for the period up to the date of the declaration of bankruptcy, unless they are secured by mortgages, pledges, registered pledges, treasury pledges and/or maritime pledges, and satisfied from the security assets' proceeds.

In liquidation bankruptcy proceedings, the claims of creditors under a Note Guarantees will be satisfied from the proceeds obtained from the sale of the Polish subsidiary guarantor' assets.

Arrangement bankruptcy proceedings

The arrangement bankruptcy proceedings are conducted with respect to the debtor, where it has been credibly established that the creditors' claims will be satisfied to the larger extent that they would be in liquidation bankruptcy proceedings.

In the event of arrangement bankruptcy proceedings, the court appoints a court supervisor (*nadzorca sądowy*) or an administrator (*zarządca*) instead of the bankruptcy receiver. A court supervisor is appointed in a situation where the debtor will continue to manage its assets, whereas an administrator is appointed where the debtor is deprived of the right to manage its assets.

If the creditors vote in favor of an arrangement, the arrangement is accepted and then approved by the court. The court's decision approving the arrangement may be appealed. The accepted arrangement is binding on (affects) all creditors, whose receivables are covered by the arrangement. Certain receivables are not covered (affected) by the arrangement. These include, inter alia: (i) receivables secured with mortgages, pledges, registered pledges, treasury pledges and/or maritime pledges, however only up to the value of the collateral (to the extent they can be satisfied from a security assets on which such security was established); a creditor whose claims are so secured may, however, consent to being subject to an arrangement, (ii) receivables under derivative or repo transactions, and (iii) receivables under employment contracts.

Rules on which the bankrupt entity's debts will be repaid are stipulated in the arrangement. The most typical arrangement involves a situation where the creditors are paid a portion of the debts and/or deferral of payments of such debts, and the company continues its operations. It is also possible, however, to accept a "liquidation arrangement" where a determination is made how the bankrupt entity's assets and the business will be liquidated.

The court may change the manner of conducting the bankruptcy proceedings from the arrangement bankruptcy proceedings into the liquidation proceedings and vice versa, if the grounds for conducting a given type of the proceedings have become known after the declaration of bankruptcy.

Once bankruptcy is declared (irrespective of its type), the bankrupt entity's assets may not be subject of security, charged with a pledge, registry pledge or treasury pledge, and no entries in land and mortgage register or other registers may be made to establish any security interests to secure the receivables incurred prior to the declaration of bankruptcy, except for the entry of mortgage if the application of such entry had been filled at least six months prior to filling the motion for bankruptcy.

Contractual provisions which explicitly stipulate the contract amendment or termination in case bankruptcy by a contract party is declared are invalid. Also, provisions of an agreement to which the bankrupt company is a party that hinder or prevent the aims of the bankruptcy proceedings from being achieved will be deemed ineffective in relation to the bankruptcy estate. These specific provisions of Polish law are deemed to be forcing their jurisdiction with respect to provisions of the kind as referred to above also over contracts that are subject to laws other than the laws of Poland, as long as said provisions of such contract would apply to an entity that is subject to bankruptcy proceedings under Polish bankruptcy law.

If court proceedings against the bankrupt entity are pending on the day of the bankruptcy declaration in any common courts, then such proceedings are in some cases discontinued. If proceedings were pending in which the bankrupt entity was the plaintiff, the receiver or the administrator replaces the bankrupt entity. If a court supervisor is appointed, he acts together with the bankrupt entity in the proceedings. If enforcement proceedings regarding the receivables included in the arrangement by operation of law (in the case of arrangement bankruptcy) and/or any receivables which may be submitted within the bankruptcy proceedings (in case of liquidation proceedings) were pending against the bankrupt entity on the day of bankruptcy declaration, they are suspended with effect from the date of the bankruptcy declaration and proceeds received are transferred to the bankruptcy estate after the decision on the declaration of bankruptcy becomes final. All the arbitration clauses expire and if arbitration proceedings were pending on the day of bankruptcy declaration, such proceedings are discontinued.

Creditors have a right to submit their claims within the time limit indicated in a decision declaring bankruptcy. Claims supported by evidence of claims are usually admitted, i.e., included in the list of liabilities. If a claim is not included in the list, then a creditor has a right to appeal. Under Polish bankruptcy law, any debt payable in a currency other than Polish złoty, if being put on the list of liabilities, must be converted into Polish zloty at the National Bank of Poland's average exchange rate prevailing on the date the bankruptcy court issues a decision on the debtor's bankruptcy (and regardless of whether the debt has fallen due or not). Accordingly, in the event of a bankruptcy of the company, holders of the Notes may be subject to exchange rate risk between the date of bankruptcy and the date of receipt of any amounts following a bankruptcy proceeding.

In case of liquidation bankruptcy, creditors under the Note Guarantees will be satisfied from the proceeds obtained from the sale of the Polish subsidiary guarantor' assets. When the repayment of receivables arising under the Note Guarantees become part of an arrangement in arrangement bankruptcy proceedings, there is a possibility that such receivables may be decreased on the basis of a decision of the creditors (such decisions would be subject to certain mandatory rules of the Polish Bankruptcy and Restructuring Law).

Order of payments

As a rule, a Polish subsidiary guarantor's receivables will be divided into five categories and creditors having their receivables in a lower-ranking category may not obtain satisfaction before all receivables in the higher ranking category have been fully satisfied. The first three categories concern principally the costs of bankruptcy proceedings and payments to the state or concerning employees (official receiver's fees, costs of liquidating the business, remuneration, health benefit payments and social security obligations concerning the employees, taxes, etc.), whereas the majority of unsecured commercial receivables are listed in the fourth category and interest from such receivables (older than one year) are listed in the fifth category. Within each category, each receivable is satisfied pro rata to the total value of receivables listed in such category.

Also, Polish law does not require a bankruptcy administrator (*zarzadca*), court supervisor (*nadzorca sadowy*) and/or a court receiver (*syndyk*) (unless otherwise specifically stated, hereinafter, bankruptcy administrator shall include each of zarzadca, nadzorca sadowy and syndyk) to give effect to intercreditor arrangements such as subordination agreements. Although the law does not preclude creditors from attempting to enforce such rights in separate proceedings based on their entitlements arising from respective contracts, such proceedings are conducted outside of and following bankruptcy proceedings. Therefore, the claims of all unsecured creditors may be paid on a pari passu basis in a bankruptcy proceeding.

Under Polish bankruptcy law, any debt payable in a currency other than Polish zloty (such as euro), if being put on the list of debts, must be converted into Polish zloty at the National Bank of Poland's average exchange rate prevailing on the date the bankruptcy court issues a decision on the debtor's bankruptcy (and regardless of whether the debt has fallen due or not). Accordingly, in the event of a bankruptcy of the company, holders of the Notes may be subject to exchange rate risk between the date of bankruptcy and the date of receipt of any amounts following a bankruptcy proceeding.

If an asset owned by the bankrupt entity (Polish subsidiary guarantor) is secured with a mortgage, pledge, registry pledge, treasury pledge or a maritime pledge, then the creditor has a right to receive proceeds from that asset before other creditors (with few exceptions such as, for instance, a certain portion of employee salaries). Where a number of mortgages have been established on a real estate which considerably exceed its value, creditors are repaid from such real estate according to their priority.

Effectiveness of the Note Guarantees

Under Polish Bankruptcy and Restructuring Law, in certain situations the Note Guarantees may be declared ineffective or deemed to be ineffective in certain situations:

- any transaction of the Polish subsidiary guarantors, including the Note Guarantee(s), if such transaction was executed within one year prior to filing of the motion to declare the Polish subsidiary guarantor bankrupt and to the extent that such transaction was a transaction at undervalue, i.e., the Polish subsidiary guarantor disposed of or encumbered their assets for no consideration or for a consideration where the value of the Polish Guarantors' performance was glaringly higher than the consideration received by the Polish subsidiary guarantor or reserved for a third party; the above restriction does not apply to security interests created before the date of the declaration of bankruptcy in connection with certain financial term contracts (*terminowe operacje finansowe*), lending financial instruments (*pożyczka* *instrumentów finansowych*) or repo contracts in securities (*sprzedaż papierów wartościowych ze zobowiazaniem do ich odkupu*), provided such financial term contracts, lending financial instruments or repo contracts satisfy certain conditions set out in the Polish Bankruptcy and Restructuring Act;

- security interests established by the Polish subsidiary guarantor or the payment by the Polish subsidiary guarantor of a debt not yet due if the security was established or the payment was made within two months prior to the filing of the motion to declare the Polish subsidiary guarantor bankrupt; however, the holder of the respective security or a recipient of payment may file a lawsuit or plea seeking the assertion of effectiveness of the respective security or the payment, if at the time of execution of the transaction that holder or recipient was not aware of the existing grounds for declaring the Polish subsidiary guarantor's bankruptcy; the above restriction does not apply to security interests created before the date of the declaration of bankruptcy in connection with certain financial term contracts (*terminowe operacje finansowe*), lending financial instruments (*pożyczka instrumentów finansowych*) or repo contracts in securities (*sprzedaż papierów wartościowych ze zobowiazaniem do ich odkupu*), provided such financial term contracts, lending financial instruments or repo contracts satisfy certain conditions set out in the Polish Bankruptcy and Restructuring Act; and
- any transactions if entered into within six months prior to the filing of the motion to declare the Polish subsidiary guarantor bankrupt and to the extent they were entered into with entities related to the Polish subsidiary guarantor: (i) the Polish subsidiary guarantor's shareholders, their representatives and/or relatives; or (ii) affiliated companies, their shareholders, and/or representatives or relatives of such shareholders; and/or (iii) the Polish subsidiary guarantor's subsidiary or holding companies.

Further, the judge commissioner may, under a motion from the bankruptcy estate administrator declare any encumbrances (security interest) established over the assets of the Polish subsidiary guarantor (such as mortgages, pledges, registered pledges, etc.) ineffective towards the bankruptcy estate, to the extent that the Polish subsidiary guarantor was not the personal (direct) obligor with respect to the underlying debt and if the encumbrance was established within one year prior to the filing of the motion to declare the Polish subsidiary guarantor bankrupt and the Polish subsidiary guarantor received no consideration or the consideration received was glaringly low compared to the value of the encumbrance. However, irrespective of the value of the consideration received, the judge commissioner will decide that the security interests established over the assets of the bankrupt entity are ineffective for the bankruptcy estate if they secure obligations of an entity related to the bankrupt entity: (i) the Polish subsidiary guarantor's shareholders, their representatives and/or relatives; or (ii) affiliated companies, their shareholders, and/or representatives or relatives of such shareholders, and/or (iii) the Polish subsidiary guarantor's subsidiary or holding companies.

Under the Polish Civil Code, a creditor (or, if the debtor is declared bankrupt, the relevant bankruptcy officer) may request that the relevant Polish court declare a given legal act (e.g., the granting of a Note Guarantees) ineffective towards such creditor, and the court will do so if it finds that granting a Note Guarantees constituted a transaction effected by a debtor to the detriment of its creditors (i.e., where the debtor became insolvent or became insolvent to a greater extent as a result of the transaction) while a third party has gained a benefit, and provided that (i) the debtor consciously acted to the creditors' detriment, and (ii) the third party knew or, had it acted with due diligence, could have known that the debtor was acting to the detriment of its other creditors (and the third party's knowledge that the debtor consciously acted to the creditors' detriment is presumed if the entrepreneur who received the benefit as a result of the transaction with the debtor remained in a permanent economic relationship with such debtor) or gave no consideration for the benefit obtained in such transaction.

In addition, if a Polish subsidiary guarantor's entering into a given agreement made it wholly or partially impossible to satisfy a third party's claim, such third party may request that the court declare such an agreement ineffective towards that party, provided the Polish subsidiary guarantor and the other party to the agreement knew of the third party's claim or if the agreement was for no consideration.

Furthermore, if a Polish subsidiary guarantor is declared a subject of liquidation bankruptcy proceedings, its debts arising under the Note Guarantees will become immediately due and payable.

The new restructuring law will come into force on January 1, 2016. The act will replace the provisions of the Polish Bankruptcy and Restructuring law with respect to restructuring proceedings, while amending the provisions of the act in force relating to insolvency proceedings.

The act will change the classification of bankruptcy and restructuring proceedings. In particular, "liquidation" bankruptcy will become just pure bankruptcy proceedings whereas current "arrangement" bankruptcy will become one of four restructuring proceedings. Restructuring proceedings will be available both to insolvent entities and those that are endangered with insolvency. Restructuring of a debtor's business through settlement with creditors will be the key aim of the new law, while liquidation bankruptcy will be treated more as an option if restructuring is not possible.

Some key specific amendments provided by the new act include:

a) relaxation of the insolvency conditions—in particular future liabilities and liabilities under conditions precedent will not be taken into account for the purposes of the insolvency test and a corporate entity will become insolvent when the over-indebtedness continues for twenty four months;

b) extension of prohibition on charging the bankrupt's assets—once bankruptcy is declared, the bankrupt entity's assets may not be charged with a compulsory mortgage or a treasury pledge, even for securing the receivables incurred after the declaration of bankruptcy;

c) invalidity of contractual provisions which explicitly stipulate the contract's amendment or termination in the event of filing for or declaration of bankruptcy of a party to the contract;

d) change of clawback provisions, providing in particular that: (i) a security granted within six months (instead of two months which currently applies) before the filing of the motion for declaration of bankruptcy to secure a debt which is not due (*dług niewymagalny*) will be deemed ineffective; however, the creditor may bring an action or charge in order to seek the recognition of the security as effective if at the time when the same was granted the creditor was unaware of the existence of grounds for declaration of bankruptcy of the grantor of the security; (ii) transfer of future receivables which arise after declaration of bankruptcy will be ineffective unless a transfer agreement is concluded in writing, with the date of conclusion officially confirmed (*data pewna*) and not later than six months before filing for bankruptcy; (iii) contractual penalties in the event of non-performance or improper performance of an obligation stipulated in contracts concluded before declaration of bankruptcy may be declared ineffective if a large part of the obligation was already performed by the bankrupt or if the amount of the contractual penalty is grossly exaggerated.

e) Change to categories for satisfying creditors of receivables in liquidation bankruptcy. In particular, tax receivables will cease to be privileged and will be ranked in second category together with unsecured commercial receivables.

Application of Foreign Law

If any obligation is to be performed in a jurisdiction outside the Republic of Poland, it might not be enforceable in the Republic of Poland to the extent that such performance would be illegal or contrary to public policy under the laws of the other jurisdiction and a Polish court may take into account the law of the place of performance when evaluating the manner of performance and the steps to be taken in the event of defective performance.

No law of any other jurisdiction will apply in the Republic of Poland if its application would have an effect that is contrary to the basic principles of public order in the Republic of Poland (principles of social co-existence).

THE NETHERLANDS

Insolvency

Three of the Guarantors are incorporated under the laws of the Netherlands. In the event of insolvency of a Dutch company or a provider of security interests having its center of main interests in the Netherlands (each a "Dutch Provider"), any insolvency proceedings relating to the Dutch Provider would likely be based on Dutch insolvency law. Under certain circumstances, bankruptcy proceedings may also be opened in the Netherlands in accordance with Dutch law against companies that are not established under Dutch law provided that such company has an establishment in the Netherlands.

The following is a brief description of certain aspects of Dutch insolvency law.

There are two primary insolvency regimes under Dutch law: the first, moratorium of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act. A general description of the principles of both insolvency regimes is set out below.

An application for a moratorium of payments can only be made by the debtor itself. Once the request for a moratorium of payments is filed, a court will immediately (*dadelijk*) grant a provisional moratorium and appoint an administrator (*bewindvoerder*) and often also a supervisor judge (*rechter-commissaris*). A meeting of creditors is required to decide on the definitive moratorium. If a draft composition (*ontwerp akkoord*) is filed simultaneously with the application for moratorium of payments, a court can order that the composition will be processed before a decision about a definitive moratorium. If the composition is accepted and subsequently confirmed by a court (*gehomologeerd*), the provisional moratorium ends as soon as a court's decision becomes final. The definitive moratorium will generally be granted unless a qualified minority (more than one-quarter in amount of claims held by creditors represented at the creditors' meeting or more than one-third in number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. The moratorium of payments is only effective with regard to unsecured non-preferential creditors. Under Dutch law, secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the company in a moratorium of payments to satisfy their claims as if there were no moratorium of payments. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. However, a court may order a "cooling down period" for a maximum period of four months during which enforcement actions by secured or preferential creditors are barred. Also in a definitive moratorium of payments, a composition (*akkoord*) may be offered to creditors. A composition will generally be binding on all unsecured and non-preferential creditors if it is (i) approved by a simple majority of the meeting of the recognized and of the admitted creditors representing at least 50% of the amount of the recognized and of the admitted claims, and (ii) subsequently ratified (*gehomologeerd*) by a court. Under certain conditions, a court or judge commissioner (*rechter-commissaris*) (as the case may be) may derogate from this procedure. Consequently, Dutch insolvency laws could preclude or inhibit the ability of the Holders to effect a restructuring. Interest payments that fall due after the date on which a moratorium of payments is granted cannot be claimed in a composition.

Under Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors in accordance with the respective rank and priority of their claims. The general principle of Dutch bankruptcy law is the so-called *paritas creditorum* (principle of equal treatment) which means that all creditors have an equal right to payment and that the proceeds of bankruptcy proceedings shall be distributed in proportion to the size of their claims. However, certain preferred creditors (such as the tax and social security authorities) will have special rights that take priority over the rights of other creditors. The claim of a creditor may be limited depending on the date the claim becomes due and payable in accordance with its terms. Generally, claims of the noteholders that are due and payable by their terms within one year of the date of the bankruptcy of the relevant guarantor or security grantor will be accelerated and become due and payable as of that date. Each of these claims will have to be submitted to the bankruptcy to be verified. "Verification" under Dutch law means that the bankruptcy trustee determines the value of the claim and whether and to what extent it will be admitted in the bankruptcy proceedings to the purpose of the distribution of the proceeds. The valuation of claims that would not have been payable within one year from the date of the bankruptcy may be based on a net present value analysis. Interest payments that fall due after the date of the bankruptcy cannot be verified. The existence, value and ranking of any claims submitted by the noteholders may be challenged in the Dutch bankruptcy proceedings. Generally, in a creditors' meeting (*verificatie vergadering*), the receiver, the insolvent debtor and all provisionally verified creditors may dispute the verification of claims of other creditors. Creditors whose claims or value thereof are disputed in the creditors meeting may be referred to separate court proceedings (*renvooi procedure*). Such renvooi procedures could also cause payments to the Holders to be delayed compared with holders of undisputed claims. As a moratorium of payments proceedings, in a bankruptcy a composition may be offered to creditors, which shall in general be binding on unsecured non-preferential creditors if (i) it is approved by a simple majority of the meeting of unsecured non-preferential creditors, with admitted and provisionally admitted claims representing at least 50% of the total amount of the admitted and provisionally admitted unsecured non preferential claims, and (ii) subsequently ratified (*gehomologeerd*) by the court. Under certain conditions, the supervisory judge (*rechter- commissaris*) may derogate from this procedure. The Dutch Bankruptcy Act does not in itself recognize the concept of classes of creditors. Remaining amounts, if any, after satisfaction of the secured and the preferential creditors are distributed among the unsecured non-preferential creditors, who will be satisfied on a *pro rata* basis. Contractual subordination may to a certain extent be given effect in Dutch insolvency proceedings. The actual effect depends largely on the way such subordination is construed.

Secured creditors which have a right *in rem* (*goederenrechtelijke rechten*) may enforce their rights against assets of the debtor to satisfy their claims under a Dutch bankruptcy as if there is no bankruptcy. As in moratorium of payments proceedings, the court may order a "cooling down period" for a maximum of four months during which enforcement actions by secured creditors are barred unless such creditors have obtained leave for enforcement from the supervisory judge. The bankruptcy trustee may force a secured creditor to realize its security right by giving the creditor notice to do so within a reasonable time. A failure to take recourse by the creditor will result in the creditor forfeiting its rights to enforce its security rights, albeit that its claim shall continue to be preferred. However, in such an event the creditor must contribute to costs of the bankruptcy which may be considerable. Any excess proceeds of enforcement and for which there is no valid security right must be returned to the bankruptcy estate and may not be off set to any unsecured claims against the debtor.

Moreover, to the extent that Dutch law applies, a legal act performed by a debtor (including, without limitation, the provision of security or an agreement pursuant to which it guarantees the performance of the obligations of a third party and any other legal act having a similar effect) can be challenged in an insolvency proceeding or otherwise and may be nullified by any of its creditors or its bankruptcy trustee, if (i) it performed such acts without an obligation to do so (*onverplicht*), (ii) generally the creditor concerned or, in the case of its bankruptcy, any creditor was prejudiced as a consequence of the act, and (iii) at the time the act was performed both it and (unless the act was for no consideration (*om niet*)) the party with or towards which it acted, knew or should have known that one or more of its creditors (existing or future) would be prejudiced. In addition, in the case of such a bankruptcy, the bankruptcy trustee may nullify the debtor's performance of any due and payable obligation (including (without limitation) an obligation to provide security for any of its or a third party's obligations) if (i) the payee (*hij die betaling ontving*) knew that a request for bankruptcy had been filed at the moment of payment, or (ii) the performance of the obligation was the result of a consultation between the debtor and the payee with a view to give preference to the latter over the debtor's other creditors.

Under Dutch law, as soon as a debtor is declared bankrupt, all pending executions of judgments against such debtor, as well as all attachments on the debtor's assets, will be terminated by operation of law. Simultaneously with the opening of the bankruptcy, a Dutch receiver will be appointed. The proceeds resulting from the liquidation of the bankrupt estate may not be sufficient to satisfy unsecured creditors under the guarantees granted by a bankrupt guarantor after the secured and the preferential creditors have been satisfied. Litigation pending on the date of the bankruptcy order is automatically stayed. Foreign creditors are, in general, not treated different from creditors that are incorporated or residing in the Netherlands.

Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests

If a Dutch company grants a guarantee or a security interest and that guarantee or security interest is not in the Company's corporate interest, the guarantee or security interest may be nullified by the Dutch company, its receiver in bankruptcy and its administrator (*bewindvoerder*) in conjunction with the board of the Dutch company and, as a consequence, not be valid, binding and enforceable against it. In determining whether the granting of such guarantee or security interest is in the interest of the relevant company, the Dutch Courts would not only consider the text of the objects clause in the articles of association of the company but all relevant circumstances including whether the company derives certain commercial benefits from the transaction in respect of which the guarantee or security interest was granted. In addition, if it is determined that there are no, or insufficient, commercial benefits from the transactions for the company that grants the guarantee or security interest, then such company (and its bankruptcy receiver) may contest the enforcement of the guarantee or security interest, and it is possible that such challenge would be successful. Such benefit may, according to Dutch case law, consist of an indirect benefit derived by the company as a consequence of the interdependence of such company with the group of companies to which it belongs. In addition, it is relevant whether, as a consequence of the granting of the guarantee or security interest, the continuity of such company would foreseeable be endangered by the granting of such guarantee or security interest. It remains possible that even if such strong financial and commercial interdependence exists, the transaction may be declared void if it appears that the granting of the guarantee or security interest cannot serve the realization of the relevant company's objects.

Pursuant to Dutch law, payment under a guarantee or a security document may be withheld under the doctrines of reasonableness and fairness (*redelijkheid en billijkheid*), force majeure (*niet toerekenbare tekortkoming*) and unforeseen circumstances (*onvoorziene omstandigheden*) and other defenses afforded by Netherlands law to obligors generally. Other general defenses include claims that a guarantee or security interest should be avoided because it was entered into through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or error (*dwaling*); furthermore, under Netherlands law, a party to an agreement may under certain circumstances suspend performance of its obligations under such agreement pursuant to the exception non-adimpleti contractus or otherwise.

Under Dutch rules on financial assistance, a company may not grant guarantees or collateral with a view to the acquisition of its shares by a third party. This prohibition also applies to any subsidiaries of the relevant company (including foreign subsidiaries). It is generally assumed that a guarantee or collateral which violates Dutch financial assistance rules prohibitions is null and void. More specifically, if a guarantee or collateral partly violates financial assistance prohibitions, the guarantee or collateral will be void for that part. In addition, there is a risk that the void part will contaminate the remainder of the guarantee or collateral so that, from a Dutch law perspective, the guarantee or collateral is void in its entirety. In order to enable Dutch subsidiaries to grant guarantees or other collateral to secure liabilities of a direct or indirect parent or sister company without the risk of violating Dutch rules on financial assistance, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so called "limitation language" in relation to subsidiaries incorporated or established in the Netherlands. Pursuant to such limitation language, it is agreed between the relevant parties that such guarantee or collateral is deemed not to be given to the extent the same would constitute a violation of the Dutch rules on financial assistance. Such limitation language will also be included in the guarantee and security documents granted by any Dutch Provider. Legislation which abolishes the financial assistance prohibition came into force on October 1, 2012. There is no transitional law included in the new legislation and therefore the financial assistance prohibition for private companies with limited liability (*besloten vennootschappen met beperkte aansprakelijkheid*) has ceased to exist as per October 1, 2012. To the extent any agreement, articles of association, security documents or any other document refer to "*Section 2:207c Dutch Civil Code"* only or do not contain any reference to financial assistance, the prohibition has ceased as per October 1, 2012. However, to the extent any agreement, articles of association, security documents or any other document has reflected in it the literal text of Section 2:207c Dutch Civil Code or similar provision, such provision will continue to apply as a contractual matter between parties regardless the abolishment of the financial assistance itself.

Pursuant to Dutch law it is uncertain as to whether security interests can be granted to a party other than the creditor of the claim purported to be secured by such security interests. For that reason, the security documents pursuant to which a security interest will be granted in the assets of the Dutch subsidiaries use a parallel debt structure, whereby the Dutch subsidiaries, as separate and independent obligations, undertake to pay to the Security Agent on behalf of the holders of the Notes offered hereby amounts equal to the amounts due by it to the other creditors. Such parallel debt structure therefore creates a separate and independent claim of the Security Agent on behalf of the holders of the Notes offered hereby which can be secured by a security interest. Consequently, the security interests are granted to the Security Agent on behalf of the holders of the Notes offered hereby in its own capacity as creditor acting in its own name pursuant to the parallel debt, and not as a representative (*vertegenwoordiger*) of the creditors. It is expressly agreed in such a parallel debt provision that the obligations of the debtor to the Security Agent on behalf of the holders of the Notes offered hereby shall be decreased to the extent that the corresponding principal obligations to the creditors are reduced (and vice versa). However, such a parallel debt structure has never been tested before a Dutch court and we cannot assure that it will mitigate or eliminate the risk of unenforceability posed by Dutch law.

Under Dutch law, receipt of any payment made by the any Dutch Guarantor under a guarantee or security interest may be adversely affected by specific or general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such guarantee or security interest. The validity and enforceability of a guarantee of, or a security interest granted by or in, any Dutch Guarantors may also be successfully contested by the any Dutch Guarantors (or their receiver in bankruptcy) on the basis of an ultra vires claim. The validity and enforceability of the obligations of our Dutch subsidiaries under a guarantee or security interest may also be successfully contested by any creditor, or by the subsidiaries' respective receiver in bankruptcy when the subsidiary is in bankruptcy proceedings, if such obligation is prejudicial to the interests of any other creditor and the other requirements for voidable preference under the Netherlands Civil Code and Netherlands Bankruptcy Act are met. As a result, the value of the guarantee and security interests provided by the Dutch Guarantors may be limited.

Pursuant to Article 2:7 of the Netherlands Civil Code (*Burgerlijk Wetboek*), any transaction entered into by a legal entity may be nullified by the legal entity itself or its receiver in bankruptcy (*curator*) if the objects of that entity were transgressed by the transaction and the other party to the transaction knew or should have known this without independent investigation (*wist of zonder eigen onderzoek moest weten*). The Netherlands Supreme Court (*Hoge Raad der Nederlanden*) has ruled that in determining whether the objects of a legal entity are transgressed, not only the description of the objects in that legal entity's articles of association (*statuten*) is decisive, but all (relevant) circumstances must be taken into account, in particular whether the transaction is in the company's corporate interests (*vennootschappelijk belang*) and to its benefit; and whether the subsistence of the company is jeopardized by the transaction.

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

If a court were to find that the issuance of the Notes or a Guarantee, or the granting of the security, was a fraudulent preference or conveyance or unenforceable for any other reason, the court could hold that the payment obligations under such Guarantee or Security Document are ineffective, could void the security over the collateral, or could require the holders of the Notes to repay any amounts received with respect to the Notes or such Guarantee or any enforcement proceeds received from enforcement of the security. In the event of a finding that a fraudulent preference or conveyance occurred, you may cease to have any claim in respect of the relevant Guarantor or security provider and would be a creditor solely of the Issuer, any other Guarantor or security provider, if applicable, under any Note Guarantees or Security Documents that have not been declared void.

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes have not been and will not be registered under the Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and to non-U.S. persons in offshore transactions in reliance on Regulation S.

We have not registered and will not register the Notes under the Securities Act and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Issuers are offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to "qualified institutional buyers," commonly referred to as "QIBs" as defined in Rule 144A in compliance with Rule 144A; and

- to non-U.S. persons outside the United States in accordance with Regulation S.

We use the terms "offshore transaction," "U.S. person" and "United States" with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuers and the Initial Purchaser as follows:

(1) You understand and acknowledge that the Notes and the Note Guarantees have not been registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not our "affiliate" (as defined in Rule 144A) or acting on our behalf and you are either:

(a) a QIB, within the meaning of Rule 144A and are aware that any sale of these Notes to you will be made in reliance on Rule 144A, and such acquisition will be for your own account or for the account of another QIB; or

(b) you are a non-U.S. person and are purchasing the Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that none of the Issuers, the Guarantors, or the Initial Purchasers, nor any person representing any of them, has made any representation to you with respect to us or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Issuers, and not the Initial Purchasers, have ultimate authority over the statements contained in this offering memorandum, including the content of those statements and whether and how to communicate them. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or

any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

(5) You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "Resale Restriction Termination Date") that is one year (in the case of 144A Global Notes) after the latest of the closing date, the closing date of the issuance of any additional Notes and the last date on which the Issuer or any of its affiliates was the owner of the Notes or any predecessor of the Notes or 40 days (in the case of Regulation S Global Notes) after the later of the closing date and the date on which the Notes are first offered to persons other than distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S, only (i) to the Issuer, the Guarantors or any subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) pursuant to offers and sales to non-U.S. persons that occur outside the United States in compliance with Regulation S or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clauses (iv) and (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATEST OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), OR IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S, ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT

OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

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.

(6) 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.

(7) You acknowledge that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

(8) You acknowledge that the Trustee will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth therein have been complied with.

(9) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, you shall promptly notify the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(10) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."

ERISA Considerations

Any purchaser, including, without limitation, any fiduciary purchasing on behalf of (i) (a) an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) subject to the provisions of part 4 of subtitle B of Title I of ERISA, (b) a plan to which Section 4975 of the Code applies, or (c) an entity whose underlying assets include "plan assets" by reason of any such employee benefit plan or plan's investment in such entity (each, a "Benefit Plan Investor"), or (ii) a governmental, church or non-U.S. plan which is subject to any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code ("Similar Laws"), transferee, or holder of the Notes will be deemed to have represented, in its corporate and fiduciary capacity, that:

(a) With respect to the acquisition, holding and disposition of Notes, or any interest therein, (1) either (A) it is not, and it is not acting on behalf of (and for so long as it holds such Notes or any interest therein will not be, and will not be acting on behalf of), a Benefit Plan Investor, or a governmental, church or non-U.S. plan which is subject to Similar Laws, and no part of the assets used or to be used by it to acquire or hold such Notes or any interest therein constitutes the assets of any such Benefit Plan Investor or governmental, church or non-U.S. plan which is subject to Similar Laws, or (B)(i) its acquisition, holding and disposition of such Notes or any interest therein does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws); and (ii) none of the Issuer, the Guarantors, the Initial Purchasers, Trustee or any of their respective affiliates, is a sponsor of, or a fiduciary (within the meaning of Section 3(21) of ERISA or, with respect to a governmental, church or non-U.S. plan, any definition of "fiduciary" under Similar Laws) with respect to, the acquirer, transferee or holder in connection with any acquisition or holding of such Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with such Notes, and no advice provided by the Issuer or any of their affiliates has formed a primary basis for any investment or other decision by or on behalf of the acquirer or holder in connection with such Notes and the transactions contemplated with respect to such Notes; and (2) it will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed (or if required by the applicable indenture, certified) to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes or any interest therein.

(b) The acquirer and any fiduciary causing it to acquire an interest in any Notes agrees to indemnify and hold harmless the relevant Issuer, the Guarantors, the Initial Purchasers, the relevant Trustee, and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.

(c) Any purported acquisition or transfer of any Note or beneficial interest therein to an acquirer or transferee that does not comply with the requirements of the above provisions shall be null and void *ab initio*.

PLAN OF DISTRIBUTION

The Senior Secured Notes Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Senior Secured Notes Issuer, the entire principal amount of the Senior Secured Notes as set forth in the table below. In addition, the Senior Notes Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Senior Notes Issuer, the entire principal amount of the Senior Notes as set forth in the table below. Each of the sales will be made pursuant to a purchase agreement among the Senior Secured Notes Issuer, the Senior Notes Issuer and the Initial Purchasers to be dated the date of the final offering memorandum (the "Purchase Agreement").

Initial Purchasers	Principal Amount of:	
	Senior Secured Notes	Senior Notes
	(in €)	
Deutsche Bank AG, London Branch	85,500,000	95,475,000
Goldman Sachs International	60,000,000	67,000,000
J.P. Morgan Securities plc	60,000,000	67,000,000
UniCredit Bank AG	70,500,000	78,725,000
Bayerische Landesbank	6,000,000	6,700,000
CM-CIC Securities SA	6,000,000	6,700,000
Commerzbank Aktiengesellschaft	6,000,000	6,700,000
Landesbank Baden-Württemberg	6,000,000	6,700,000
Total	**300,000,000**	**335,000,000**

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Senior Secured Notes and the Senior Notes from the Senior Secured Notes Issuer and the Senior Notes Issuer, respectively, are several and not joint. The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions of counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased to a certain extent or the offering may be terminated.

The Initial Purchasers initially propose to offer the Notes for resale at the respective issue prices that appear on the cover of this offering memorandum. After the initial Offering, the prices at which the Notes are offered and other selling terms of the Notes may be varied by the Initial Purchasers from time to time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates, including in respect of sales into the United States. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to prospective investors and to reject orders in whole or in part.

Certain of the CVC Funds may place a purchase order for and may be allocated Senior Secured Notes and Senior Notes at a purchase price per Note equal to the issue prices set forth on the cover page of this offering memorandum, subject to a rebate of the Initial Purchasers' discount in respect of the Notes purchased by the CVC Funds upon release of the applicable proceeds from the relevant Escrow Accounts at the Completion Date.

The Purchase Agreement provides that the Issuers and the Guarantors will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuers and the Guarantors have agreed to provide the Initial Purchasers certain customary fees or discounts for their services in connection with the Offering and to reimburse them for certain out of pocket expenses. The Issuers and the Guarantors 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 Issuers, the Guarantors providing the Senior Notes Issue Date Guarantees and the Senior Secured Notes Issue Date Guarantees and (as of the Completion Date) the Guarantors providing the Senior Note Guarantees and the Senior Secured Note Guarantees or any of their subsidiaries that are substantially similar to the Notes during the period from the date of the Purchase Agreement through and including the date falling 60 days after the closing of the Offerings without the prior written consent of Deutsche Bank AG, London Branch as representative for the Initial Purchasers.

The Notes and the Note Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act. Terms used in this paragraph have the meanings given to them by Rule 144A and Regulation S. Resales of the Notes are restricted as described under "*Notice to Investors.*"

Certain of the Initial Purchasers are not U.S. registered broker-dealers and, therefore, to the extent that they intend to effect any sales of the Notes in the United States, will do so through one or more U.S. registered broker-dealers as permitted by the Regulations of the Financial Industry Regulatory Authority.

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuers or any Guarantor; and

- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this offering memorandum and resale of the Notes. See "*Notice to Investors.*"

The Senior Secured Notes Issuer, the Senior Notes Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. The Issuers have applied, through their listing agent, to list the Notes on the Official List of the Irish Stock Exchange and trade the Notes on the Global Exchange Market, however, the Issuers cannot assure you that such listing will be maintained.

The Initial Purchasers have advised that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.*"

We expect that delivery of the Notes will be made against payment on the Notes on or about July 10, 2015, which will be nine business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T + 9"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or the following five business days will be required by virtue of the fact that the Notes will initially settle in T + 9, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the 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, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over-allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk factors—Risks related to the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.*"

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the offering of the Notes is made and, if commenced, may be discontinued at any time at the sole discretion of the Stabilizing Manager. If these activities are commenced, they must end no later than the earlier of 30 days after the date of issuance of the Notes and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Initial Purchasers and/or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and/or commercial banking services to us and/or our affiliates (or former affiliates) in the ordinary course of business, for which they have received or may receive customary fees, commissions and reimbursement of expenses. The Initial Purchasers and/or their affiliates may also receive allocations of the Notes. In addition, the Initial Purchasers or their respective affiliates are lenders under our Senior Secured Credit Facilities and have provided certain debt financing commitments to provide financing for the Acquisition in the event the Offerings are not consummated, and will receive customary fees and commissions for their services in such capacities and reimbursement expenses. Deutsche Bank AG, London Branch will also act as Security Agent for the Senior Secured Notes, the Senior Notes, the Senior Secured Credit Facilities and the Intercreditor Agreement. Deutsche Bank AG, London Branch is acting as agent under the Senior Secured Credit Facilities. Deutsche Bank AG, London Branch and UniCredit Bank AG or their respective affiliates are also advising CVC in connection with the Acquisition. J.P. Morgan Limited and Goldman Sachs International acted as financial advisors to Advent International in relation to the sale of Douglas to CVC. The Initial Purchasers and/or their affiliates may also enter into hedging arrangements with us in connection with the Transactions.

In the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of ours or our affiliates. If the Initial Purchasers or their affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, which may include the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Initial Purchasers and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuers are incorporated under the laws of Germany. None of the directors, officers and other executives of the Issuers and the subsidiary guarantors are residents nor citizens of the United States. Furthermore, all of the assets of the Issuers and all of the assets of the subsidiary guarantors and the assets of their respective directors, officers and executive officers are located outside of the United States. As a result, although we have appointed an agent for service of process under the Indentures governing the Notes, it may be difficult for you to serve process on those persons or us in the United States or to enforce judgments obtained in U.S. courts against them or us based on civil liability provisions of the securities laws of the United States.

Germany

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on the state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. courts. The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of the U.S. judgment by a German court is conditional upon a number of factors, including the following:

- the judgment being final under U.S. law;
- the U.S. court having had jurisdiction over the original proceeding under German law;
- the defendant having had the chance to defend herself or himself against an unduly or untimely served complaint;
- the judgment of the U.S. court being consistent with the judgment of a German court or a recognized judgment of a foreign court handed down before the judgment of the U.S. court;
- the judgment of the U.S. court being consistent with the procedure of a matter pending before a German court, provided that such matter was pending before a German court before the U.S. court entered its judgment;
- the enforcement of the judgment by the U.S. court being compatible with German public policy, including the fundamental principles of German law, and in particular the civil liberties (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*); and
- generally, the guarantee of reciprocity.

Subject to the foregoing, purchasers of securities may be able to enforce judgments in civil and commercial matters obtained from U.S. courts in Germany. We cannot, however, assure you that attempts to enforce judgments in Germany will be successful.

It is doubtful whether a German court would impose civil liability if proceedings were commenced in Germany based solely upon U.S. federal or state securities laws. German courts also usually deny the recognition and enforcement of punitive damages as incompatible with the substantive foundations of German law. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. In as far as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No equivalent pre-trial discovery process exists under German law.

The Netherlands

In the absence of an applicable treaty between the United States and the Netherlands, a judgment obtained against a subsidiary Guarantor in a U.S. Court will not be directly enforced in the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be re-litigated before a competent court of the Netherlands. The relevant Netherlands court has discretion to attach such weight to a judgment of a U.S. Court as it deems appropriate. Based on case law, the courts of the Netherlands may be expected to recognize the binding effect of a final, conclusive and enforceable money judgment of a court of competent jurisdiction in the U.S. without re-examination or re-litigation of the substantive matters adjudicated thereby, provided that (i) the relevant U.S. Court had jurisdiction in the matter in accordance with standards which are generally accepted internationally, (ii) the proceedings before such court complied with principles of proper procedure and (iii) such judgment does not conflict with the public policy of the Netherlands.

Poland

The enforcement of judgments of foreign courts is subject to the 2007 Lugano Convention on the Recognition of Judgments in Civil and Commercial Matters (the "Lugano Convention"), the Brussels Regulation and other relevant treaties or conventions, including relevant bilateral treaties and the rules of the Polish Code of Civil Procedure.

There is no treaty between the United States of America and Poland providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) rendered in civil and commercial matters. Therefore, to judgments of U.S. courts, the rules of the Polish Code of Civil Procedure shall apply. Those rules provide for enforcement of foreign judgments concerning matters which may be settled by Polish civil courts if the judgment is enforceable in the country where it has been rendered. In addition the following requirements must be satisfied:

- the judgment is final in the jurisdiction in which it was issued;
- the case does not belong to the exclusive jurisdiction of the Polish courts;
- no summons has been served on the defendant, who was not engaged in the dispute on the matter, in due time for his defense;
- the party has not been deprived of the possibility of defending itself in judicial proceedings;
- a case regarding the same claim between the same parties was not pending in Poland earlier than before a court of the foreign country;
- the judgment is not contrary to an earlier final judgment of a Polish court or an earlier final judgment of a foreign court satisfying the conditions for its recognition in Poland, which was rendered in a case regarding the same claim between the same parties; and
- the judgment is not contrary to the fundamental principles of the legal order of Poland.

Certain judgments of U.S. courts (or parts of thereof) may not be recognized as enforceable by Polish courts, or they may prove to be unenforceable in practice despite having been recognized as enforceable, in particular: (i) certain forms of specific performance might not be common in Poland, (ii) certain forms (or amounts) or damages or indemnities, in particular, punitive damages or other similar damages or indemnities might be found too excessive. Judgments (or parts of thereof) adjudicating such forms of specific performance or damages or indemnities may be considered as contrary to the fundamental principles of the legal order of the Republic of Poland.

LEGAL MATTERS

Certain legal matters in connection with the offering be passed upon for us by Freshfields Bruckhaus Deringer LLP as to matters of U.S. federal, New York state, English, German and Dutch law, and Wardyński i Wspólnicy sp.k. as to matters of Polish law. Certain legal matters in connection with the offering will be passed upon for the Initial Purchasers by Allen & Overy LLP as to matters of U.S. federal, New York state, German, English and Dutch law, and Allen & Overy A. Pędzich sp. k. as to matters of Polish law.

INDEPENDENT AUDITORS

The Company has appointed RBS RoeverBroennerSusat GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, with registered seat in Hamburg, Germany, through its Cologne office, Aachener Straße 75, Cologne, Germany ("RBS"), as its auditor of the of the Consolidated/Combined Financial Statements prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a German Commercial Code as of and for the financial years ended September 30, 2014 and 2013 as well as Combined Financial Statements as of and for the financial years ended September 30, 2014, 2013 and 2012. In each case, RBS conducted its audits in accordance with Section 317 German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer*). The Unaudited Interim Condensed Consolidated Financial Statements prepared in accordance with IFRS as applicable to interim financial reporting (IAS 34) as of and for the six months ended March 31, 2015 have not been audited. RBS is a member of the German Chamber of Auditors (*deutsche Wirtschaftsprüferkammer*) and a member of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer*). On June 1, 2015, RBS RoeverBroennerSusat GmbH & Co. KG changed its name to Roever Broenner Susat Mazars GmbH & Co. KG (and references in this offering memorandum to RBS RoeverBroennerSusat GmbH & Co. KG and RBS shall also refer to such changed name). The audited consolidated financial statements of Groupe Nocibé SAS prepared in accordance with IFRS as of and for the short financial year beginning January 1, 2014 and ended September 30, 2014, and as of and for the financial year ended December 31, 2013 (with comparative figures for the financial year ended December 31, 2012) were jointly audited by Groupe Nocibé SAS's statutory auditors, Constantin Associés (a member of Deloitte Touche Tohmatsu Limited) and PricewaterhouseCoopers Audit. See further "*Summary Historical Consolidated/Combined and Unaudited Pro Forma Financial Information*" and "*Selected Consolidated and Combined Financial Information"*).

WHERE YOU CAN FIND OTHER INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes are "restricted securities" within the meaning of the Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

Pursuant to the Indentures governing the Notes and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. See "*Description of the Senior Secured Notes—Certain Covenants—Reports*" and "*Description of the Senior Notes—Certain Covenants—Reports*".

For so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of that exchange so require, copies of this offering memorandum, the Issuers' organizational documents, and the Indentures relating to the Notes, the Intercreditor Agreement, the Security Documents, the Escrow Agreements and our most recent consolidated financial statements published by us may be inspected and obtained at the office of the listing agent at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, Grand Duchy of Luxembourg. See "*Listing and General Information*".

LISTING AND GENERAL INFORMATION

LISTING

Application has been made for the Notes to be admitted to listing on the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange, in accordance with the rules of that exchange. Our certified organizational documents will be deposited at the registered office of the Issuers, located at Im Zollhafen 24, 50678 Cologne, Germany (the "registered office of the Issuer").

For so long as the Notes are listed on the Official List of the Irish Stock Exchange and are traded on the Global Exchange Market and the rules of that exchange require, physical copies of the following documents may be inspected and obtained free of charge at the registered office of the Issuers during normal business hours on any business day:

- the Issuers' organizational documents;
- the most recent audited consolidated financial statements and any interim consolidated financial statements published by the Senior Notes Issuer;
- the Issuers' annual reports for the two most recent years;
- the documents granting security interests to Noteholders as described in this offering memorandum; and
- the Indentures relating to the Notes (which includes the form of the Notes) and the Intercreditor Agreement.

It is expected that the total expenses relating to the application for admission of the Notes to the Official List and for admission of the Notes to trading on its Global Exchange Market will be approximately €5,000.

Application may be made to the Global Exchange Market to have the Notes removed from listing on the Global Exchange Market, including if necessary to avoid any new withholding taxes in connection with the listing.

So long as the Notes are listed on the Global Exchange Market, the Notes will be freely transferable and negotiable in accordance with the rules of the Global Exchange Market.

CLEARING INFORMATION

The Notes have been, or will be, accepted for clearance through the facilities of Euroclear and Clearstream.

Certain trading information is set forth below.

Tranche	ISIN	Common Code
Rule 144A Senior Secured Notes	XS1251077373	125107737
Regulation S Senior Secured Notes	XS1251078009	125107800
Rule 144A Senior Notes	XS1251078777	125107877
Regulation S Senior Notes	XS1251078694	125107869

LEGAL INFORMATION

The Senior Notes Issuer was incorporated in its present form on April 10, 2015, under the laws of Germany. The managing directors *(Geschäftsführer)* of the Senior Notes Issuer are Stefan Moosmann and Dr. Daniel Pindur. The business address for each of these directors is Im Zollhafen 24, 50678 Cologne.

The Senior Secured Notes Issuer was incorporated in its present form on January 16, 2015, under the laws of Germany. The managing directors *(Geschäftsführer)* of the Senior Secured Notes Issuer are Stefan Moosmann and Dr. Daniel Pindur. The business address for each of these directors is Im Zollhafen 24, 50678 Cologne.

The share capital of the Senior Secured Notes Issuer is €25,000 divided into 25,000 ordinary shares with nominal value of €1. The share capital of the Senior Notes Issuer is €25,000 divided into 25,000 ordinary shares with nominal value of €1.

The creation and issuance of the Senior Secured Notes have been authorized by a resolution of the Senior Secured Notes Issuer's shareholders' meeting (*Gesellschafterversammlung*) dated June 18, 2015. The creation and issuance of the Senior Notes have been authorized by a resolution of the Senior Notes Issuer's shareholders' meeting (*Gesellschafterversammlung*) dated June 18, 2015.

Except as disclosed in this offering memorandum:

- there has been no material adverse change in the Group's financial position since March 31, 2015; and
- neither the Issuers nor the Group has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the offering of the Notes, and, so far as either the Issuers or the Group is aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

ORIGINAL SUBSIDIARY GUARANTORS

The following is a description of the Original Subsidiary Guarantors.

Beauty Holding One GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany and registered with the commercial register of the local court of Frankfurt am Main under registration number HRB 94478. As of March 31, 2015, Beauty Holding One GmbH had a share capital of €25,000 represented by 25,000 shares with a nominal value of €1 each. The articles of association of August 31, 2012 set forth its corporate purpose, among others, as follows: acquisition, holding and disposal of participations in businesses under regular development of enterprise values by execution of a management holding function, as well as the rendering of consulting services vis-à-vis these businesses and third parties. Members of Beauty Holding One GmbH's board of directors may be reached at its business address, Kabeler Straße 4, 58099 Hagen, Germany.

Beauty Holding Two GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany and registered with the commercial register of the local court of Frankfurt am Main under registration number HRB 96067. As of March 31, 2015, Beauty Holding Two GmbH had a share capital of €50,000 represented by 50,000 shares with a nominal value of €1 each. The articles of association of March 15, 2013 set forth its corporate purpose, among others, as follows: acquisition, holding and disposal of participation in businesses under regular development of enterprise values by execution of a management holding function, as well as the rendering of consulting services vis-à-vis these businesses and third parties. Members of Beauty Holding Two GmbH's board of directors may be reached at its business address, Kabeler Straße 4, 58099 Hagen, Germany.

Beauty Holding Zero GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany and registered with the commercial register of the local court of Dusseldorf under registration number HRB 74390. As of March 31, 2015, Beauty Holding Zero GmbH had a share capital of €25,000 represented by 25,000 shares with a nominal value of €1 each. The articles of association of February 26, 2015 set forth its corporate purpose, among others, as follows: acquisition, holding and disposal of participations in businesses under regular development of enterprise values by execution of a management holding function, as well as the rendering of consulting services vis-à-vis these businesses and third parties. Members of Beauty Holding Zero GmbH's board of directors may be reached at its business address, Beim Strohhause 26, 20097 Hamburg, Germany.

Douglas Holding AG is a stock corporation (*Aktiengesellschaft*) organized under the laws of Germany and registered with the commercial register of the local court of Hagen under registration number HRB 242. As of March 31, 2015, Douglas Holding AG had a share capital of €118,301,151 represented by 39,433,717 no-par value bearer shares (*auf den Inhaber lautenden Stückaktien*) with a calculatory share in the share capital of €3 each. The articles of association of March 18, 2014 set forth its corporate purpose as follows: managing a group of companies in Germany and abroad in the area of wholesale, retail and mail-order business with merchandise of all types, particularly in the sector perfumeries and the acquisition and administration of investments in the service companies, whose business purpose extends to the aforementioned business areas, including the assumption of management tasks. Members of Douglas Holding AG's board of directors may be reached at its business address, Kabeler Straße 4, 58099 Hagen, Germany.

Parfümerie Douglas GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany and registered with the commercial register of the local court of Hagen under registration number HRB 2626. As of March 31, 2015, Parfümerie Douglas GmbH had a share capital of €150,400,000 represented by 4 shares with a nominal value of €44,900,000, €30,000,000, €37,500,000 and €38,000,000. The articles of association of July 24, 2013 set forth its corporate purpose as follows: wholesale and resale business relating to goods of all kinds, in particular perfumery and drugstore materials, cosmetics, beachwear, jewelry, textiles and all business in connection therewith as well as the participation in marketing companies and development, production, marketing and distribution of products in the field of perfumery, cosmetics, textiles and accessories in Germany and abroad. Members of Parfümerie Douglas GmbH's board of directors may be reached at its business address, Kabeler Straße 4, 58099 Hagen, Germany.

Parfümerie Douglas Beteiligungs GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany and registered with the commercial register of the local court of Hagen under registration number HRB 9479. As of March 31, 2015, Parfümerie Douglas Beteiligungs GmbH had a share capital of €200,000 represented by 2 shares with a nominal value of €100,000 each. The articles of association of January 28, 2014 set forth its corporate purpose as follows: wholesale and retail of goods of all kinds, in particular perfumery and drugstore goods, cosmetics, beachwear, jewelry, textiles and all businesses in connection therewith as well as the participation in marketing companies and the development, sale and distribution of products in the field of perfumery, textiles and accessories in Germany and abroad. Members of Parfümerie Douglas Beteiligungs GmbH's board of directors may be reached at its business address, Kabeler Straße 4, 58099 Hagen, Germany.

Parfümerie Douglas Deutschland GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany and registered with the commercial register of the local court of Hagen under registration number HRB 2041 since April 2, 1987. As of March 31, 2015, Parfümerie Douglas Deutschland GmbH had a share capital of €20,000,000 represented by 4 shares with a nominal value of €3,900,000, €31,000, €760,000 and €15,309,000. The articles of association of June 10, 2014 set forth its corporate purpose as follows: wholesale and retail of goods of all kinds, in particular perfumery and drugstore goods, cosmetics, beachwear, jewelry, textiles, exercising of hairdressing, of body care and activities for enhancing well-being, the operation of gastronomical businesses as well as operation of all businesses in connection with the foregoing activities, except for trade with goods subject to administrative approval. Parfümerie Douglas Deutschland GmbH represented 38% (approximately €921.8 million) of the consolidated sales and 23% (approximately €63.9 million) of the consolidated Adjusted EBITDA of the Group, and represented 10.4% (approximately €271.5 million) of the consolidated total assets of the Group. There are no specific risks other than those set out under the *Risk Factors* section of the Final Offering Memorandum and no encumbrances on the assets of Parfümerie Douglas Deutschland GmbH that could materially affect its ability to meet its obligations under the guarantee. Members of Parfümerie Douglas Deutschland GmbH's board of directors may be reached at its registered business address, Kabeler Straße 4, 58099 Hagen, Germany.

Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG is a limited partnership (*Kommanditgesellschaft*) organized under the laws of Germany and registered with the commercial register of the local court of Potsdam under registration number HRA 4659 P. As of March 31, 2015, Douglas Einkaufs und Servicegesellschaft mbH & Co. KG had a partnership capital of €550,000. The partnership agreement of September 9, 2014 sets forth the corporate purpose, among others, as follows: centralization and bundling of the national and international purchase activities as well as the definition and negotiation of the purchase conditions of the companies of the Douglas Group. Members of Douglas Einkaufs und Servicegesellschaft mbH & Co. KG's board of directors may be reached at its business address, Zum Königsgraben 1, 15806 Zossen, Germany.

Parfümerie Douglas International Verwaltungs GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany and registered with the commercial register of the local court of Hagen under registration number HRB 9483. As of March 31, 2015, Parfümerie Douglas International Verwaltungs GmbH had a share capital of €200,000 represented by 2 shares with a nominal value of €100,000 each. The articles of association of September 23, 2014 set forth the corporate purpose as follows: wholesale and retail of goods of all kinds, in particular perfumery and drugstore goods, cosmetics, beachwear, jewelry, textiles and all business in connection therewith as well as the participation in marketing companies and the development, sale and distribution of goods in the field of perfumery, textiles and accessories in Germany and abroad. Members of Parfümerie Douglas International Verwaltungs GmbH may be reached at its business address, Kabeler Straße 4, 58099 Hagen, Germany.

Parfümerie Douglas International GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany and registered with the commercial register of the local court of Hagen under registration number HRB 3603. As of March 31, 2015, Parfümerie Douglas International GmbH had a share capital of €118,700,000 represented by 3 shares with a nominal value of €51,200,000, €30,000,000 and €37,500,000. The articles of association of June 10, 2014 set forth the corporate purpose, among others, as follows: acquisition, administration and disposal of foreign companies as well as of shares in the aforementioned companies. Members of Parfümerie Douglas International GmbH's board of directors may be reached at its business address, Kabeler Straße 4, 58099 Hagen, Germany.

Douglas Marken- und Lizenzen GmbH & Co. KG is a limited partnership (*Kommanditgesellschaft*) organized under the laws of Germany and registered with the commercial register of the local court of Potsdam under registration number HRA 5445 P. As of March 31, 2015 Douglas Marken- und Lizenzen GmbH & Co KG had a registered partnership capital of €500,000. The partnership agreement of August 29, 2011 sets forth the corporate purpose as follows: management, use and marketing of the brand "Douglas" as well as all transactions in connection therewith; further, the partnership takes part in the economic trade, in particular also with companies outside the Douglas Group, and may acquire companies of the same or similar nature, may participate in an represent such companies and establish branches at home and abroad and may enter into fiscal unity agreements (*Organschaftsverträge*), also comprising agreements regarding profit and loss pooling. Members of Douglas Marken- und Lizenzen GmbH & Co. KG's board of directors may be reached at its business address, Zum Königsgraben 1, 15806 Zossen, Germany.

Douglas Grundstücks- und Verwaltungsgesellschaft mbH & Co. KG is a limited partnership (*Kommanditgesellschaft*) organized under the laws of Germany and registered with the commercial register of Potsdam under the registration number HRA 4925 P. As of March 31, 2015, Douglas Grundstücks- und Verwaltungsgesellschaft mbH & Co. KG had a registered partnership capital of €100,000. The partnership agreement of December 10, 2012 sets forth the corporate purpose as follows: management, rent and lease of own and third party real property. Members of Douglas- Grundstücks- und Verwaltungsgesellschaft mbH & Co. KG's board of directors may be reached at its business address, Zum Königsgraben 1, 15806 Zossen, Germany.

Douglas Investment B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organized under the laws of the Netherlands and registered with the Dutch Trade Register (*Kamer van Koophandel*) under the number 09138802. As of March 31, 2015, Douglas Investment B.V. had a share capital of €10,018,200 represented by 100,182 shares. The articles of association of December 12, 2012 set forth its corporate purpose, among others, as follows: acquisition and disposal of participation interests or other interests in, cooperation with and management of legal persons, corporations and undertakings. Douglas Investment B.V.'s board of directors may be reached at its business address, St. Annastraat 265, 6525GR Nijmegen, the Netherlands.

Parfumerie Douglas Nederland B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organized under the laws of the Netherlands and registered with the Dutch Trade Register (*Kamer van Koophandel*) under the number 10005918. As of March 31, 2015, Parfumerie Douglas Nederland B.V. had a share capital of €2,270,000 represented by 5,000 shares. The articles of association of December 12, 2012 set forth its corporate purpose, among others, as follows: wholesale trade and retail trade in perfumeries, cosmetics, toilet requisites, drugstore goods, bathing fashion, jewelry, textiles and related items and all in the broadest sense that relates thereto. Members of Parfumerie Douglas Nederland B.V.'s board of directors may be reached at its business address, St. Annastraat 265, 6525GR Nijmegen, the Netherlands.

Douglas Finance B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organized under the laws of the Netherlands and registered with the Dutch Trade Register (*Kamer van Koophandel*) under the number 09184188. As of March 31, 2015, Douglas Finance B.V. had a share capital of €2,000,000 represented by 20,000 shares. The articles of association of December 12, 2012 set forth its corporate purpose, among others, as follows: financing of undertakings and corporations, lending, borrowing and raising money, issuance of bonds, debt instruments or other securities, and conclusion of contracts related thereto. Douglas Finance B.V.'s board of directors may be reached at its business address, St. Annastraat 265, 6525GR Nijmegen, the Netherlands.

"Douglas Polska" sp. z o.o. is a Polish limited liability company (*spółka z ograniczoną odpowiedzialnością*) organized under the laws of Poland and registered in the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw under KRS number 0000051020. As at March 31, 2015, "Douglas Polska" sp. z o.o. had a nominal share capital of PLN 28,362,000 represented by 28,362 equal and indivisible shares with a nominal value of PLN 1,000.00 each. The articles of association of January 29, 2013 set forth its corporate purpose, among others, as follows: wholesale of perfume and cosmetics, wholesale of pharmaceutical and medical goods, wholesale of chemical products, wholesale of household and personal articles. "Douglas Polska" sp. z o.o. may also hold interests in partnerships. Members of "Douglas Polska" sp. z o.o.'s Management Board may be reached at its business address, 58/72 Okopowa Street, 01-042 Warsaw, Poland.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF BEAUTY HOLDING ZERO FOR THE FIRST HALF OF THE FISCAL YEAR 2014/2015

Consolidated statement comprehensive income

for the period from October 1, 2014 to March 31, 2015

Fig. 1 • Consolidated income statement

	10/01/2014 to 03/31/2015 (in EUR m)	10/01/2013 to 03/31/2014 (in EUR m)
1. Sales	1,454.9	1,108.1
2. Cost of raw materials, consumables and supplies and merchandise	(787.1)	(577.7)
3. Gross profit from retail business	667.8	530.4
4. Other operating income	117.1	90.5
5. Personnel expenses	(279.7)	(238.6)
6. Other operating expenses	(364.4)	(292.9)
7. Income from other investments	0.0	0.1
8. EBITDA	140.8	89.5
9. Amortization and depreciation	(42.3)	(34.4)
10. EBIT	98.5	55.1
11. Financial income	0.8	4.4
12. Financial expenses	(48.6)	(52.1)
13. Financial result	(47.8)	(47.7)
14. Earnings before taxes (EBT)	50.7	7.4
15. Income taxes	(24.5)	(5.1)
16. Earnings from continued operations	26.2	2.3
17. Earnings from discontinued operations	143.2	31.8
18. Net profit for the period	169.4	34.1
19. Profit attributable to the Group shareholders	169.1	33.9
20. Profit attributable to non-controlling interests	0.3	0.2

Fig. 2 • Reconciliation of income of the period to comprehensive income

	10/01/2014 to 03/31/2015 (in EUR m)	10/01/2013 to 03/31/2014 (in EUR m)
Earnings from continued and discontinued operations	169.4	34.1
Components that will be reclassified to the income statement in future		
Foreign currency translation differences arising from translating the financial statements of a foreign operation	2.9	(0.5)
Effective portion of Cash Flow hedges	0.7	(1.0)
Components that are not to be classified to the income statement in future		
Actuarial gains/losses from pension provisions	0.3	0.0
Other income		
Total comprehensive income	173.3	32.6
Total comprehensive income attributable to Group shareholders	173.0	32.4
Total comprehensive income attributable to non-controlling interests	0.3	0.2

Consolidated balance sheet

as of March 31, 2015

Fig. 3 • Consolidated balance sheet

	03/31/2015 (in EUR m)	03/31/2014 (in EUR m)	09/30/2014 (in EUR m)
ASSETS			
A. **Non-current assets**			
I. Intangible assets	1,268.9	964.5	1,258.1
II. Property, plant and equipment	252.1	339.9	250.5
III. Tax receivables	3.7	6.7	3.7
IV. Financial assets	3.4	4.7	9.5
V. Shares in associated companies	0.0	11.9	0.0
VI. Deferred tax assets	40.2	42.5	40.8
	1,568.3	1,370.2	1,562.6
B. Current assets			
I. Inventories	555.7	701.8	542.6
II. Trade accounts receivable	64.8	58.9	39.3
III. Tax receivables	37.6	48.5	26.4
IV. Financial assets	78.8	104.1	90.8
V. Other assets	26.9	23.7	22.6
VI. Cash and cash equivalents	286.5	270.8	218.8
	1,050.3	1,207.8	940.5
C. Assets held for sale	0.2	0.0	603.0
Total	2,618.8	2,578.0	3,106.1
EQUITY AND LIABILITIES			
A. Equity			
I. Capital stock	0.0	0.0	0.0
II. Additional paid-in capital	639.7	639.7	639.7
III. Retained earnings	(153.5)	(193.5)	(323.7)
IV. Non-controlling interest	0.2	2.8	0.3
	486.4	449.0	316.3
B. Non-current liabilities			
I. Pension provisions	32.9	39.1	32.8
II. Other non-current provisions	16.0	32.7	16.1
III. Financial liabilities	1,217.7	1,131.7	1,659.8
IV. Other liabilities	0.8	1.2	0.8
V. Deferred tax liabilities	237.1	216.7	248.1
	1,504.5	1,421.4	1,957.6
C. Current liabilities			
I. Current provisions	127.8	139.6	117.5
II. Trade accounts payable	236.5	273.4	207.1
III. Tax liabilities	71.3	55.6	39.7
IV. Financial liabilities	39.4	64.1	46.0
V. Other liabilities	152.9	174.9	136.0
	627.9	707.6	546.3
D. Liabilities related to assets held for sale	0.0	0.0	285.9
Total	2,618.8	2,578.0	3,106.1

Statement of changes in Group equity

Fig. 4 • Statement of changes in Group equity

			Reserves					
	Capital stock	**Additional paid-in capital**	**Other reserves**	**Reserve for pension provisions**	**Results from Cash Flow hedges**	**Differences from currency translation**	**Non-controlling interests**	**Total**
	(in EUR m)	**(in EUR m)**	**(in EUR m)**	**(in EUR m)**	**(in EUR m)**	**(in EUR m)**	**(in EUR m)**	**(in EUR m)**
10/01/2013	**0.0**	**639.7**	**(211.5)**	**0.9**	**(1.5)**	**(3.0)**	**10.0**	**434.6**
Currency translation						(0.4)		(0.4)
Other comprehensive income					(1.0)	(0.1)		(1.1)
Net result for the period			33.9				0.2	34.1
Total comprehensive income	**0.0**	**0.0**	**33.9**	**0.0**	**(1.0)**	**(0.5)**	**0.2**	**32.6**
Transactions with shareholders	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Acquisition of non-controlling interest			(10.8)				(7.4)	(18.2)
03/31/2014	**0.0**	**639.7**	**(188.4)**	**0.9**	**(2.5)**	**(3.5)**	**2.8**	**449.0**
10/01/2014	**0.0**	**639.7**	**(314.7)**	**(2.2)**	**(3.2)**	**(3.6)**	**0.3**	**316.3**
Currency translation						2.9		2.9
Other comprehensive income				0.3	0.7			1.0
Net result for the period			169.1				0.3	169.4
Total comprehensive income	**0.0**	**0.0**	**169.1**	**0.3**	**0.7**	**2.9**	**0.3**	**173.3**
Acquisition of shares							(0.3)	(0.3)
Transactions with shareholders	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(0.3)**	**(0.3)**
Change in scope of consolidation						0.2		0.2
Acquisition of non-controlling interest			(3.0)				(0.1)	(3.1)
03/31/2015	**0.0**	**639.7**	**(148.6)**	**(1.9)**	**(2.5)**	**(0.5)**	**0.2**	**486.4**

Consolidated Cash Flow statement

Fig. 5 • Consolidated Cash Flow statement

		10/01/2014 to 03/31/2015 (in EUR m)	10/01/2013 to 03/31/2014 (in EUR m)
1.	EBIT	98.5	55.1
2.	+Amortization/depreciation of non-current assets	42.3	34.4
3.	+/–Increase/decrease in provisions	9.7	9.9
4.	+/–Other non-cash income/expense	(7.2)	17.0
5.	+/–Profit/loss on the disposal of non-current assets	(1.5)	(0.1)
6.	+/–Changes in inventories, trade accounts receivable and other assets not classifiable to investing or financing activities	(27.5)	(37.1)
7.	+/–Changes in trade payables and other liabilities not classifiable to investing or financing activities	73.7	22.3
8.	–/+Paid/reimbursed taxes	(18.4)	(21.3)
9.	+Net Cash Flow from operating activities in discontinued operations	0.0	33.5
10.	**=Cash Flow from operating activities**	**169.6**	**113.7**
11.	+Proceeds from the disposal of non-current assets and the disposal of stores	5.0	0.6
12.	–Investments in non-current assets	(33.8)	(19.7)
13.	–Payments for the acquisition of consolidated companies and other business units	(28.4)	0.0
14.	+/–Cash Flow from investing activities in discontinued operations	(64.7)	(10.9)
15.	**=Cash Flow from investing activities**	**(121.9)**	**(30.0)**
16.	**Free Cash Flow (sum of 10 and 15)**	**47.7**	**83.7**
17.	–Payments for the repayment of financial liabilities	(18.1)	(17.9)
18.	+Proceeds from borrowings	12.1	5.3
19.	–Interest paid	(35.6)	(29.4)
20.	+Interest received	0.2	3.1
21.	–/+Other financial changes	(3.5)	0.0
22.	–Net Cash Flow from financing activities in discontinued operations	0.0	(0.2)
23.	**=Cash Flow from financing activities**	**(44.9)**	**(39.1)**
24.	**=Net change in cash and cash equivalents (total of 10, 15 and 23)**	**2.8**	**44.6**
25.	+/–Net change in cash and cash equivalents due to currency translation	0.2	(0.1)
26.	+Cash and cash equivalents at the beginning of the fiscal year	283.5	226.3
27.	**=Cash and cash equivalents as of 03/31**	**286.5**	**270.8**

Segment reporting

Fig. 6 • Segment reporting

		Germany		France		South Western Europe		Eastern Euro	
		2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	20
es (net)	EUR m	644.3	611.2	403.6	103.2	276.5	269.9	130.5	
ersegment sales	EUR m	10.3	8.9	7.7	0.3	0.0	0.0	0.0	
es	EUR m	654.6	620.1	411.3	103.5	276.5	269.9	130.5	
ITDA	EUR m	77.4	51.0	28.9	6.6	20.9	19.8	13.6	
ITDA margin	%	12.0	8.3	7.2	6.4	7.6	7.3	10.4	
e-offs/ adjustment	EUR m	7.0	14.2	30.0	0.2	2.0	1.4	(0.1)	
usted EBITDA	EUR m	84.4	65.2	58.9	6.8	22.9	21.2	13.5	
usted EBITDA margin	%	13.1	10.6	14.6	6.6	8.5	7.9	10.3	
entories	EUR m	212.4	193.7	144.0	36.6	125.2	130.0	74.1	
pital expenditure	EUR m	17.5	9.0	9.8	0.4	3.8	4.3	3.0	

Fig. 7 • Reconciliation segment income

	2014/15 (in EUR m)	2013/14 (in EUR m)
Adjusted EBITDA	179.7	105.2
One-offs/adjustment	38.9	15.7
EBITDA	140.8	89.5
Amortization	(42.3)	(34.4)
EBIT	98.5	55.1
Financial income	0.8	4.4
Financial expenses	(48.6)	(52.1)
EBT	50.7	7.4
Taxes	(24.5)	(5.1)
Earnings from discontinued operations	143.2	31.8
Net income	169.4	34.1
One-offs/adjustment	(114.0)	11.5
Adjusted net income	55.4	45.6

Fig. 8 • Segment assets

	03/31/2015 (in EUR m)	03/31/2014 (in EUR m)
Germany	814.9	1,034.8
Other countries	709.4	204.7

	03/31/2015 (in EUR m)	03/31/2014 (in EUR m)
Total	**1,524.3**	**1,239.5**

Notes to the H I Interim Report of Beauty Holding Zero GmbH

for the fiscal year 2014/15

The consolidated interim financial statements of Beauty Holding Zero GmbH, which is based in Düsseldorf, Germany, for the first six months of the fiscal year 2014/15 have been prepared in conformity with IAS 34 (Interim Financial Reporting). The accounting and valuation principles as well as the consolidation principles are consistent with those principles applied to the consolidated financial statements as of September 30, 2014. Any sales-related, seasonal or cyclical issues have been deferred during the fiscal year in accordance with sound business judgment.

Sales and profit of the first half of the fiscal year are disproportionately affected by the Christmas shopping season. Given that the Easter business was earlier than the prior year, the Group companies were already able to report higher sales as of March 31, 2015 compared to the prior-year period.

The financial statements of the domestic and foreign subsidiaries included in the consolidated financial statements were prepared uniformly using IFRS classification, accounting and measurement principles. Any accounting and valuation principles varying from the Group uniform standards have been accounted for in the separate preparation of the HGB balance sheet (HB II).

At the end of the fiscal year 2013/14, management decided to limit the operating business of the Beauty Holding Zero Group to the Perfumeries segment (continued operations) and to sell the segments Books, Jewelry, Fashion as well as Douglas Corporate Service GmbH (discontinued operations). The discontinued segments Books (Thalia), Jewelry (Christ) and Fashion (AppelrathCüpper) were sold to a related company as of October 1, 2014. Jewelry was subsequently sold to a third-party company.

In order to strengthen the branch network and to extend the market share the Group acquired the five perfumeries of Himmer in Germany as of January 1, 2015. In France, it acquired the 43 stores of the Clin d'Oeil chain in February 2015. Both acquisitions were conducted as asset deals. They primarily acquired property, plant and equipment (1.6 million EUR), inventory (4.8 million EUR), financial assets (0.4 million EUR), provisions (0.1 million EUR) and employees. Preliminary a goodwill of 21.1 million EUR has been capitalized. The purchase price allocations for both acquisitions were not yet finalized as of the balance sheet date. The purchase price for these acquisitions totaled 27.8 million EUR. The sales of the newly acquired branches contributed 4.6 million EUR to Group sales and generated EBT of (0.1) million EUR.

Adjusted EBITDA and adjusted net income are presented as segment performance indicators. EBITDA and net income have been adjusted for one off items and items which have an impact limited to a certain period of time determined by Douglas management. The adjustments mainly comprise effects from Nocibé purchase price allocation, deconsolidation of the jewellery, books and fashion business, consulting fees in relation to the acquisition and the sale of businesses and the envisaged initial public offering, costs in connection with restructuring and efficiency programs as well as ongoing consulting costs in connection with financing agreements. Further adjustments concern ongoing, disputed lease contracts and revaluation effects of inventories and trade receivables.

In the first half of the fiscal year 2014/15 and in the same period in the prior year, the Douglas Group had the following business relationships with related parties from delivery and supply relationships concluded in the past:

Fig. 9 • Related companies and related persons

	Deliveries and services received (in EUR m)		Deliveries and services provided (in EUR m)	
	2014/15	2013/14	2014/15	2013/14
Parent company	6.5	15.3	0.0	0.0
Members of management in key positions	3.2	4.4	0.3	0.2
Other related persons and companies	1.1	3.0	0.0	0.0
Total	10.8	19.7	0.3	0.2

Receivables from related companies and related persons came to 0.1 million EUR as of the reporting date (March 31, 2014: 0.0 million EUR) and the corresponding liabilities amounted to 6.9 million EUR (March 31, 2014: 16.4 million EUR). Business relationships with related persons are basically affected under the same conditions as with third parties (arm's length transaction).

Fig. 10 • Operating leasing

	Less than 1 year (in EUR m)	1 to 5 years (in EUR m)	More than 5 years (in EUR m)	Total (in EUR m)
Obligations from operating leases	183.8	381.4	87.5	652.7
Income from subleases	12.7	32.9	19.9	65.5

Contingent liabilities result from guarantees which relate to rental agreements with former divisions (100.6 million EUR) as well as from patronages (17.4 million EUR).

The fair value of interest rate swaps, which are recognized under total comprehensive income by virtue of their existing hedging context, amounted to 3.8 million EUR as of the balance sheet date (March 31, 2014: 3.6 million EUR). The fair value measurement of these interest swaps comes under the second category of IFRS 13 and is therefore based on directly observed market data.

There are no risks identified at the present time that might endanger the going concern of the DOUGLAS Group. A detailed presentation of the business risks and a description of the management of financial risks can be found on pages 42 et seq. of the consolidated financial statements of the fiscal year 2013/14. Statements made there still apply to a material extent.

Hagen/Germany, May 7, 2015

Beauty Holding Zero GmbH
Management

Gudrun Krafczik

Gudrun Krafczik

The review report has been issued on the consolidated interim financial statements of Beauty Holding Zero GmbH, Düsseldorf/Germany, as of and for the 6 months period from 1 October 2014 to 31 March 2015. The review report and the before-mentioned consolidated interim financial statements are both translations of the respective German-language documents.

Translation from German Language

REVIEW REPORT

To Beauty Holding Zero GmbH, Düsseldorf:

We have reviewed the consolidated interim financial statements, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and notes to the consolidated interim financial statements, of Beauty Holding Zero GmbH, Düsseldorf, for the period from 1 October 2014 to 31 March 2015. The preparation of the consolidated interim financial statements in accordance with IFRS, as adopted by the EU, is the responsibility of the company's management. Our responsibility is to issue a report on the consolidated interim financial statements based on our review.

We conducted our review of the consolidated interim financial statements in accordance with the German Generally Accepted Standards for the review of financial statements (IDW PS 900 promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the consolidated interim financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review no matters have come to our attention that cause us to believe that the consolidated interim financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU.

Hamburg 8 May 2015

RBS RoeverBroennerSusat GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Rudolph (German Public Auditor)	Schulz-Danso (German Public Auditor)

CONSOLIDATED FINANCIAL STATEMENT OF BEAUTY HOLDING ZERO FOR THE FISCAL YEAR 2013/2014

Consolidated statement of comprehensive income

for the period from October 1, 2013 to September 30, 2014

Fig. 1 • Consolidated income statement

	Notes	10/01/2013 to 09/30/2014 (in EUR m)	10/01/2012 to 09/30/2013 (in EUR m)
1. Sales		**2,093.3**	**1,648.9**
2. Cost of raw materials, consumables, supplies and purchased merchandise		(1,075.4)	(937.6)
3. Gross profit from retail business		**1,017.9**	**711.3**
4. Other operating income	6	183.8	154.1
5. Personnel expenses	7	(470.7)	(369.4)
6. Other operating expenses	8	(606.5)	(463.5)
7. Income from other investments		0.1	0.1
8. EBITDA		**124.6**	**32.6**
9. Amortization/depreciation	10	(74.1)	(66.3)
10.EBIT		**50.5**	**(33.7)**
11.Financial income		8.2	7.4
12.Financial expenses		(120.5)	(91.7)
13.Financial result	9	(112.3)	(84.3)
14.Earnings before taxes (EBT)		**(61.8)**	**(118.0)**
15.Income taxes	11	(7.1)	7.5
16.Earnings from continued operations		**(68.9)**	**(110.5)**
17.Result from discontinued operations		(19.9)	(94.0)
18.Net profit for the year		(88.8)	(204.5)
19.Profit attributable to the Group shareholders		**(89.1)**	**(204.2)**
20.Profit attributable to non-controlling interests		(0.3)	0.3

Fig. 2 • Reconciliation of income to comprehensive income

	10/01/2013 to 09/30/2014 (in EUR m)	10/01/2012 to 09/30/2013 (in EUR m)
Result from continued and discontinued operations	**(88.8)**	**(204.4)**
Components that will be reclassified to the income statement in the future		
Foreign currency translation differences arising from translating the financial statements of a foreign operation	(0.6)	(3.0)
Effective portion of Cash Flow hedges	(1.7)	(1.5)
Components that are not to be reclassified to the income statement		
Actuarial gains/losses from pension provisions	(3.1)	0.9
Other income	**(5.4)**	**(3.6)**
Total comprehensive income	**(94.2)**	**(208.1)**
Total comprehensive income attributable to Group shareholders	(94.5)	(207.8)
Total comprehensive income attributable to non-controlling interests	0.3	(0.3)

Consolidated statement of financial position

as of September 30, 2014

Fig. 3 • Consolidated statement of financial position

		Notes	09/30/2014 (in EUR m)	09/30/2013 (in EUR m)
ASSETS				
A.	**Non-current assets**			
I.	Intangible assets	12	1,258.1	973.6
II.	Property, plant and equipment	12	250.5	371.5
III.	Tax receivables		3.7	6.7
IV.	Financial assets	16	9.5	4.7
V.	Shares in associated companies		0.0	0.3
VI.	Deferred tax assets	13	40.8	41.9
			1,562.6	**1,398.7**
B.	**Current assets**			
I.	Inventories	14	542.6	664.4
II.	Trade receivables	15	39.3	62.6
III.	Tax receivables		26.4	48.2
IV.	Financial assets	16	90.8	85.7
V.	Other assets	17	22.6	23.9
VI.	Cash and cash equivalents	18	218.8	226.3
			940.5	**1,111.1**
C.	Assets held for sale	19	603.0	0.0
Total			**3,106.1**	**2,509.8**
EQUITY AND LIABILITIES				
A.	**Equity**	20		
I.	Share capital		0.0	0.0
II.	Share premium		639.7	639.7
III.	Reserves		(323.7)	(215.1)
IV.	Non-controlling interests		0.3	10.0
			316.3	**434.6**
B.	**Non-current liabilities**			
I.	Pension provisions	21	32.8	39.2
II.	Other non-current provisions	22	16.1	37.5
III.	Financial liabilities	23	1,659.8	1,111.4
IV.	Other liabilities	24	0.8	1.3
V.	Deferred tax liabilities	13	248.1	217.3
			1,957.6	**1,406.7**
C.	**Current liabilities**			
I.	Current provisions	22	117.5	137.1
II.	Trade payables		207.1	265.7
III.	Tax liabilities		39.7	57.9
IV.	Financial liabilities	23	46.0	56.0
V.	Other liabilities	24	136.0	151.8
			546.3	**668.5**

		Notes	09/30/2014 (in EUR m)	09/30/2013 (in EUR m)
D.	**Liabilities related to assets held for sale**	19	285.9	0.0
Total			**3,106.1**	**2,509.8**

Consolidated statement of changes in equity

Fig. 4 • Consolidated statement of changes in equity

			Reserves					
	Share capital (in EUR m)	Share premium (in EUR m)	Profit carried forward (in EUR m)	Reserve for pension provisions (in EUR m)	Results from Cash Flow hedges (in EUR m)	Differences from currency translation (in EUR m)	Non-controlling interests (in EUR m)	Total (in EUR m)
Fiscal year 2012/13								
10/01/2012	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**
Currency translation						(3.0)		(3.0)
Other comprehensive income				0.9	(1.5)			(0.6)
Net result for the period			(204.2)				(0.3)	(204.5)
Total comprehensive income	**0.0**	**0.0**	**(204.2)**	**0.9**	**(1.5)**	**(3.0)**	**(0.3)**	**(208.1)**
Capital increase		639.6						639.6
Dividend payment							(0.2)	(0.2)
Transactions with shareholders	**0.0**	**639.6**	**0.0**	**0.0**	**0.0**	**0.0**	**(0.2)**	**639.4**
Change in scope of consolidation							7.3	7.3
Acquisition of non-controlling interests			(7.3)				3.2	(4.1)
09/30/2013	**0.0**	**639.7**	**(211.5)**	**0.9**	**(1.5)**	**(3.0)**	**10.0**	**434.6**
Fiscal year 2013/14								
10/01/2013	**0.0**	**639.7**	**(211.5)**	**0.9**	**(1.5)**	**(3.0)**	**10.0**	**434.6**
Currency translation						(0.6)		(0.6)
Other comprehensive income				(3.1)	(1.7)			(4.8)
Net result for the period			(89.1)				0.3	(88.8)
Total comprehensive income	**0.0**	**0.0**	**(89.1)**	**(3.1)**	**(1.7)**	**(0.6)**	**0.3**	**(94.2)**
Dividend payment							(0.2)	(0.2)
Transactions with	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(0.2)**	**(0.2)**

			Reserves					
	Share capital (in EUR m)	Share premium (in EUR m)	Profit carried forward (in EUR m)	Reserve for pension provisions (in EUR m)	Results from Cash Flow hedges (in EUR m)	Differences from currency translation (in EUR m)	Non-controlling interests (in EUR m)	Total (in EUR m)
shareholders								
Acquisition of non-controlling interests			(14.1)				(9.8)	(23.9)
09/30/2014	**0.0**	**639.7**	**(314.7)**	**(2.2)**	**(3.2)**	**(3.6)**	**0.3**	**316.3**

Consolidated Cash Flow statement

Fig. 5 • Consolidated Cash Flow statement

		10/01/2013 to 09/30/2014 (in EUR m)	10/01/2012 to 09/30/2013 (in EUR m)
1.	EBITDA	124.6	32.6
2.	+/–Increase/decrease in provisions	14.6	11.8
3.	+/–Other non-cash income/expense	(11.1)	(2.0)
4.	+/–Profit/loss on the disposal of non-current assets	(15.4)	(0.3)
5.	Changes in inventories, trade receivables and other assets not classifiable +/–to investing or financing activities	21.1	315.6
6.	Changes in trade payables and other liabilities not classifiable to investing +/–or financing activities	(7.9)	(128.9)
7.	–/+Paid/reimbursed taxes	(11.9)	(35.0)
8.	+Net Cash Flow from operating activities in discontinued operations	109.4	53.9
9.	**=Cash Flow from operating activities**	**223.3**	**247.5**
10.	+Proceeds from the disposal of non-current assets and disposal of stores	3.0	2.5
11.	–Investments in non-current assets	(51.9)	(33.9)
12.	+Proceeds from the disposal of consolidated companies	41.9	0.0
13.	Payments for the acquisition of consolidated companies and other business –units	(147.3)	(1,421.6)
14.	–Payments for investments in associated companies	0.0	0.0
15.	+/–Cash Flow from investing activities in discontinued operations	(28.8)	(19.8)
16.	**=Cash Flow from investing activities**	**(183.1)**	**(1,472.8)**
17.	**Free Cash Flow (sum of 9 and 16)**	**40.2**	**(1,225.3)**
18.	+Receipts from equity contributions	0.0	639.5
19.	+/–Payments for the repayment of borrowings	(431.8)	(239.9)
20.	–Proceeds from borrowings	529.8	1,090.8
21.	+Payments for the granting of borrowings	0.0	0.0
22.	–Interest paid	(56.1)	(30.3)
23.	+Interest received	1.7	0.6
24.	–Payments for the acquisition of non-controlling interests	0.0	(7.3)
25.	–Net Cash Flow from financing activities in discontinued operations	(26.4)	(1.7)
26.	**=Cash Flow from financing activities**	**17.2**	**1,451.7**
27.	=Change in cash and cash equivalents (total of rows 9, 16 and 26)	57.4	226.4
28.	+/–Change in cash and cash equivalents due to currency translation	(0.2)	(0.2)
29.	+Cash and cash equivalents at beginning of fiscal year	226.3	0.1
30.	**=Cash and cash equivalents as of 09/30**	**283.5**	**226.3**

Segment reporting

Fig. 6 • Segment reporting

		Germany		France		South Western Europe		Eastern Europe	
		2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
ernal Sales (net)	EUR m	1,100.8	899.7	274.8	142.4	489.4	426.2	228.3	180.6
ersegment sales	EUR m	16.7	14.7	0.3	0.0	0.0	0.0	0.0	0.0
es	EUR m	1,117.5	914.4	274.9	142.4	489.4	426.2	228.3	180.6
ITDA	EUR m	89.7	33.7	(14.6)	1.5	32.6	(7.2)	16.9	4.6
ITDA margin	%	8.2	3.8	(5.3)	1.1	6.7	(1.7)	7.4	2.5
n-recurring effects/adjustment	EUR m	42.1	72.4	29.4	5.6	2.4	38.6	(0.2)	7.9
usted EBITDA	EUR m	131.8	106.1	14.8	7.1	35.0	31.4	16.7	12.5
usted EBITDA margin	%	12.0	11.8	5.4	5.0	7.2	7.4	7.3	6.9
entories	EUR m	196.7	181.6	154.7	34.1	121.0	119.8	70.2	66.0
pital expenditure	EUR m	23.0	23.0	8.1	3.8	11.0	9.2	6.7	6.6

Fig. 7 • Reconciliation segment income

	2013/14 (in EUR m)	2012/13 (in EUR m)
Adjusted EBITDA	198.3	157.1
Non-recurring effects/adjustments	73.7	124.5
EBITDA	124.6	32.6
Amortization/depreciation	(74.1)	(66.3)
EBIT	50.5	(33.7)
Financial income	8.2	7.4
Financial expenses	(120.5)	(91.7)
EBT	(61.8)	(118)
Taxes	(7.1)	7.5
Result from discontinued operations	(19.9)	(94.0)
Net income	(88.8)	(204.5)
Non-recurring effects/adjustment	75.0	178.6
Adjusted net income	(13.8)	(25.9)

Fig. 8 • Non-current assets

	09/30/2014 (in EUR m)	09/30/2013 (in EUR m)
Germany	815.7	838.1
Other countries	682.3	198.2
Total	**1,498.0**	**1,036.3**

Notes to the consolidated financial statements of Beauty Holding Zero GmbH

for the fiscal year 2013/14

1. General principles

The consolidated financial statements of the retail group Beauty Holding Zero GmbH, based in Frankfurt am Main, Germany, and its subsidiaries for the fiscal year from October 1, 2013 to September 30, 2014 have been prepared according to the International Financial Reporting Standards (IFRS), as adopted by the European Union, taking into account all mandatory standards and interpretations in effect at the closing date.

The Beauty Holding Zero Group was formed on December 1, 2012 with the acquisition of the shares in Douglas Holding AG. At this time, Douglas Holding AG managed a group of companies that operated retail stores in the fields of Perfumery, Books, Jewelry, Fashion and Confectionery. Prior to December 1, 2012, the Beauty Holding Group was limited to three non-operating companies. The comparative prior year figures for the operating business therefore cover a period of only ten months (December 1, 2012 to September 30, 2013) and are thus not comparable with the figures for current years.

The companies of French perfumery chain Nocibé were acquired by the end of June 2014. The expenses and income of these companies were included in the Beauty Holding Group for the period from July 1 to September 30, 2014. The inclusion of the Nocibé companies also limits the comparability of figures with the prior year.

At the end of the fiscal year 2013/14, management decided to restrict the operations of the Beauty Holding Zero Group to the Perfumery division (continued operation) and to sell off the Books, Jewelry and Fashion divisions (discontinued operations). The Confectionery division had already been sold on April 30, 2014. For this reason, the details in the statement of comprehensive income, balance sheet, Cash Flow statement and in the Notes mainly relate to the continued operations. The discontinued operations are reported separately in condensed form in accordance with the requirements of IFRS 5. The prior-year figures for the comprehensive income statement and the Cash Flow statement as well as expense and income-related information in the Notes have been adjusted accordingly.

The financial statements of the domestic and foreign subsidiaries included in the consolidated financial statements were prepared uniformly according to applicable principles for IFRS classification, accounting and measurement.

All figures in the balance sheet and income statement are shown in millions of Euro (EUR m).

2. New IASB accounting standards

The consolidated financial statements of Beauty Holding Zero GmbH have been prepared according to all published standards and interpretations which have been adopted as part of the European Union (EU) endorsement process and for which application is mandatory for the fiscal year 2013/14. In the past fiscal year, the Beauty Holding Zero Group first applied the amendments to IFRS 1, IFRS 7 and IAS 12, as well as IFRS 13 applicable for fiscal years beginning from January 1, 2013. These had no impact on the amounts in the balance sheet and statement of comprehensive income. Only disclosures in the Notes have been impacted.

The new IASB regulations that did not have to be applied in the past fiscal year yet are presented in the following review.

Fig. 9 • New regulations not yet applicable

New standards/interpretations not yet applicable			Published by IASB	First-time application	Endorsed by the European Commission	Probable impact on the Beauty Holding Zero Group
IFRS 9	Financial instruments: Disclosures	Regulations for the accounting of financial instruments measured at amortized cost or Fair Value	07/24/2014	01/01/2018	So far, not yet	Change in the recognition of available-for-sale financial instruments, no material impact

New standards/interpretations not yet applicable			Published by IASB	First-time application	Endorsed by the European Commission	Probable impact on the Beauty Holding Zero Group
IFRS 10	Consolidated Financial Statement s	Guidelines for determination of the scope of consolidation	05/12/2011	01/01/2014	12/11/2012	No material impact
IFRS 10, IAS 28	Consolidated Financial Statements	Sale or contribution of assets between an investor and an associated company or jointly controlled entity	09/11/2014	01/01/2016	So far, not yet	No impact
IFRS 11	Joint Arrangements	Regulations for accounting treatment of jointly controlled entities	05/12/2011	01/01/2014	12/11/2012	No material impact
IFRS 11	Joint Arrangements	Accounting for acquisitions or interests in joint operations	05/06/2014	01/01/2016	So far, not yet	No impact
IFRS 12	Disclosures of Interests in Other Entities	Disclosure requirements for interests held in other entities	05/12/2011	01/01/2014	12/11/2012	Additional disclosure requirements in the Notes
IFRS 10, 11, 12		Transitional guidelines for application of these standards		01/01/2014	04/04/2013	No material impact
IFRS 14	Regulatory Deferral Accounts	Exemption options for first-time IFRS adopters	01/30/2014	01/01/2016	So far, not yet	No material impact
IFRS 15	Revenue from Contracts with Customers	Multistage concept for accounting for revenues from contracts with customers	05/28/2014	01/01/2017	So far, not yet	No material impact
IFRS 16, 38	Intangible assets and property, plant and equipment	Amendments to acceptable methods of depreciation and amortization	12/15/2014	01/01/2016	So far, not yet	No material impact
IAS 16, 41	Biological assets and property, plant and equipment	Amendments to accounting for fruit-bearing plants	06/30/2014	01/01/2016	So far, not yet	No impact
IAS 19	Pensions	Recognition of contributions from employees or third parties to defined benefit plans	11/21/2013	07/01/2014	12/17/2014	No material impact
IAS 27	Separate Financial Statements	Limiting IAS 27 to separate financial statements	05/12/2011	01/01/2014	12/11/2012	No impact

New standards/interpretations not yet applicable			Published by IASB	First-time application	Endorsed by the European Commission	Probable impact on the Beauty Holding Zero Group
IAS 27	Separate Financial Statements	Application of the equity method in separate financial statements	08/12/2014	01/01/2016	So far, not yet	No impact
IAS 28	Shares in Associates and Joint Ventures	Revision of accounting rules for associated companies and joint ventures	05/12/2011	01/01/2014	12/11/2012	No impact
IAS 32	Financial instruments: Presentation	Disclosures on the offsetting of financial assets and financial liabilities	12/16/2011	01/01/2014	12/11/2012	No material impact
IAS 36	Impairment of Assets	Additional disclosures relating to the different levels of Fair Value measurement as well as the valuation methods applied and key assumptions for Level 2 and Level 3 valuations	05/29/2013	01/01/2014	12/19/2013	Extended Notes disclosures
IAS 39	Financial instruments: Recognition and valuation	Novation due to regulatory requirements with respect to OTC transactions and trade repositories (EMIR); with otherwise unchanged contract parameters, a change in the counterparty does not lead to termination of the hedge	07/27/2013	01/01/2014	12/19/2013	No material impact
IFRS 10/ IFRS 12/ IAS 27	Investment Entities	Changes relating to the consolidation of subsidiaries of Investment Entities	10/31/2012	01/01/2013	11/20/2013	No impact
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine		10/19/2011	01/01/2014	12/10/2014	No impact
IFRIC 21	Levies	Guidance on when to recognize a liability for a levy	05/20/2013	01/01/2014	06/13/2014	No material impact

New standards/interpretations not yet applicable		Published by IASB	First-time application	Endorsed by the European Commission	Probable impact on the Beauty Holding Zero Group
	impost by a government				
Improvement Project 2010–2013	Improvement of existing standards	05/03/2012	07/01/2014/ 01/01/2015	03/27/2013	No material impact
Improvement-Project 2012–2014	Improvement of existing standards	09/25/2014	01/01/2016	So far, not yet	No material impact

3. Consolidation principles

Scope of consolidation

All of the German and foreign companies over which Beauty Holding Zero GmbH has direct or indirect control are fully consolidated in the consolidated financial statements. Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group. They are deconsolidated on the date on which control by the group ceases.

As of the balance sheet date, September 30, 2014, there were 89 consolidated companies in the Beauty Holding Group.

Fig. 10 • Scope of consolidation

	Germany	Other countries	Total
As of October 1, 2013	56	30	86
Companies consolidated for the first time	0	13	13
De-consolidated companies	7	3	10
As of September 30, 2014	49	40	89
of which held for sale	19	3	22

To strengthen the market share in the important French perfumery market, 100 percent of the shares in the companies of French perfumery chain Nocibé were acquired by way of a share deal on June 24, 2014. July 1, is used as the acquisition date. Nocibé operates a total of 373 perfumery retail stores in France and thus complements the internationally operated Douglas stores of Beauty Holding Zero. The Nocibé brand is in continued use in France; the stores previously operated under the name Douglas were renamed Nocibé. The acquisition has significantly increased the market share in France.

The purchase price amounted to 165.2 million EUR and was fully paid in cash. As part of the purchase price allocation, the Nocibé brand was valued at 139.6 million EUR and recognized in the consolidated balance sheet. In addition, within intangible assets, the customer base was capitalized at an amount of 17.5 million EUR and advantageous rental agreements were capitalized at 1.6 million EUR. Furthermore, the purchase price allocation led to the recognition of hidden reserves on inventories of 32.4 million EUR. Alltogether deferred tax liabilities in the amount of 67.7 million EUR were recognized on these in the consolidated balance sheet. A remaining amount of 277.6 million EUR was capitalized as goodwill in the consolidated balance sheet. Goodwill is derived as a residual amount if there are no further identifiable assets in the acquired company that can be identified as separable and measured reliably.

Since July 1, 2014, the acquired companies have generated sales of 101.2 million EUR and earnings before taxes of (10.8) million EUR. If the companies of the Nocibé Group had already been included in the Beauty Holding Group for the full fiscal year 2013/14, they would have contributed 502.3 million EUR to sales and 11.4 million EUR to earnings before taxes.

During the course of the initial consolidation of the Nocibé companies, the assets and liabilities shown below were transferred to the consolidated financial statements.

Fig. 11 • Assets and liabilities of the Nocibé Group

	Figures upon acquisition as of June 30, 2014 (in EUR m)	Figures after purchase price allocation as of June 30, 2014 (in EUR m)
Leasehold rights and similar rights	30.8	189.5
Other intangible assets	1.6	279.5
Property, plant and equipment	32.6	32.6
Inventories	104.2	136.5
Cash and cash equivalents	17.9	17.9
Receivables	33.5	33.3
Other assets	2.8	2.8
Deferred tax assets	11.2	4.5
Provisions	23.8	23.8
Tax liabilities	3.0	3.0
Other liabilities	443.6	443.6
Deferred tax liabilities	0.0	61.0

Following their sale, the companies of the Hussel Group were no longer included in the consolidated financial statements as of April 30, 2014. The purchase price for this transaction amounted to 35.0 million EUR and was fully paid in cash.

Fig. 12 • Assets and liabilities of the Hussel Group

	Values as of April 30, 2014 (in EUR m)
Intangible assets	8.9
Property, plant and equipment	10.7
Inventories	7.6
Cash and cash equivalents	2.6
Other assets	4.2
Provisions	4.3
Liabilities	7.5

The assets and liabilities of the operative Swiss book retailing company were incorporated into Orell Füssli Thalia AG on October 1, 2013. Beauty Holding Zero GmbH has an indirect shareholding of 50 percent in this company, which is why it is accounted for in the consolidated financial statements using the equity method.

In addition, three domestic companies in the Service division and one company in the Books division left the group of consolidated companies during the past fiscal year by way of merger.

The companies of the Books division, as well as Christ (Jewelry division) and AppelrathCüpper (Fashion division) were sold on October 1, 2014. In the consolidated financial statements as of September 30, 2014, the assets and liabilities of these companies are recognized as disposal groups in the balance sheet, while income and expenses are classified as discontinued operations and presented in accordance with IFRS 5 (see Note 23).

Three companies that Beauty Holding Zero GmbH cannot exercise control over are accounted for in the consolidated financial statements using the equity method. The equity method was not applied for five companies with different reporting dates as these are of minor importance for the Group's net assets, financial position and result of operations. These companies are carried at cost. Due to their business volume, these companies do not prepare interim financial statements. Therefore, information on assets, liabilities, revenues and earnings does not exist as of the balance sheet date. These investments encompass companies whose services are used by Group companies in individual cases. The Fair Value of these companies cannot be measured reliably.

Consolidation methods

The financial statements of the companies included in consolidation have been prepared as of September 30, 2014. The individual financial statements are consolidated based on the following principles:

Capital consolidation is conducted by offsetting acquisition costs against the Group's interest in the consolidated subsidiary's net assets at Fair Value on the acquisition date. Any positive differences that result are capitalized as goodwill and tested annually for impairment. Any negative differences are recognized directly in profit or loss. Any identifiable net assets including hidden reserves and liabilities attributable to minority shareholders are carried as non-controlling interests.

Receivables from and corresponding payables to consolidated companies are eliminated against each other. Material interim profits from intercompany goods and services transactions within the Group were eliminated in the consolidated financial statements as long as they have not yet been realized through sales to third parties. Sales and other income from intercompany deliveries of goods and services are offset against corresponding expenses.

4. Currency translation

The financial statements of the subsidiaries are translated to the Group currency according to the functional currency concept. The functional currency of the subsidiaries is the respective national currency. The functional currency of the parent company is the Euro.

The assets and liabilities of foreign companies whose functional currency is equivalent to the local currency and who are based in countries that do not participate in the European Monetary Union are translated to Euros using the exchange rate of the balance sheet date. Income and expenses are translated at the average exchange rate of the period. The resulting currency translation differences are recognized directly in equity under the currency translation line item.

The following exchange rates have been used for currency translation of foreign subsidiaries:

Fig. 13 • Exchange rate

			Average exchange rate (in EUR)		Closing rate (in EUR)	
			2013/14	2012/13	09/30/2014	09/30/2013
1	US dollar	USD	0.737	0.762	0.788	0.741
100	Swiss franc	CHF	81.932	81.603	82.864	81.833
100	Polish zloty	PLN	23.975	23.933	23.924	23.706
100	Hungarian forint	HUF	0.328	0.341	0.321	0.336
100	Turkish lira	TRY	34.672	41.236	34.686	36.346
100	Czech crown	CZK	3.670	3.907	3.634	3.888
100	Lithuanian litas	LTL	28.962	29.046	28.962	29.391
100	Latvian lats	LVL	142.287	142.287	142.287	142.287
100	Romanian leu	RON	22.501	22.581	22.700	22.441
100	Croatian kuna	HRK	13.125	13.273	13.109	13.140
100	Bulgarian lev	BGN	51.212	51.202	51.140	51.332

Receivables and liabilities denominated in currencies other than the functional currency are translated to the functional currency by recognition in profit or loss.

In total, income from exchange rate differences in continued operations totaling 0.6 million EUR (2012/13: 0.5 million EUR) and corresponding expenses totaling 0.9 million EUR (2012/13: 0.9 million EUR) were recorded to profit or loss.

5. Accounting and valuation principles

Intangible assets

Goodwill arising from capital consolidation, that represents the excess of acquisition cost over the Fair Value of identifiable net assets acquired, is recognized according to the requirements of IFRS 3 and tested for impairment annually or in case of a triggering event. For the purposes of the impairment test, goodwill is allocated to the group of cash-generating units (CGU) that are expected to profit from synergies arising from the acquisition. The Beauty Holding Zero Group views the individual retail store or online shop as the CGU. The ceiling for allocation of goodwill is generally the operating segment. In the Beauty Holding Zero Group, this is one of the four regions Germany, France, South Western Europe or Eastern Europe. If, within the scope of this impairment test, the company ascertains that the recoverable amount of the CGU is less than its carrying amount, the goodwill allocated to the CGU is written down and recognized in profit or loss. The diminished carrrying amount is maintained even if the reasons for impairment cease to exist in subsequent periods.

Other intangible assets are carried at cost. Borrowing costs are not included when calculating acquisition costs, because there are no qualifying assets in the Beauty Holding Group. Intangible assets with finite useful lifes are subject to straight line amortization over their useful life. If their useful life cannot be determined, these intangible assets are not subject to scheduled amortization. These assets are then reviewed for impairment at least once a year. If the recoverable amount of the asset is less than its carrying amount, it is written down to its Fair Value. If the reasons for write-downs made in prior years no longer apply, the assets are written up. Intangible assets that are subject to scheduled amortization are only subject to an impairment test if there are triggering events indicating impairment.

Property, plant and equipment

If items of property, plant and equipment are used for longer than one year, they are recognised in the balance sheet at cost less scheduled straight-line depreciation. Investment subsidies received reduce the cost at which the asset for which the subsidy was granted is recognised. Borrowing costs are not included when calculating acquisition costs for property, plant and equipment, but are immediately expensed to the income statement, because there are no qualifying assets in the Beauty Holding Group. Since, based on experience, the restoration obligations of Beauty Holding Group's companies are not called upon, these obligations are generally not recognized in the acquisition costs of the leasehold improvements. In the year of purchase, property, plant and equipment are depreciated on a pro rata temporis basis. Where indications of impairment exist, an impairment test is conducted for the corresponding asset. Items of property, plant and equipment are derecognized when removed or further economic benefits are no longer expected from the asset's use. The gain or loss from the disposal of the asset arises from the difference between its net realizable value and carrying amount.

The amortization and depreciation periods for intangible assets and property, plant and equipment are determined based on their useful lifes and can be described as follows:

Fig. 14 • Useful lifes

	Years
Software	3–5
Leasehold rights that do not have indefinite useful lifes	5–15
Customer bases	5–10
Buildings	10–50
Store fittings, office and operating equipment	3–10

Leases

The economic ownership of a leased asset is classified to that contractual party who bears substantially all the risks and rewards incident to ownership of the leased asset. Within the Beauty Holding Group material lease arrangements predominantly relate to the leasing of company stores. Leases are recognized in the balance sheet according to the requirements of IAS 17. In order to ensure the greatest possible flexibility, the Group generally aims to conclude rental agreements with a fixed rental period of no more than ten years and single or multiple exercisable options to extend the lease. In classifying lease agreements, consideration is given to the basic lease term and the exercise of any renewal option on the basis of knowledge acquired in the past, which leads to these leases generally qualifying as operating leases because the fixed lease term plus renewal option does not exceed the significant part of the economic useful life of the rented premises.

If the economic ownership of leased assets are allocated to the Beauty Holding Group, the leased assets are capitalized at the inception of the lease and subject to scheduled straight-line depreciation in subsequent periods. At inception of the lease, the leased asset is recognized at the Fair Value of the asset or, if lower, the present value of the minimum lease payments. On the other hand, the financial obligations that result from future lease payments are recognized as a liability in the same amount. Depreciation is conducted over the estimated useful life or the shorter lease term. This liability is amortized proportionately over the lease term according to the effective interest rate method and accrued interest is added.

Financial assets

Financial assets, including interests in unconsolidated companies which are not measured using the equity method, equity participations, securities and contractual receivables are accounted for according to IAS 39. Depending on their classification, these are either measured at Fair Value (securities and financial assets from derivative financial instruments) or amortized cost (trade receivables, and other contractual financial receivables). Financial assets are initially measured at Fair Value. Any transaction costs—with the exception of financial instruments measured at Fair Value and recognized to profit or loss—are included in the acquisition costs.

Financial assets are derecognized either upon settlement or when substantial opportunities and risks have been transferred.

Financial assets denominated in a foreign currency are translated to the functional currency of the group at the date of acquisition. On each balance sheet date an adjustment is then made to the respective closing rate and the adjustment is recognized to profit or loss. Interest income and expense are recognised on an accrued basis in the financial result.

Receivables and other financial assets

Trade receivables and other financial assets are capitalized at amortized cost at the time of revenue recognition. Recognizable risks are taken into account via write-downs based on the age structure of the receivables. A major portion of receivables that is more than 60 days overdue is transferred to collection agencies. Necessary write-downs are partly performed by using bad debt accounts. Receivables and other assets are generally derecognized upon settlement.

Securities

Securities are carried at their Fair Value according to the requirements of IAS 39. As a result, the Fair Value adjustments are recognised directly in equity via a separate equity component, as securities held as short term assets have generally been classified to the “available for sale” category. As a rule, securities are initially recognized at the settlement date.

Cash and cash equivalents

Cash and cash equivalents, which include money accounts and short term money deposits with banks, are stated at amortized cost.

Deferred taxes

Deferred taxes are identified using the liability method based on the requirements of IAS 12. Deferred taxes are thus recognized for temporary differences between the carrying amounts in the consolidated financial statements and the carrying amounts in the tax balance sheet to the extent that these differences will lead to tax refunds or charges in future. Deferred taxes are measured taking into account the tax rates and tax regulations that are expected to be applicable at the point in time when the differences are reversed. Deferred tax assets are only recognized to the extent that taxable income against which the difference can be offset is expected to be present on the date the difference is reversed.

If the future tax advantage from loss carryforwards can be utilized with sufficient certainty in future periods, deferred tax assets are capitalized. Deferred tax assets and liabilities are netted to the extent that the tax claims and tax liabilities are for the same tax authority.

Inventories

Merchandise is recognized in the balance sheet at the lower of cost and net realizable value. Acquisition costs are mostly determined based on a separate valuation of additions from the perspective of the procurement market. In individual areas, acquisition costs are identified retroactively based on the selling price and reasonable deductions for. Interest on borrowings is not included in the acquisition costs as inventories are not qualifying assets. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Selling as well as fashion and other risks were taken into account, to the extent needed, as part of measurement at the net realizable value. Raw materials, consumables and supplies are recognized at their acquisition costs.

Provisions

Other provisions are accounted for according to IAS 37. Provisions are recognized if there is a legal or constructive obligation to third parties arising from past events and the future cash outflow to fulfill this commitment can be reliably estimated. The carrying amount of the provision is based—for individual risks—on the best estimate of the settlement taking into account all recognizable risks, or—for a large population of risks—the amount computed according to the expected value method. Non-current provisions are carried on the balance sheet at their present value as of the balance sheet date. The maturity of long-term personnel provisions is dependent on the date of dismissal of the employee or rather the forecasted cash outflows. The maturity of long-term provisions for real estate is based on the duration of the lease contract or the estimated date of an early termination of the lease contract. Provisions for restructuring measures are recognized if a constructive obligation to restructure was formalized by means of the adoption of a detailed restructuring plan and its communication to those affected as of the closing date. Restructuring provisions comprise only obligatory restructuring expenses.

Provisions for pensions are accounted for in line with the requirements of IAS 19. Actuarial calculations for provisions for defined benefit plans use the projected unit credit method. As part of this measurement, the pensions and entitlements known on the balance sheet date are taken into account as well as the increases in salaries and pensions to be expected in future. For funded pension plans, the same interest rate is used to determine interest expenses resulting from the measurement of obligations and to calculate interest income from plan assets. If changes to these assumptions used in the calculations result in differences between the identified pension obligations and the pension obligations determined as of the balance sheet date, actuarial gains or losses will be incurred. These actuarial gains or losses as well as other valuation adjustments are recognized directly in equity under other comprehensive income.

Plan assets designated at Fair Value and liabilities from pension plans are presented on a netted basis. Plan assets consist in qualified policies that are pledged to the employee. The interest portion included in the pension expense is presented as interest expense within the financial result. Other obligations similar to pension provisions such as part-time work schemes and termination benefits are also accounted for according to the requirements of IAS 19.

Financial liabilities

According to IAS 39, financial liabilities are generally recognized at amortized cost on the balance sheet. Acquisition costs are stated at Fair Value. Transaction costs attributable to the acquisition are included in cost. If there is a difference between the amount paid and the amount to be paid upon final maturity, this difference is amortized over the term according to the effective interest rate method. Financial liabilities that arise from leases are carried as a liability at their present values. Income and expense from non-derivative financial liabilities arise from interest income or expense or from currency translation gains or losses. Financial liabilities are recognized at the inception of the contract and are derecognized when the obligation is extinguished or expired (limitation of time). All trade payables have a maturity of less than one year and are non-interest bearing. Liabilities arising from financing leases are reported under other liabilities. The option to initially recognize financial liabilities at Fair Value through profit or loss was not applied by the Beauty Holding Group.

Accounting for derivative financial instruments and hedging relationships

Derivative financial instruments are used to reduce Cash Flow fluctuations that result from interest rate risks. Derivative financial instruments are neither used nor issued for speculative purposes. Derivative financial instruments are recognized at Fair Value, which correspond to market value, both upon initial and subsequent measurement in accordance with IAS 39 and can result in a positive or negative value. Gains and losses from Fair Value measurement, to the extent that these correspond to designated derivative financial instruments qualifying as hedged items to hedge against Cash Flow risks, are recognized directly in equity under a separate equity item in line with the rules for hedge accounting. Derivative financial instruments that do not qualify as hedged items are measured at Fair Value and recognized in the income statement. Deferred taxes arising from the difference between the IFRS carrying amounts and the tax base are also recognized directly to equity under a separate equity item if the Fair Value differences were also recognized directly in equity under a separate equity item. The amounts recorded under equity increase or reduce profit or loss as soon as the hedged Cash Flows from the underlying transaction are recognized in the income statement.

The Fair Value of derivative financial instruments corresponds to the amount to be either paid or received by the Group company upon termination of the financial instrument on the balance sheet date. The calculation of the Fair Value takes into account the interest rates and forward rates in effect as of the balance sheet date. The recording of changes in the Fair Value depends on the use that is made of the derivative financial instrument. Where the derivative financial instrument is not used in an effective hedging relationship, the change in Fair Value is immediately recognized to profit or loss. If, on the other hand, an effective hedging relationship exists, it is recorded as such. The Beauty Holding Group only implements derivative financial instruments as hedging instruments as part of Cash Flow hedges. By way of such Cash Flow hedges, the Beauty Holding Group hedges the exposure to future variability in Cash Flows attributable to interest rate risks. In the case of a Cash Flow hedge, the effective portion of the value change in the hedging instruments is recognized directly to equity until the result arising from the underlaying transaction is recognized. In addition, non-derivative financial liabilities are used as part of net investment hedges implemented to cover currency rate risks arising from net investments in non-Group foreign currencies. Accounting for net investment hedges generally follows the rules of Cash Flow hedges.

Fair Value measurement

The input factors used to determine Fair Value are divided into three categories according to IFRS 13. Fair Value measurements based on input factors of the first category relate to price quotations in active markets that can be determined for the valuation object—such as quoted prices. Fair Value measurements based on factors whose value can be derived directly or indirectly from observable market data fall into the second category. The measurement of the third category is based on pricing models, which are based on inputs that cannot be observed in the market. The Beauty Holding Zero Group only measures interest rate swaps at Fair Value. The Fair Value measurement of interest rate swaps falls into the second category as the valuation of interest rate swaps is based on observable market interest rates.

Revenue recognition

As a rule, sales are recognized upon delivery of goods to the customer or after performance of a service is complete. Entitlements from customer loyalty programs are measured at the costs to be incurred therefrom and offset directly against sales at the point in time of the sale. Sales arising from the redemption of bonus points are only recognized upon redemption of the bonus points. Deferred sales are reversed or utilized in line with the customer redemption behaviour and are also reported under sales. Interest income and interest expense are recognized in the financial result on an accrual basis.

Use of assumptions and estimates

Assumptions have been made and estimates used in the preparation of these consolidated financial statements that impact the disclosure and amount of the assets and liabilities, income and expenses carried in these statements. These assumptions and estimates were used, in particular, in determining useful lifes, classifying leases as operating or financing leases, valuing restoration obligations, assessing the recoverability of goodwill, measuring provisions and estimating the probability that future tax refunds will be realized. In addition, assumptions and estimates are of significance in determining the Fair Values and acquisition costs associated with first time consolidation. Actual values may vary in individual cases from the assumptions and estimates made. Changes are recognized in income as soon as more detailed information is known.

6. Other operating income

Fig. 15 • Other operating income

	2013/14 (in EUR m)	2012/13 (in EUR m)
Income from costs passed on to third parties	119.3	100.3
Income from leasing and sub-leasing	21.2	19.4
Income from the disposal of assets	0.2	0.4
Income from customer cards	10.9	8.4
Income from the reversal of provisions	10.0	5.0
Income from commissions	2.6	2.2
Income from the derecognition of liabilities	2.4	2.2
Income from insurance claims	0.8	1.6
Other income	16.4	14.6
Total	183.8	154.1

7. Personnel expenses

Fig. 16 • Personnel expenses

	2013/14 (in EUR m)	2012/13 (in EUR m)
Wages and salaries	390.7	304.7
Social security, pensions and other benefits costs	80.0	64.7
thereof for pensions	3.8	3.1
Total	**470.7**	**369.4**

8. Other operating expenses

Fig. 17 • Other operating expenses

	2013/14 (in EUR m)	2012/13 (in EUR m)
Rent and utilities	249.4	201.7
Other services	93.6	53.3
Goods handling costs	54.7	41.3
Marketing and advertising costs	30.0	24.3
Direct mailing and customer card	27.2	18.2
Advertising in other media	26.2	20.9
Advertisements and supplements	20.3	15.6
IT costs	13.6	13.0
Expenses from sub-leasing	12.3	10.6
Repair costs	9.1	8.2
Fees and contributions	8.8	7.6
Travel and vehicle expenses	8.0	6.6
Equipment and consumables	7.9	5.2
Office costs and postage	7.5	6.5
Credit card fees	6.8	5.2
Decoration costs	6.6	5.5
Other expenses	24.5	19.8
Total	**606.5**	**463.5**

9. Financial result

Fig. 18 • Financial result

	2013/14 (in EUR m)	2012/13 (in EUR m)
Interest from loans and receivables	6.8	6.5
Income from non-controlling options	0.6	0.2
Income from discounting pension provisions	0.1	0.2
Income from discounting other provisions	0.1	0.0
Income from foreign exchange differences	0.6	0.5
Total financial income	**8.2**	**7.4**
Interest expense from compounding provisions	(0.3)	(0.4)
Interest expense from compounding pension provisions	(1.3)	(0.3)
Expense from non-controlling options	(0.4)	(1.5)
Expense from foreign exchange differences	(0.9)	(0.9)
Expense for financial liabilities at amortized cost	(117.6)	(88.6)
Total financial expense	**(120.5)**	**(91.7)**

	2013/14 (in EUR m)	2012/13 (in EUR m)
Financial result	(112.3)	(84.3)

Financial income and expense arising from financial instruments are properly classified to the respective categories pursuant to IAS 39.

Fees in the form of compensation in conjunction with financial instruments for continued Group operations amounted to 3.8 million EUR in the period under review (September 30, 2013: 2.9 million EUR). The financing expense for the non-controlling options relates to the results of third-party shareholders whose interests are reported as liabilities, as these either have an option right or are non-controlling interests in German partnerships, as well as the effect of revaluation as of the balance sheet date.

10. Net results by valuation category

Fig. 19 • Net results by valuation category—Fiscal year 2013/14

	Currency translation (in EUR m)	Impairment (in EUR m)	Interest income (in EUR m)	Interest expense (in EUR m)	Net profit/loss (in EUR m)
Loans and receivables		(1.1)	6.8	(117.6)	(111.9)
Non-controlling interest options			0.6	(0.4)	0.2
Net profit by valuation category	**0.0**	**(1.1)**	**7.4**	**(118.0)**	**(111.7)**
Income/expenses from financial instruments not included in the interest result		1.1			1.1
Interest income/expenses of items that are not financial instruments	(0.3)		0.2	(1.6)	(1.7)
Financial result	**(0.3)**	**0.0**	**7.6**	**(119.6)**	**(112.3)**

Fig. 20 • Net results by valuation category—Fiscal year 2012/13

	Currency translation (in EUR m)	Impairment (in EUR m)	Interest income (in EUR m)	Interest expense (in EUR m)	Net profit/loss (in EUR m)
Loans and receivables		(1.1)	6.5	(88.6)	(83.2)
Non-controlling interest options			0.2	(1.5)	(1.3)
Net profit by valuation category	**0.0**	**(1.1)**	**6.7**	**(90.1)**	**(84.5)**
Income/expenses from financial instruments not included in the interest result		1.1			1.1
Interest income/expenses of items that are not financial instruments	(0.4)		0.2	(0.7)	(0.9)
Financial result	**(0.4)**	**0.0**	**6.9**	**(90.8)**	**(84.3)**

Interest arising from financial instruments is reported in the financial result and dividends under the investment result. Valuation allowances on trade receivables classified to the loans and receivables category are shown under other operating expenses. Neither in the fiscal year under review nor in the prior year, income or expenses from financial instruments held for trading, held to maturity or available for sale were included in financial result.

11. Income taxes

Fig. 21 • Income taxes

	2013/14 (in EUR m)	2012/13 (in EUR m)
Income taxes	(7.2)	(14.4)
thereof national	7.0	(11.0)
thereof international	(14.2)	(3.4)
Deferred taxes	0.1	21.9
thereof from temporary differences	7.0	32.3
thereof from loss carryforwards	(6.9)	1.0
Total	(7.1)	7.5

The statutory corporate income tax rate including solidarity surcharge in Germany remained unchanged at 15.825 percent. Trade tax rates are based on the rate-multiplyers of the municipalities in which the respective companies generate their revenue. For the Beauty Holding Zero Group companies based in Germany, the applicable trade tax rates are between 7 percent and 16 percent, which results in a total tax rate of between 23 percent and 32 percent. Including trade tax and the solidarity surcharge, this resulted in a total tax rate of 32 percent. Deferred taxes for the German Group companies were also generally measured at 32 percent. For foreign companies, a country-specific average tax rate is generally applied. Deferred taxes are measured based on the respective specific corporate tax rate.

Other income includees deferred tax income in the amount of 1.4 million EUR (prior year: expense of 0.4 million EUR) recognized in the reserve for pension provisions as well as deferred tax income of 0.8 million EUR (September 30, 2013: 0.7 million EUR) in the Cash Flow hedge.

Deferred tax liabilities totaling 4.4 million EUR were recognized for the tax implications resulting from the sale of discontinued operations.

No deferred tax assets were recognized for tax loss carryforwards of the Group companies from continued operations totaling 102.5 million EUR (September 30, 2013: 106.4 million EUR). Total tax losses carried forward of 1.0 million EUR (September 30, 2013: 0.3 million EUR), for which no deferred tax assets had been capitalized, were utilized in the fiscal year.

The applicable tax rate used for the purposes of tax reconciliation has been calculated on the basis of the average effective corporate tax rates of the respective Group companies. The applicable average tax rate used in the fiscal year 2013/14 amounted to 25.8 percent and to 20.0 percent in the prior year. The difference is due to the consequences of the purchase price allocation, which resulted in losses for individual companies and therefore to a more volatile applicable tax.

The reconciliation from the expected tax expense to the effective tax expense is as follows:

Fig. 22 • Tax reconciliation

	2013/14 (in EUR m)	2012/13 (in EUR m)
Earnings before taxes	(61.8)	(118.0)
Impact of differences between German tax rate and foreign tax rates	(12.4)	(30.5)
Non-period tax income/expense	4.8	3.3
Tax-exempt income	(12.4)	(0.1)
Non-deductible tax operating expenses	24.3	1.6
Financial expenses for non-controlling interest options	0.0	0.6
Unrecognized deferred tax assets due to operating losses	2.3	18.4
Impairment of deferred tax assets due to operating losses	0.8	0.0
Other	(0.3)	(0.8)
Effective tax expense	7.1	(7.5)

The tax-exempt income primarily relates to the sale of the Confectionery division. The non-deductible tax operating expenses are mainly due to non-deductible interest in connection with the so-called interest barrier regulation in Germany.

12. Intangible assets and property, plant and equipment

Fig. 23 • Intangible assets—Fiscal year 2013/14

	Leasehold interests and similar rights and assets (in EUR m)	Goodwill (in EUR m)	Advance payments for intangible assets (in EUR m)	Total (in EUR m)
Acquisition costs				
As of October 1, 2013	746.4	318.4	5.3	1,070.1
Additions through business combinations	203.2	277.9	1.6	482.7
Disposals from deconsolidated companies	(10.3)	(7.0)	0.0	(17.3)
Additions	11.1	0.0	2.6	13.7
Disposals	(5.8)	0.0	0.0	(5.8)
Reclassification of discontinued operations	(134.5)	(63.5)	(2.0)	(200.0)
Reclassifications	6.4	0.0	(5.7)	0.7
As of September 30, 2014	816.5	525.8	1.8	1,344.1
Accumulated amortization				
As of October 1, 2013	96.6	0.0	0.0	96.6
Additions through business combinations	13.6	0.0	0.0	13.6
Disposals from deconsolidated companies	(1.4)	0.0	0.0	(1.4)
Additions	26.8	0.0	0.0	26.8
Impairments in accordance with IAS 36	8.4	3.1	0.7	12.2
Disposals	(5.0)	0.0	0.0	(5.0)
Reclassification of discontinued operations	(53.0)	(3.1)	(0.7)	(56.8)
As of September 30, 2014	86.0	0.0	0.0	86.0
Net				
As of September 30, 2014	730.5	525.8	1.8	1,258.1

Fig. 24 • Intangible assets—Fiscal year 2012/13

	Leasehold interests and similar rights and assets (in EUR m)	Goodwill (in EUR m)	Advance payments for intangible assets (in EUR m)	Total (in EUR m)
Acquisition costs				
As of October 1, 2012	0.0	0.0	0.0	0.0
Increases/decreases resulting from business combinations	744.3	318.4	3.6	1,066.3
Additions	4.9	0.0	1.9	6.8
Disposals	(3.1)	0.0	0.0	(3.1)
Reclassifications	0.3	0.0	(0.2)	0.1
As of September 30, 2013	746.4	318.4	5.3	1,070.1
Accumulated amortization				
As of October 1, 2012	0.0	0.0	0.0	0.0
Increases/decreases resulting from business combinations	78.3	0.0	0.0	78.3
Currency translation adjustments	(0.1)	0.0	0.0	(0.1)
Additions	20.5	0.0	0.0	20.5

	Leasehold interests and similar rights and assets (in EUR m)	Goodwill (in EUR m)	Advance payments for intangible assets (in EUR m)	Total (in EUR m)
Impairments in accordance with IAS 36	0.9	0.0	0.0	0.9
Disposals	(3.0)	0.0	0.0	(3.0)
As of September 30, 2013	96.6	0.0	0.0	96.6
Net				
As of September 30, 2013	649.8	318.4	5.3	973.5

Fig. 25 • Property, plant and equipment—Fiscal year 2013/14

	Land and buildings (in EUR m)	Other equipment, operating and office equipment (in EUR m)	Payments on account and assets under construction (in EUR m)	Total (in EUR m)
Acquisition costs				
As of October 1, 2013	662.5	801.7	14.3	1,478.5
Currency adjustments	0.0	(0.4)	0.0	(0.4)
Additions through business combinations	95.0	36.9	0.9	132.8
Disposals from deconsolidated companies	(13.7)	(18.2)	(0.2)	(32.1)
Additions	17.4	39.8	3.9	61.1
Disposals	(39.3)	(67.1)	(0.7)	(107.1)
Reclassification of discontinued operations	(205.1)	(260.4)	(2.7)	(468.2)
Reclassifications	1.7	9.9	(12.3)	(0.7)
As of September 30, 2014	518.5	542.2	3.2	1,063.9
Accumulated amortization				
As of October 1, 2013	459.8	647.2	0.0	1,107.0
Currency adjustments	0.0	(0.3)	0.0	(0.3)
Additions through business combinations	80.6	19.7	0.0	100.3
Disposals from deconsolidated companies	(8.7)	(12.9)	0.0	(21.6)
Additions	32.1	53.3	0.0	85.4
Impairments in accordance with IAS 36	18.6	10.2	0.2	29.0
Write-Ups	(0.4)	(0.2)	0.0	(0.6)
Disposals	(33.6)	(61.9)	0.0	(95.5)
Reclassification of discontinued operations	(164.3)	(225.8)	(0.2)	(390.3)
Reclassifications	(1.2)	1.2	0.0	0.0
As of September 30, 2014	382.9	430.5	0.0	813.4
Net				
As of September 30, 2014	135.6	111.7	3.2	250.5

Fig. 26 • Property, plant and equipment—Fiscal year 2012/13

	Land and buildings (in EUR m)	Other equipment, operating and office equipment (in EUR m)	Payments on account and assets under construction (in EUR m)	Total (in EUR m)
Acquisition costs				
As of October 1, 2012	0.0	0.0	0.0	0.0
Currency adjustments	(1.6)	(2.1)	0.0	(3.7)

	Land and buildings (in EUR m)	Other equipment, operating and office equipment (in EUR m)	Payments on account and assets under construction (in EUR m)	Total (in EUR m)
Increases/decreases resulting from business combinations	677.5	824.4	6.5	1,508.4
Additions	12.4	31.0	10.5	53.9
Disposals	(26.2)	(52.9)	(0.9)	(80.0)
Reclassifications	0.4	1.3	(1.8)	(0.1)
As of September 30, 2013	**662.5**	**801.7**	**14.3**	**1,478.5**
Accumulated amortization				
As of October 1, 2012	**0.0**	**0.0**	**0.0**	**0.0**
Currency adjustments	(1.0)	(1.7)	0.0	(2.7)
Increases/decreases resulting from business combinations	455.7	646.7	0.0	1,102.4
Additions	27.1	51.0	0.0	78.1
Impairments in accordance with IAS 36	3.2	3.8	0.0	7.0
Disposals	(25.5)	(52.3)	0.0	(77.8)
Reclassifications	0.3	(0.3)	0.0	0.0
As of September 30, 2013	**459.8**	**647.2**	**0.0**	**1,107.0**
Net				
As of September 30, 2013	**202.7**	**154.5**	**14.3**	**371.5**

Scheduled depreciation and amortization in continued operations in the fiscal year amounted to 72.7 million EUR (2012/13: 60.7 million EUR). Scheduled depreciation and amortization in discontinued operations amounted to 39.0 million EUR (2012/13: EUR 36.8 million).

Impairment tests for property, plant and equipment at store level as cash generating units (CGUs), led to write-downs totaling 1.4 million EUR (2012/13: 4.6 million EUR) for the continued operations in the fiscal year under review. Ongoing negative contributions towards profits and the intended closure of stores trigger the performance of impairment tests on the CGUs.

As part of impairment testing, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is calculated as being the value in use of the future Cash Flows based on internal forecasts. Sensitivity planning assumptions include sales growth, gross profit forecasts, estimates of replacement investments in the store network, and the ratio of personnel expenses to sales on the basis of individual stores. The forecasts are based on the fixed term of the respective lease agreements. The forecast period is between one and ten years. Calculations are based on interest rates of between 7.5 percent and 16.7 percent (2012/13: 7.3 percent and 18.8 percent) before taxes.

The carrying amount of intangible assets with indefinite useful lifes, amounts to a total of 1,190.8 million EUR. This amount includes 525.8 million EUR in goodwill in the Perfumery division, 277.8 million EUR of which is attributable to the French perfumery chain Nocibé that was acquired in the past fiscal year. A further 488.2 million EUR is attributable to the Douglas brand and 139.6 million EUR to the Nocibé brand. In addition, location advantages associated with the leasehold interests that were purchased from the prior tenant are capitalized. The useful life of these assets is independent of the term of the rental agreement. A total of 34.7 million EUR is attributable to various locations in France and 2.5 million EUR to one location in Vienna. In the prior year, the carrying amount of intangible assets with indefinite useful lifes amounted to 891.9 million EUR. This amount included goodwill attributable to discontinued operations in the amount of 70.4 million EUR as well brands in the amount of 72.7 million EUR.

In the prior year, goodwill was allocated to the former Perfumery, Book, Jewelry, Fashion and Confectionery segments. In line with the focus on the perfumery business, new regional segments were created within the Perfumery Division in fiscal year 2013/14. The goodwill allocated to the Douglas perfumeries in the prior year was reallocated to the new regional operating segments according to their profitability. The carrying amounts as of the balance sheet date amounted to 156.6 million EUR for Germany, 11.8 million EUR for France, 51.5 million EUR for South Western Europe and 28.0 million EUR for Eastern Europe. The total goodwill attributable to France including Nocibé amounts to 289.6 million EUR. The four regional segments are the basis for the annual impairment testing of goodwill. The Beauty Holding Zero Group has been pursuing a two-brand strategy since the acquisition of the Nocibé Group. In the regions

Germany, South Western Europe and Eastern Europe, products are marketed under the Douglas brand, whereas the Nocibé brand is exclusively used in France.

According to IAS 36, existing goodwill is subject to an impairment test at least once a year. As it is the case for impairment tests for tangible assets, the carrying amount of the CGUs is compared with the recoverable amount of the CGUs, with the recoverable amount in the Beauty Holding Group being defined as the value in use based on the discounted future Cash Flows from the internal forecast. Sensitivity planning assumptions include sales growth, gross profit forecasts, estimates of replacement investments in the store network, and the ratio of EBITDA to sales. The forecasts are based on both internal company estimates and experience values as well as external macroeconomic data.

The forecasts were developed on the basis of actual historic values and take into account an increase in sales for the operating segments of 2.0 percent annually as well as a marginal rise in profitability. The forecasted sales increase is expected mainly in the e-commerce division, which saw above-average growth rates in recent years. An increase in profitability between 0.0 percentage points and 0.7 percentage points, depending on the segment, is expected in the medium term due to the use of synergy effects. Forcasts do not comprise future measures and business expansions.

The forecasts are based on detailed forecast periods of four years, which corresponds to the companies' standardized forecasting system, and a subsequent constant perpetual annuity. The calculations are based on a risk-adjusted growth rate of 1.0 percent. For discounting purposes, interest rates of 7.49 percent and 7.99 percent after tax were applied, which correspond to interest rates of 11.0 percent and 11.75 percent before taxes.

Impairment testing applied to goodwill did not lead to any impairments in the fiscal year under review. Leaseholds of 0.9 million EUR were subject to impairment in fiscal year 2012/13.

In addition to the impairment tests, sensitivity analyses were performed. Regarding goodwill of the individual divisions, impairment requirements would arise if, the following parameters were used instead in the calculation with at least the following amounts, assuming all other parameters remain unchanged.

Fig. 27 • Sensitivity analysis goodwill

	Interest rate before taxes (in percentage points)	Change in sales increase (in percentage points)	Change in EBITDA (in percentage points)
Germany	0.5	(2.1)	(0.9)
France	0.3	(1.2)	(0.5)
South Western Europe	2.6	(9.1)	(2.3)
Eastern Europe	0.2	(0.9)	(0.3)

In the opinion of management, it is currently unlikely that the above-mentioned parameters would change so much for the worse that impairments would have to be carried out on goodwill or the intangible assets with indefinite useful lifes.

As of the balance sheet date, intangible assets and property, plant and equipment totaling 798.0 million EUR (September 30, 2013: 184.5 million EUR) had been pledged to a syndicate of banks as collateral for bank loans.

Finance leases

As of the balance sheet date, there were no Group companies with material finance leases.

Operate leases

Contracts qualifying as operating leases within the Beauty Holding Group mostly comprise store rental agreements. As a rule, these agreements are concluded for a basic rental period of ten years and contain lease extension options. The operating lease values shown do not include any lease extension options. The lease installments are based on both variable and fixed lease payments. The minimum lease payments from operating lease agreements for continued operations amounted to 184.7 million EUR (2012/13: 177.0 million EUR) Contingent rent payments resulting from sales-based lease agreements amounted to 2.8 million EUR (2012/13: 1.0 million EUR).

Fig. 28 • Operating leases

	Less than 1 year (in EUR m)		1 to 5 years (in EUR m)		More than 5 years (in EUR m)		Total (in EUR m)	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Obligations from operating leases	279.2	273.4	583.2	633.9	149.1	173.6	1,011.5	1,080.9
Income from subleases	16.6	15.9	40.4	39.8	19.7	7.1	76.7	62.8

Fig. 29 • Operating leases from continued operations

	Less than 1 year (in EUR m)		1 to 5 years (in EUR m)		More than 5 years (in EUR m)		Total (in EUR m)	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Obligations from operating leases	180.8	152.8	356.7	333.5	78.8	85.3	616.3	571.6
Income from subleases	10.2	8.4	27.5	21.6	17.9	3.5	55.6	33.5

13. Deferred taxes

Deferred taxes were calculated on the differences between the IFRS carrying amount and the tax base and can be broken down to the individual balance sheet items as follows:

Fig. 30 • Deferred taxes

	09/30/2014		09/30/2013	
	Assets (in EUR m)	Liabilities (in EUR m)	Assets (in EUR m)	Liabilities (in EUR m)
Intangible assets	12.4	223.8	3.4	201.9
Property, plant and equipment	2.3	1.7	18.0	6.5
Inventories	7.0	2.0	7.0	0.3
Financial assets	3.1	6.0	0.4	0.1
Other assets	(0.5)	0.5	0.0	0.0
Provisions	5.2	0.6	16.1	0.2
Financial liabilities	1.7	16.4	1.6	17.0
Other liabilities	2.4	0.0	0.0	0.0
Retained earnings	0.0	0.0	0.0	0.2
Tax loss carryforwards	10.1	0.0	4.3	0.0
Total	**43.7**	**251.0**	**50.8**	**226.2**
Offsetting	(2.9)	(2.9)	(8.9)	(8.9)
Carrying amount	**40.8**	**248.1**	**41.9**	**217.3**

The temporary differences recognized for deferred taxes mainly constitute intangibles that have been recognized within the course of acquisitions measured at Fair Value, impairments on property, plant and equipment as well as accounting and valuation differences in provisions.

Deferred tax assets on loss carryforwards were recognized for entities, for which budget forecasts gave substantial indications of recoverability, sufficient deferred tax liabilities were available or where the use of loss carryforwards could be realized by appropriate tax planning measures.

14. Inventories

Fig. 31 • Inventories

	09/30/2014 (in EUR m)	09/30/2013 (in EUR m)
Finished goods and merchandise	535.6	651.3
Raw materials, consumables and supplies	5.9	11.2
Advances to suppliers for merchandise	1.4	1.9

	09/30/2014 (in EUR m)	09/30/2013 (in EUR m)
Total	**542.6**	**664.4**

In the prior year, 401.5 million EUR in inventories were attributable to continued operations. In the fiscal year 2013/14, impairments on the net realizable value amounted to 23.4 million EUR (2012/13: 28.1 million EUR), of which 7.8 million EUR were attributable to continued operations (September 30, 2013: 11.3 million EUR). As of balance sheet date, inventories in the amount of 311.5 million EUR (September 30, 2013: 250.1 million EUR) had been pledged to a syndicate of banks as collateral for bank loans.

15. Trade receivables

Trade receivables primarily include settlement receivables from credit card organizations as well as from Douglas Card customers. A total of 1.2 million EUR (2012/13: 1.1 million EUR) was written down to account for default risks in the companies from continued operations. The write-downs on trade receivables are shown under other operating expenses. These receivables are due immediately, do not bear interest and are therefore not exposed to any interest rate risk. The carrying amount of the receivables are basically equivalent to their Fair Values. The maximum default risk corresponds to the carrying value as of balance sheet date.

16. Financial assets

Fig. 32 • Financial assets

	09/30/2014 With a remaining term of		09/30/2013 With a remaining term of	
	Up to 1 year (in EUR m)	More than 1 year (in EUR m)	Up to 1 year (in EUR m)	More than 1 year (in EUR m)
Bonuses	81.7		70.9	
Equity participations		3.0		4.2
Securities			0.1	
Other financial assets	9.1	6.5	14.7	0.5
Total	**90.8**	**9.5**	**85.7**	**4.7**

Equity participations are investments in equity instruments of unlisted companies and are carried at cost. Their Fair Values cannot be reliably measured because no market values and no actual finance information for these instruments are availabe due to different balance sheet dates. Furthermore, it is not possible to state a range of estimated values.

Securities are designated as “available-for-sale” and therefore carried at Fair Value. Changes in Fair Value are recognized in equity as a separate component without affecting the income statement.

A total 58.1 million EUR of the 70.9 million EUR in bonuses in the prior year was attributable to continued operations. Other financial assets included 2.2 million EUR in balances owed in supplier accounts as of the balance sheet date. As of September 30, 2013, this amounted to 5.9 million EUR, of which 2.0 million EUR was attributable to continued operations. In addition, other financial assets included receivables from rental agreements in the amount of 6.1 million EUR (September 30, 2013: 7.1 million EUR, of which 5.9 million EUR was attributable to continued operations).

All other financial assets are non-interest bearing financial instruments. The carrying amount of other financial assets are basically equivalent to their Fair Values.

As of the balance sheet date, trade receivables and other financial assets in the amount of 60.5 million EUR (September 30, 2013: 76.5 million EUR) had been pledged to a syndicate of banks as collateral for bank loans. All shares in subsidiaries have also been pledged.

The maximum default risk corresponds to the carrying value as of the balance sheet date.

Fig. 33 • Analysis of financial assets not impaired

	Not due (in EUR m)	Past due < 30 days (in EUR m)	Past due > 30 days (in EUR m)
Trade receivables			
09/30/2014	0.0	36.8	2.3
09/30/2013	0.0	58.8	3.8
of which attributable to continued operations	0.0	38.3	2.5
Other receivables			
09/30/2014	98.2	2.1	0.0
09/30/2013	88.3	2.1	0.0
of which attributable to continued operations	65.1	1.6	0.0

With respect to receivables that are neither impaired nor past due, there were no indications of uncollectibility from the debtor as of the balance sheet date. No cash receipts relating to receivables fully written-off in prior periods were recognized in the fiscal year under review. No receivables for which previous write-downs were not recognized were subject to direct write-downs.

Fig. 34 • Write-downs on capitalized financial instruments

	Loans and receivables (in EUR m)	
	2013/14	2012/13
As of October 1	7.8	0.0
Changes to consolidated group	0.2	6.1
Additions	1.2	2.3
Reversal	(0.4)	(0.3)
Utilization	(0.5)	(0.2)
Currency translation adjustments	(0.1)	(0.1)
Reclassification discontinued operations	(4.7)	0.0
As of September 30	3.5	7.8

Impairment losses were not recognized on other financial assets in the fiscal year under review.

17. Other assets

Other assets primarily include deferred prepaid expenses.

18. Cash and cash equivalents

The largest item of cash and cash equivalents is bank balances. It also includes checks and cash in hand. The Cash Flow statement provides a detailed analysis of the movement in cash and cash equivalents. Cash and cash equivalents from continued operations amounted to 218.8 million EUR (September 30, 2013: 115.4 million EUR) as of the balance sheet date. The maximum default risk corresponds to the carrying value as of the balance sheet date.

As of the balance sheet date, bank balances in the amount of 202.8 million EUR (September 30, 2013: 103.4 million EUR) had been pledged to a syndicate of banks as collateral for bank loans.

19. Assets held for sale

The assets held for sale item includes assets whose carrying amounts are realized through sale and not through continued use. These assets are recognized at the lower of carrying amount and Fair Value less selling costs.

The Books, Jewelry and Fashion segments were sold on October 1, 2014. These segments are accordingly reported as held for sale in the consolidated financial statements (see “30. Events after balance sheet date”).

The assets of individual perfumery stores (especially shopfittings) in France in the amount of 1.7 million EUR, which had to be sold in the course of acquisition of Nocibé due to antitrust regulations, are reported under this item. These are entirely attributable to the France segment.

Writing down the disposal group to the lower of carrying amount and Fair Value less selling costs resulted in impairment expenses of 38.4 million EUR. These expenses are reported in the earnings from discontinued operations and reduced the carrying amount of goodwill by 3.1 million EUR. The carrying amounts of other intangible assets (9.0 million EUR), property, plant and equipment (22.3 million EUR) and financial assets (4.0 million EUR) were also reduced.

Fig. 35 • Material balance sheet items in discontinued operations

	09/30/2014 (in EUR m)
Intangible assets	143.1
Property, plant and equipment	79.1
Financial assets	46.2
Other assets	7.3
Inventories	251.2
Cash and cash equivalents	64.7
Tax receivables	2.9
Deferred tax assets	8.5
Provisions	67.4
Financial liabilities	146.9
Other liabilities	37.0
Tax liabilities	9.7
Deferred tax liabilities	24.9

Fig. 36 • Material components of profit or loss in discontinued operations

	2013/14 (in EUR m)	2012/13 (in EUR m)
Sales	1,393.0	1,232.3
Cost of raw materials, consumables and supplies and merchandise	(768.9)	(806.8)
Other income	69.9	48.7
Other expenses	(603.8)	(543.2)
EBITDA	**90.2**	**(69.0)**
Depreciation and amortization	(83.4)	(40.2)
Financial result	(7.5)	(7.3)
EBT	(0.7)	(116.5)
Tax expense	(19.2)	22.5
Profit or loss for the year	**(19.9)**	**(94.0)**

20. Equity

Share capital

Issued capital stock totaled 25,000.00 EUR as at balance sheet date. Share capital is entirely paid-in.

Share premium

Additional paid-in capital includes capital contributions of Beauty Holding Zero GmbH shareholders in excess of share capital.

Reserves

Fig. 37 • Reserves

	09/30/2014 (in EUR m)	09/30/2013 (in EUR m)
Loss carried forward	(314.7)	(211.5)
Reserve for the valuation of hedging instruments	(5.0)	(2.2)
Reserve for the recognition of actuarial gains/losses from pension provisions	(2.9)	1.2
Deferred taxes recognized directly in equity	2.5	0.4
Reserve for currency translation differences	(3.6)	(3.0)
Total	**(323.7)**	**(215.1)**

Deferred taxes recognized directly in equity are composed of a 1.8 million EUR (September 30, 2013: 0.7 million EUR) reserve for Cash Flow hedges and a 0.7 million EUR (September 30, 2013: (0.3) million EUR) reserve for actuarial gains and losses from pension provisions. A total of 0.3 million EUR of the amounts recognized directly in equity is attributable to discontinued operations. This amount includes actuarial gains and losses from pension provisions and the deferred taxes accrued on these.

Dividend payments

The distribution of dividends by Beauty Holding Zero GmbH is determined by the company's financial statements according to German GAAP. There are no dividend payments planned for the fiscal year 2013/14.

21. Pension provisions

Pension provisions are formed for commitments arising from pension entitlements and ongoing payments to employees and former employees and their surviving dependents. The pension entitlements usually relate to a payment for contractually agreed old-age pensions as a monthly amount. These commitments are accounted for in accordance with the requirements of IAS 19. The Group has applied the provisions of the revised IAS 19. Consequently, actuarial gains and losses are recognized directly and in full via a separate equity component. The measurement for German subsidiaries is valued based on actuarial reports pursuant to the following parameters:

Fig. 38 • Calculation parameters

	09/30/2014 (in %)	09/30/2013 (in %)
Interest rate	2.7	3.3
Pension benefit increase rate	2.5	2.5
Increase in consumer price index	1.5	2.0

The interest rates for the foreign subsidiaries reflecting the country specific risks range between 1.85 percent and 2.5 percent with the discounting of commitments and the calculation of interest income on plan assets. Further parameters sued for the calculation are the pension benefit increase rate during the expectancy period of between 1.2 percent and 2.0 percent and the pension increase of 0.0 percent to 0.5 percent.

Dr. Heubeck's 2005 "Mortality Tables" or comparable country-specific mortality tables were used as a basis for the biometric parameters.

Company pensions in the Beauty Holding Group are based primarily on defined benefit plans.

Parfumerie Douglas Nederland B.V. takes part in a multi-employer plan, which basically qualifies as a defined benefit plan. However, due to the lack of necessary information, this plan qualifies as a defined contribution plan. The recognized expense due to this plan amounts to 1.7 million EUR (2012/13: 1.5 million EUR). Payments of about the same amount are expected for the coming fiscal year. A total of 22.1 million EUR was added for defined contribution plans in the past fiscal year.

Fig. 39 • Reconciliation of Defined Benefit Obligation (DBO) and Defined Benefit Liability (DBL)

	09/30/2014		09/30/2013	
	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)
DBO	29.8	16.8	31.7	39.0
Fair Value of plan assets	0.0	(13.8)	0.0	(31.5)
Currency translation adjustment	0.0	0.0	0.0	0.0
DBL	**29.8**	**3.0**	**31.7**	**7.5**

Fig. 40 • DBO reconciliation

	2013/14		2012/13	
	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)
DBO as of October 1	**31.7**	**39.0**	**0.0**	**0.0**
Changes in basis of consolidation	1.0	0.0	31.8	38.8
Disposals	0.0	(22.0)	0.0	0.0
Actuarial gains or losses from changes in financial assumptions	2.4	1.0	0.2	(0.3)
Service cost	0.4	0.6	0.3	2.5
Interest cost	1.0	0.5	0.8	0.9
Past service cost	0.0	0.1	0.0	0.0
Plan curtailments/settlements	0.0	0.0	0.0	0.0
Insurance premiums	0.0	0.0	0.0	0.0
Contributions	0.0	0.0	0.0	0.0
Pension payments	(1.7)	(0.7)	(1.4)	(2.5)
Currency translation adjustments	0.0	0.1	0.0	(0.4)
Reclassification of discontinued operations	(5.0)	(1.8)	0.0	0.0
DBO as of September 30	**29.8**	**16.8**	**31.7**	**39.0**

Fig. 41 • Period pension expenses

	2013/14		2012/13	
	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)
Service cost	0.4	0.6	0.3	2.5
Interest cost	1.0	0.5	0.8	0.9
Expected return on plan assets	0.0	(0.4)	0.0	(0.8)
Past service cost	0.0	0.1	0.0	0.0
Income/expense from pension plan changes	0.0	0.0	0.0	0.0
Period pension expenses	**1.4**	**0.8**	**1.1**	**2.6**

The total pension expense within continued operations in the prior year amounted to 2.0 million EUR.

Pension payments in the amount of 1.9 million EUR are expected for the fiscal year 2013/14.

Fig. 42 • Development of plan assets

	2013/14 (in EUR m)	2012/13 (in EUR m)
Plan assets as of October 1	**31.5**	**0.0**
Changes in basis of consolidation	0.0	31.5
Disposals	(17.3)	0.0
Expected return on plan assets	0.4	0.8
Actuarial gains or losses from changes in financial assumptions	0.3	0.8
Contributions	1.1	0.9
Currency translation adjustment	0.0	(0.3)
Plan costs	0.0	0.0
Payments	(0.9)	(2.2)
Reclassification of discontinued operations	(1.3)	0.0
Plan assets as of September 30	**13.8**	**31.5**

Plan assets are primarily composed of reinsurance policies. Contributions to plan assets in the amount of approximately 1.0 million EUR are expected for the coming fiscal year.

An increase of 0.7 percentage points in the discount rate would reduce the present value of the defined benefit obligations by 4.1 million EUR (September 30, 2013: 6.7 million EUR). A decrease of 0.7 percentage points in the discount rate would increase the benefit obligations by 4.8 million EUR (September 30, 2013: 8.0 million EUR). An increase or a decrease of 0.5 percentage points in the expected pension trend while other parameters were unchanged would increase the present value of the defined benefit obligations by 2.3 million EUR (September 30, 2013: 3.5 million EUR) or decrease the present value of the defined benefit obligations by 2.1 million EUR (September 30, 2013: 3.3 million EUR).

22. Provisions

Fig. 43 • Statement of changes in non-current provisions

	Human resources commitments (in EUR m)	Provisions for purchase price annuities (in EUR m)	Real estate commitments (in EUR m)	Other provisions (in EUR m)	Total (in EUR m)
10/01/2013	**18.4**	**0.4**	**16.7**	**2.0**	**37.5**
Utilization	(1.8)	0.0	(7.3)	(0.1)	(9.2)
Reversal	(0.2)	0.0	(5.4)	(0.5)	(6.1)
Additions	1.8	0.0	3.1	0.3	5.2
Reclassification to current provisions	0.0	0.0	(0.4)	0.1	(0.3)
Changes in basis of consolidation	(0.6)	0.0	0.0	0.6	0.0
Interest	0.2	0.0	0.1	0.1	0.4
Currency translation adjustments	0.0	0.0	0.0	0.0	0.0
Reclassification of discontinued operations	(4.3)	(0.4)	(5.8)	(0.9)	(11.4)
09/30/2014	**13.5**	**0.0**	**1.0**	**1.6**	**16.1**

Fig. 44 • Statement of changes in current provisions

	Human resources commitments (in EUR m)	Real estate commitments (in EUR m)	Other provisions (in EUR m)	Total (in EUR m)
10/01/2013	**74.6**	**6.5**	**56.0**	**137.1**
Utilization	(59.7)	(3.4)	(43.3)	(106.4)
Reversal	(3.3)	(0.8)	(8.7)	(12.8)
Additions	74.8	6.3	50.0	131.1

	Human resources commitments (in EUR m)	Real estate commitments (in EUR m)	Other provisions (in EUR m)	Total (in EUR m)
Reclassification to non-current provisions	(0.1)	0.0	0.4	0.3
Changes in basis of consolidation	(1.0)	(0.3)	20.1	18.8
Interest	0.0	0.0	0.0	0.0
Currency translation adjustments	(0.1)	(0.1)	0.1	(0.1)
Reclassification of discontinued operations	(24.4)	(3.8)	(22.3)	(50.5)
09/30/2014	60.8	4.4	52.3	117.5

Other current provisions are comprised as follows:

Fig. 45 • Other current provisions

	09/30/2014 (in EUR m)	09/30/2013 (in EUR m)
Deliveries and services not yet invoiced	39.2	39.5
Litigation costs	4.9	3.7
Supervisory Board remuneration	0.6	0.6
Onerous contracts	1.3	0.7
Costs of annual financial statements preparation	0.1	0.2
Customer bonus programs	0.0	0.0
Interest	0.2	0.0
Other	6.0	11.3
Total	52.3	56.0

23. Financial liabilities

Fig. 46 • Financial liabilities

		Remaining term				Remaining term		
	09/30/2014 (in EUR m)	Up to 1 year (in EUR m)	Between 1 and 5 years (in EUR m)	More than 5 years (in EUR m)	09/30/2013 (in EUR m)	Up to 1 year (in EUR m)	Between 1 and 5 years (in EUR m)	More than 5 years (in EUR m)
Liabilities to banks	1,078.7	20.2	0.0	1,058.5	838.4	33.8	144.8	659.8
Advance payments received	0.0				1.9	1.9		
Financial liabilities from the valuation of options from non-controlling interests	2.6	0.5	2.1		3.1	1.1	2.0	
Derivative financial instruments	5.1		5.1		2.5		2.5	
Liabilities to third-party shareholders	594.1			594.1	302.3			302.3
Other financial liabilities	25.3	25.3			19.2	19.2		
Total	1,705.8	46.0	7.2	1,652.6	1,167.4	56.0	449.1	662.3

Financial liabilities from valuation of options from non-controlling interests are related to minority interests with cancellation and rights of disposal.

24. Other liabilities

Other liabilities include liabilities from gift vouchers not yet redeemed, liabilities from the customer loyalty program and deferred income. As of the balance sheet date, September 30, 2014, these liabilities included 36.1 million EUR that was attributable to discontinued operations.

25. Cash Flow statement

In compliance with the requirements of IAS 7, the Cash Flow statement shows how the cash and cash equivalents balance of the Group changed during the reporting period from Cash Flows from operating, investing and financing activities. Cash and cash equivalents amounted to 218.8 million EUR as of September 30, 2014. Of this amount, 64.7 million EUR was attributable to discontinued operations, resulting in total cash and cash equivalents of 283.5 million EUR:

Fig. 47 • Reconciliation cash and cash equivalents

	10/01/2013 to 09/30/2014			10/01/2012 bis 09/30/2013		
	Continued operations (in EUR m)	Discontinued operations (in EUR m)	Group total (in EUR m)	Continued operations (in EUR m)	Discontinued operations (in EUR m)	Group total (in EUR m)
Cash and cash equivalents at beginning of fiscal year	115.4	110.9	226.3	0.1	0.0	0.1
Net change in cash and cash equivalents	103.5	(46.1)	57.4	115.5	110.9	226.4
Net change in cash and cash equivalents due to currency translation	(0.1)	(0.1)	(0.2)	(0.2)	0.0	(0.2)
Cash and cash equivalents at end of fiscal year	218.8	64.7	283.5	115.4	110.9	226.3

The Cash Flow statement differentiates between changes in Cash Flows from operating, investing and financing activities.

A cash inflow from operating activities was generated in the amount of 223.3 million EUR (prior year: 247.5 million EUR). Amortization and depreciation relate to intangible assets in the amount of 16.0 million EUR (prior year: 12.9 million EUR) and property, plant and equipment of 58.1 million EUR (prior year: 53.4 million EUR). The increase in provisions of 14.6 million EUR (prior year: 11.8 million EUR) contains a change in non-current and current provisions as well as transfers from business transactions that are reported in the Cash Flow movement from investing activities. The line item for gains/losses on the disposal of non-current assets includes transfers to the Cash Flow movement from investing activities. Changes in inventories, trade receivables and other assets not classifiable to investing or financing activities in the amount of 21.1 million EUR (prior year: 315.6 million EUR) shows the change in the corresponding positions corrected by items classifiable to investing or financing activities. This also applies to changes in trade payables and other liabilities that are not classifiable to investing or financing activities in the amount of (7.9) million EUR (prior year: (128.9) million EUR).

A cash outflow resulted for investing activities in the amount of 183.1 million EUR in the fiscal year under review (prior year: 1,472.8 million EUR). Of the total capital expenditure amount of 51.9 million EUR (prior year: 33.9 million EUR) in continued operations, 46.6 million EUR (prior year: 31.6 million EUR) went to property, plant and equipment and 5.3 million EUR (prior year: 2.3 million EUR) to intangible assets. Payments for the acquisition of consolidated companies and other business units in the reporting period related to the acquisition of the French Nocibé perfumery chain and are equivalent to the purchase price less the acquired cash and cash equivalents. In the prior year, this position contained the purchase price less the acquired cash and cash equivalents for the shares in the DOUGLAS Group.

A cash outflow resulted for financing activities in the amount of 17.2 million EUR (prior year: 1,451.7 million EUR), which largely comprises of the raising and repayment of financial debt as well as interest paid and received. The prior year included payments of 6.1 million EUR to meet liabilities to non-controlling shareholders, relating to stepping up the shareholding interests in IRIS DOUGLAS d.d., Zagreb (Croatia) and S.I.A. Douglas Baltic, Riga (Latvia).

26. Fair Value of financial instruments

Fig. 48 • Fair Value—09/30/2014

	Carrying amount (in EUR m)	Amortized cost (in EUR m)	Fair Value through profit and loss (in EUR m)	Fair Value, changes recognized directly in equity (in EUR m)	Fair Value (in EUR m)
ASSETS					
Loans and receivables					
Trade receivables	39.2	39.2			39.2
Other financial assets	97.3	97.3			97.3
Financial instruments: Available for sale					
Equity participations	3.0	3.0			3.0
EQUITY AND LIABILITIES					
Derivative financial instruments	5.1			5.1	5.1
Other financial liabilities					
Trade payables	207.1	207.1			207.1
Liabilities to banks	1,078.7	1,078.7			1,120.3
Liabilities to shareholders	594.1	594.1			620.1
Liabilities from minority options	2.6				2.6
Other liabilities	25.2	25.2			25.3

Fig. 49 • Fair Values—09/30/2013

	Carrying amount (in EUR m)	Amortized cost (in EUR m)	Fair Value through profit and loss (in EUR m)	Fair Value, changes recognized directly in equity (in EUR m)	Fair Value (in EUR m)
ASSETS					
Loans and receivables					
Trade receivables	62.6	62.6			62.6
Other financial assets	86.1	86.1			86.1
Financial instruments: Available for sale					
Equity participations	4.3	4.3			4.3
Securities	0.1			0.1	0.1
EQUITY AND LIABILITIES					
Derivative financial instruments				2.5	2.5
Other financial liabilities					
Trade payables	265.7	265.7			265.7
Liabilities to banks	838.4	838.4			882.6
Liabilities to shareholders	302.3	302.3			316.2
Liabilities from minority options	3.1				3.1
Other liabilities	23.6	23.6			23.6

27. Management of financial risks

The financial management of the DOUGLAS HOLDING AG is responsible for the Beauty Holding Group's financing and supports decision-makers in the German and foreign Group companies in respect of all financial issues.

The uniform presence of the subsidiaries of Beauty Holding Zero GmbH facilitates better conditions on the financial markets, and the bundling of the financing volumes of all domestic Group companies allows optimal use of the resources available as part of a cash management system.

The financial risks relevant to the Group, which are the liquidity risks, the risk of interest rate changes, default risks and risks from Cash Flow fluctuations are adequately controlled and monitored by the financial management of the Douglas Holding AG.

Liquidity risk

The Group generally has access to various sources to finance operations, investments and potential acquisitions. This includes existing cash and cash equivalents, operating Cash Flow and bank credits as well as a shareholder loan.

Beauty Holding Two GmbH took out loans in October 2012 totaling 650 million EUR as part of a senior facility agreement to finance the acquisition of DOUGLAS HOLDING AG while its subsidiaries took out loans to finance the acquisitions of DOUGLAS HOLDING AG and Douglas Finance B.V. This facility agreement was altered in October and December 2013 as well as in September 2014. Another tranche in the amount of 275 million EUR was taken out to finance the acquisition of the French Nocibé Group; a total of 47 million EUR was repaid. The interest rate for the loan was based on the EURIBOR plus a floating margin of between 3.75 percent and 5.5 percent in the fiscal year 2013/14. The margin for the senior facility agreement as of the end of the fiscal year 2013/14 stood at 4.0 percent. The loans covered by the senior facility agreement have terms of until December 2019 and June 2020.

A further 200 million EUR were financed via a mezzanine loan agreement as of December 1, 2012. The interest rate for these loans is based on the EURIBOR plus a margin of 11.5 percent; however, part of the interest is not repaid but the total loan amount is increased instead. The mezzanine financing has a term until December 2020.

Fig. 50 • Liabilities to banks (without current accounts and revolving credit facility)

09/30/2014		09/30/2013	
Nominal amount (in EUR m)	**Carrying amount (in EUR m)**	**Nominal amount (in EUR m)**	**Carrying amount (in EUR m)**
412.0	394.3	450.0	425.3
274.0	263.9		
192.0	184.2	200.0	191.3
230.0	224.0	200.0	189.2

The Group also has access to a revolving credit facility in the amount of 156.1 million EUR (September 30, 2013: 168.4 million EUR), of which 0.0 million EUR had been utilized as of the balance sheet date (September 30, 2013: 4.7 million EUR). Individual companies also have access to bilateral credit lines, of which 10.4 million EUR had been utilized as of the balance sheet date.

Beauty Holding One GmbH is financed through fixed-interest shareholder loans repayable on maturity, which amounted to 594.1 million EUR including accrued interest as of September 30, 2014. Interest on this loan amounts to 9.68 percent. The interest increases the original loan amount every year and is due when the loan matures in December 2022 or June 2024 respectively. After the balance sheet date, it was agreed that the purchase prices realized from the sale of Christ, Thalia and AppelrathCüpper in the amount of 459.3 million EUR would be used to redeem the shareholder loans. Following repayment, shareholder loans in the amount of 134.8 million EUR remain outstanding.

Beauty Holding Zero and its subsidiaries have to meet certain obligations and key financial covenants, an interest cover (EBITDA in relation to financing expenses), a leverage cover (relation of net debt to adjusted EBITDA), a Cash Flow cover (Cash Flow in relation to debt servicing), and a capex cover (ceiling for investments).

If these obligations are not met, the lenders are entitled to cancel the loan agreements with immediate effect and call upon all pledged collateral. The financial covenants are calculated on a quarterly basis and tested annually. All agreed financial covenants were adhered to in the fiscal year 2013/14. A compliance certificate was issued to the lenders in connection with this. The Executive Board of Douglas Holding AG estimates that the risk of any financial covenants not being adhered to in the fiscal year 2014/15 is low.

All of the German subsidiaries in the Perfumery division, the service companies and some subsidiaries based abroad, are linked to a cash management system (cash pooling). By combining financing volumes, short-term liquidity surpluses of individual Group companies can be used to finance the cash requirements of other Group companies. This leads to a reduction in borrowing and an optimizing of cash investments, thus having a positive impact on the Group's net interest result.

Fig. 51 • Liquidity risk

	Carrying amount (in EUR m)	Payments due within the next 30 days (in EUR m)		Payments due within 30 to 90 days (in EUR m)		Payments due within 90 to 360 days (in EUR m)		Payments due over a period of 1 to 5 years (in EUR m)		Payments due after more than 5 years (in EUR m)	
Liability	09/30/2014	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
Liabilities to banks	1,078.7	12.3			11.4		56.1		227.5	1,066.4	48.3
Liabilities to third-party shareholders	594.1	459.3								134.8	172.5
Trade payables	207.1	134.1		70.7		2.3					
Financial liabilities from the valuation of options from minority interests	2.6	0.5						2.1			
Derivative financial instruments	5.1								5.1		
Other financial liabilities	25.3	25.3									

All financial liabilities existing as of the balance sheet date September 30, 2014 and for which payments were already contractually agreed are included. Payments for future liabilities, which did not exist as of the balance sheet date, were not included. Floating interest rate payments are determined on the basis of the interest rates known as of September 30, 2014. Financial liabilities cancellable at all times are always classified to the earliest time slot. Amounts denominated in foreign currencies are translated to Euros using the closing rate.

Interest rate risk

The interest rate risk is the result of fluctuations in interest rates on the money and capital markets and market-related fluctuations of exchange rates.

The loans attributable to the Group from the senior facility agreement generally bear variable interest based on the three-month EURIBOR. The mezzanine financing is also subject to the risk of variable Cash Flow fluctuations. The variable interest on this financing is based on the six-month EURIBOR. To reduce the risk of Cash Flow fluctuations due to changes in the interest rates of the variable loans, two-thirds of the nominal amounts of the loans taken out in 2012 were hedged against interest rate risks.

For this purpose, three interest rate swaps were concluded at the level of Douglas Holding AG to hedge against the risk of interest rate fluctuations over a total nominal volume of 567 million EUR. All interest rate swaps have a term until February 22 or August 22, 2016 respectively, and the remaining Cash Flows from interest rate swaps will affect interest income during the period from October 1, 2014 to February 22 or August 22, 2016 respectively.

Fig. 52 • Interest rate swaps

	09/30/2014			09/30/2013		
	Reference amount (in EUR m)	Fair Values: Financial assets (in EUR m)	Fair Values: Financial liabilities (in EUR m)	Reference amount (in EUR m)	Fair Values: Financial assets (in EUR m)	Fair Values: Financial liabilities (in EUR m)
Interest rate swaps	567.0	0.0	5.1	567.0	0.0	2.2
of which within Cash Flow hedges	567.0	0.0	5.1	567.0	0.0	2.2

A sensitivity analysis was conducted according to IFRS 7 to quantify interest rate risks. This analysis was based on the following assumptions: Non-derivative financial instruments are only subject to interest rate risk, which is reflected in the financial result or equity, if they have been measured at Fair Value. Financial instruments measured at cost are not subject to any interest rate risks. Financial instruments with variable interest rates are subject to interest rate risks if they were not designated as the underlying transaction in a Cash Flow hedge.

A relative increase in interest rates by 100 basis points would lead to an increase in interest expense of 5.5 million EUR. Of this amount, 2.8 million EUR was attributable to the loan taken out in the prior fiscal year in the amount of 275 million EUR, which was not hedged against using interest rate swaps.

The corresponding interest rate risk in the prior year was 2.7 million EUR. If the EURIBOR were to be lowered to 0.0 percent, interest income would improve by 1.2 million EUR, of which 0.6 million EUR is attributable to the loan of 275 million EUR that was taken out in the prior year. The corresponding potential improvement in the profit margin if the EURIBOR were to be reduced to 0.0 percent amounted to 0.8 million EUR in the prior year.

Currency risk

The operating companies in the Beauty Holding Group largely conduct their activities in the respective functional currency. That is why currency risks within the Group are minimal since approximately 93 percent of the Group's sales were effected in Euros in the fiscal year, and merchandise was purchased almost exclusively in Euros. Differences arising from the translation of foreign currencies to the parent's currency for the preparation of the consolidated financial statements did not impact currency risk.

In order to hedge the residual currency risks, DOUGLAS HOLDING AG's financial management regularly reviews the Beauty Holding Group's currency items and analyzes the pros and cons of implementing derivative financial instruments.

Within the scope of IFRS 7, a sensitivity analysis was conducted for foreign currency risks. As part of this analysis, the effects from foreign currency positions, which are measured at the closing date rate pursuant to IAS 21, are included.

With respect to the currency risks, the sensitivity analysis is presented as follows: the effects from foreign currency exchange rate fluctuations in financial instruments denominated in foreign currency but not designated as hedged items as part of foreign currency hedging transactions have been included in the sensitivity analysis. In view of the result of the income statement, the Beauty Holding Group would be exposed to a net risk of (0.3) million EUR—as in the prior year—based on an appreciation in value of the Euro currency of 5 percent. A devaluation in the Euro of 5 percent would have the opposite effect in the same amount. This effect is also equivalent to the prior-year figure. The exchange rate risks mainly relate to Turkish lira and Polish zloty.

Default risk

A default risk could exist if a banking partner were to default, in particular for the inability to make payments on monetary deposits or for positive market values of derivatives. The Beauty Holding Group counters this risk in the financial statements by exclusively investing in monetary deposits and entering into financial instruments with first-rated banks. At the same time, the volume is also distributed amongst several contracting parties in order to avoid a concentration of risks. On account of the difficult global economic situation, larger monetary deposits are avoided or only opened with first-rated German banks.

Arising from the increased focus of the distribution channel on the Internet, the companies of the Beauty Holding Group are faced with a receivables default risk, which is a system-inherent risk in mail ordering. For this reason, the companies operate an effective and constantly optimized debtor management system including consistent dunning procedures.

28. Capital management

The purpose of capital management is to maintain equity in conformity with IFRS. The goal of the Beauty Holding Group's capital management is to assure that the Group can continue to meet its financial obligations and that the financial covenants from the syndicated loans are met. Another of the goals of capital management is to sustain the business value on a long-term basis. The aim of the capital management strategy is to ensure that all the Group companies have appropriate equity according to local needs, such that external capital requirements have always been met in the past fiscal year.

Fig. 53 • Capital

		09/30/2014	09/30/2013
Equity	EUR m	315.1	434.6
Debt	EUR m	2,503.0	2,075.2
Liabilities to banks	EUR m	1,078.7	838.4
Cash and cash equivalents	EUR m	218.8	226.3
Net debt	EUR m	859.9	612.1

Net debt includes liabilities to banks. The subordinated shareholder loans are not taken into account when calculating net debt, since they are not part of the calculation methodology of the financial covenants. Details of these financial covenants are provided in Note 27.

29. Liabilities to minority (non-controlling) shareholders

An obligation exists to acquire the shares of non-controlling shareholders of a subsidiary as soon as the shares are tendered. Additionally, partnerships have cancellation rights with the consequence that in the event of termination, a severance payment at Fair Value would be payable to the minority shareholders.

In accordance with IAS 32, these liabilities are accounted for at Fair Value. Therefore the individual commitments were measured in accordance with the respective agreements. This resulted in a commitment totaling 2.6 million EUR (30.09.2013: 3.1 million EUR) as of the balance sheet date.

30. Events after the balance sheet date

On October 1, 2014, the companies of discontinued operations Books (Thalia), Jewelry (Christ) and Fashion (AppelrathCüpper) were sold to a related company. The Jewelry division was subsequently sold to third-parties. The purchase price for all divisions totaled 459.3 million EUR. The purchase agreements take into account an adjustment of the purchase price in favor of the Beauty Holding Group in the event of a resale of the companies. The purchase price cannot be reduced. The total purchase price of 459.3 million EUR was used to repay the shareholder loan, which was accordingly reduced to 134.8 million EUR.

31. Segment reporting

Segment reporting covers the four business segments whose financial key performance indicators are presented to the Executive Board of Douglas HOLDING AG as the chief operating decision-maker since September 2014 on a regular basis as part of the internal reporting and based on which the Executive Board makes decisions and allocates resources. These four operating segments correspond to the new regionally structured divisions of the Beauty Holding Group and at the same time represent the lower limit for the allocation of goodwill. Service and holding companies are allocated to the regional segments according to their place of registered business. With the decision not to pursue the Books, Jewelry and Fashion business operations, internal reporting has been adapted to the new regional structure. The prior-year amounts disclosed in the segment reporting have also been adapted to this structure.

The earnings of the operational business segments are determined in compliance with the accounting and valuation methods applied to the consolidated financial statements. Transfers between segments are at the same prices that would apply between third parties (arm's length transactions).

Segment sales correspond to sales with non-Group third parties. Internal sales represent sales between the individual Douglas segments.

The segment performance indicator is adjusted EBITDA. The figures have been adjusted for effects which, in the view of the Executive Board of DOUGLAS HOLDING AG are one-off or temporary in nature, as well as effects caused by the acquisition of the DOUGLAS Group by Beauty Holding Two GmbH on December 1, 2012 and comprise valuation effects relating to inventories and trade receivables. The one-off and temporary effects primarily include consulting fees in connection with the acquisition of Nocibé, the sale of the Jewelry, Books, Fashion and Confectionery divisions, the planned and restructuring costs relating to severance payments, costs for the closure of stores and the integration of Nocibé in the Beauty Holding Group. Effects in connection with the acquisition of the DOUGLAS Group by Beauty Holding Two GmbH mainly include one-off consulting fees, as well as costs incurred for consultancy services related to the financing agreements. The costs for employees that were hired to implement efficiency programs have also been adjusted, as well as increasing ongoing rental expenses, which have been contradicted and which are without legal capacity yet. The valuation effects on inventories and trade receivables relate to impairments based on age structure analyses. By contrast, corresponding write-ups are taken into account.

Inventories shown under segment reporting include purchased raw materials, consumables and supplies and advances to suppliers for inventories.

Capital expenditure shown under segment reporting relate to additions made to intangible assets and property, plant & equipment.

Segment assets generally comprise of all non-current assets. Non-current tax items are not allocated to the segment assets.

Perfumery Germany

As of the balance sheet date, Douglas operated 434 perfumeries in Germany (September 30, 2013: 438). The segment also includes all service companies with registered offices in Germany.

Perfumery France

The France segment covers 466 perfumeries in France (September 30, 2013: 92). A total of 373 stores were added in the prior fiscal year due to the acquisition of the Nocibé Group.

Perfumery South Western Europe

The South Western Europe segment includes 360 stores (September 30, 2013: 363).

Perfumery Eastern Europe

The Eastern Europe segment totals 272 stores (September 30, 2013: 264).

32. Other explanatory notes

Other financial commitments

Purchase commitments for approved capital expenditure for property, plant and equipment totaled around 19.8 million EUR (September 30, 2013: 25.1 million EUR).

Average number of employees

The average number of persons employed was:

Fig. 54 • Annual average number of employees

	2013/14		2012/13	
		of which from continued operations		of which from continued operations
Salaried employees and wage earners	22,035	15,318	21,428	13,461
Apprentices	1,822	1,020	2,085	1,051

	2013/14	of which from continued operations	2012/13	of which from continued operations
Total	23,857	16,343	23,513	14,512

Shareholdings

The list of shareholdings provides an overview of the companies included in the consolidated financial statements and of other participating interests held by the Beauty Holding Group.

Related party transactions with companies and persons

The Beauty Holding Group had the following relationships with related parties in the fiscal year from delivery and supply relationships concluded in the past:

Fig. 55 • Related companies and parties

	Payments received for deliveries and services provided (in EUR m)		Payments made for deliveries and services provided (in EUR m)	
	2013/14	2012/13	2013/14	2012/13
Parent company	0.0	0.0	36.9	22.1
Members of management in key positions	4.2	2.4	3.8	0.2
Other related companies and related persons	0.0	0.0	1.9	0.0
Total	4.2	2.4	42.6	22.3

The parent company of Beauty Holding Zero GmbH is AI Beauty & Cy SCA, Luxembourg, which holds 100 percent of the shares in Beauty Holding Zero.

Receivables from related companies/parties amounted to 1.9 million EUR as of the reporting date (September 30, 2013: 0.0 million EUR); the corresponding liabilities amounted to 37.1 million EUR (September 30, 2013: 0.4 million EUR). Business relationships with related persons are effected under the same conditions as with third parties (arm's length transaction).

Total remuneration for other key executives within the DOUGLAS Group amounted to 6,532 thousand EUR in fiscal year 2013/14 (2012/13: 5,027 thousand EUR). Pension provisions for these executives amount to 3,791 thousand EUR after 3,162 thousand EUR in the prior year, while variable salary components in the amount of 4,155 thousand EUR have been set aside as of September 30, 2014 (September 30, 2013: 2,702 thousand EUR). Payments after termination of appointment amounted to 1.2 million EUR (2012/13: EUR 1.9 million).

Expenses for auditor's fees

In accordance with Section 285 No. 17 German Commercial Code (Handelsgesetzbuch—HGB), the fees of the group auditors, RBS RoeverBroenner-Susat GmbH & Co. KG, for services in the past year are as follows:

Fig. 56 • Auditor's fees

	2013/14 (in EUR m)	2012/13 (in EUR m)
Audit of the financial statements	1.0	1.0
Other confirmation and valuation services	0.0	0.0
Tax advice	0.0	0.0
Other services	0.2	0.2
Total	1.2	1.2

Fig. 57 • Shareholdings as of September 30, 2014

No.	Company name and registered office	Group interest (in %)
	Beauty Holding Zero GmbH	
	Perfumeries	
1.	Parfümerie Douglas GmbH, Hagen/Germany	100
2.	Parfümerie Douglas Deutschland GmbH, Hagen/Germany	100
3.	Douglas Cosmetics GmbH, Düsseldorf/Germany	100
4.	Parfümerie Douglas International GmbH, Hagen/Germany	100
5.	Parfümerie Douglas Ges.m.b.H., Vienna/Austria	100
6.	Parfumerie Douglas Nederland B.V., Nijmegen/The Netherlands	100
7.	Parfumerie Douglas France S.A., Villeneuve d'Ascq/France	100
8.	Profumerie Douglas S.P.A., Villafranca di Verona/Italy	100
9.	Parfümerie Douglas AG, Baar/Switzerland	100
10	Parfumerie Douglas Inc., Westport/U.S.A.	100
11	Douglas Spain S.A., Madrid/Spain	100
12	Perfumeria Douglas Portugal Lda., Lisbon/Portugal	100
13	Douglas Ungarn Kft., Budapest/Hungary	100
14	Douglas Polska SP.z.o.o., Warsaw/Poland	100
15	Parfumerie Douglas Monaco S.A.M., Monaco/Monaco	100
16	Douglas Investment B.V., Nijmegen/The Netherlands	100
17	Parfumerie Douglas s.r.o., Prague/Czech Republic	100
18	Douglas Parfümeri Limited Sirketi, Istanbul/Turkey	100
19	SA Douglas Expansion, Villeneuve d'Ascq/France	51.4
20	Douglas Iberia Holding S.L., Madrid/Spain	100
21	LTC Lifestyle Trading Company GmbH, Hagen/Germany	100
22	Hela Beteiligungs GmbH, Hagen/Germany	100
23	HELA Kosmetik Handels GmbH & Co. Parfümerie KG, Hagen/Germany	100
24	UAB „Douglas Lithuania", Vilnius/Lithuania	100
25	SIA „Douglas Latvia", Riga/Latvia	100
26	S.I.A. Douglas Baltic, Riga/Latvia	100
27	Parf. Douglas S.R.L., Bukarest/Romania	100
28	Parfumerie Douglas Bulgaria ood, Sofia/Bulgaria	76.0
29	DESG Douglas Verwaltungs- und Beteiligungs GmbH, Zossen/Germany	100
30	Douglas Parfumerije d.o.o., Zagreb/Croatia	100
31	Douglas Einkaufs- und Service-Gesellschaft mbH & Co. KG, Zossen/Germany	100

No.	Company name and registered office	Group interest (in %)
32	Douglas Logistik GmbH, Zossen/Germany	100
33	Douglas Marken- und Lizenzen Verwaltungsgesellschaft mbH, Zossen/Germany	100
34	Douglas Marken- und Lizenzen GmbH & Co. KG, Zossen/Germany	100
35	DPB achats, Villeneuve d’Ascq/France	55.1
36	Douglas Franchise B.V., Nijmegen/The Netherlands	100
37	Parfümerie Douglas International Verwaltungs GmbH, Hagen/Germany	100
38	Parfümerie Douglas Beteiligungs GmbH, Hagen/Germany	100
39	AI Perfume France SAS, Villeneuve d’Ascq/France	100
40	Groupe Nocibé SAS, Villeneuve d’Ascq/France	100
41	Groupe Nocibé France SAS, Villeneuve d’Ascq/France	100
42	Nocibé France Development SAS, Villeneuve d’Ascq/France	100
43	Nocibeauté SAS, Villeneuve d’Ascq/France	100
44	Nocibé France SAS, Villeneuve d’Ascq/France	100
45	Nocibé France Expansion SAS, Villeneuve d’Ascq/France	100
46	Nocibé France Distribution SAS, Villeneuve d’Ascq/France	100
47	JCE Parfums SAS, Villeneuve d’Ascq/France	100
48	Beauté Parfums Cosmetique SAS, Villeneuve d’Ascq/France	100
49	Chabrier Truphème SAS, Villeneuve d’Ascq/France	100
50	Nocibé SAS, Villeneuve d’Ascq/France	100
51	Dusserre et Cie SAS, Villeneuve d’Ascq/France	100
	Books	
52	Thalia Holding GmbH, Hamburg/Germany	100
53	Thalia Universitätsbuchhandlung GmbH, Hagen/Germany	100
54	Thalia-Buchh. Erich Könnecke GmbH & Co. KG, Boysen & Maasch, Hamburg/Germany	100
55	Könnecke Buchhandelsgesellschaft mbH, Hamburg/Germany	100
56	Thalia Medienservice GmbH, Hagen/Germany	100
57	Thalia Handels GmbH, Linz/Austria	100
58	Thalia Buch & Medien GmbH, Linz/Austria	100

No.	Company name and registered office	Group interest (in %)
59	Kober & Thalia Buchhandelsgruppe Verwaltungs GmbH, Mannheim/Germany	100
60	Reinhold Gondrom GmbH & Co. KG, Kaiserslautern/Germany	100
61	R. Gondrom Verwaltungs-GmbH, Kaiserslautern/Germany	100
62	Grüttefien GmbH & Co. KG, Varel/Germany	100
63	Buch & Kunst GmbH Leipzig, Leipzig/Germany	100
64	G.D. Baedeker GmbH, Dresden/Germany	100
65	buch.de internetstores GmbH, Münster/Germany	100
66	Thalia Franchise GmbH & Co. KG, Hagen/Germany	100
67	textunes GmbH, Berlin/Germany	100
68	Thalia Franchise Verw. GmbH, Hagen/Germany	100
69	Thalia Bücher AG, Zurich/Switzerland	97.5
70	buch.de Markenverwaltung GmbH, Münster/Germany	100
71	Pocket Shop GmbH, Berlin/Germany	50.1
72	Orell Füssli Thalia AG, Zurich/Switzerland	50.0
	Jewelry	
73	Christ Juweliere und Uhrmacher seit 1863 GmbH, Hagen/Germany	100
	Fashion	
74	Reiner Appelrath-Cüpper Nachf. GmbH, Cologne/Germany	100
	Services	
75	Douglas Holding AG, Hagen/Germany	100
76	DOUGLAS Informatik & Service GmbH, Hagen/Germany	100
77	DOUGLAS Corporate Service GmbH, Hagen/Germany	100
78	DOUGLAS Immobilien GmbH & Co. KG, Hagen/Germany	100
79	DOUGLAS Versicherungsvermittlung GmbH, Hagen/Germany	100
80	DOUGLAS Immobilien GmbH, Hagen/Germany	100
81	inter-moda GmbH, Hagen/Germany	100
82	Buch & Medien GmbH, Hagen/Germany	100
83	Douglas GmbH & Co. Objekt Zeil KG, Pullach im Isartal/Germany	88

No.	Company name and registered office	Group interest (in %)
84	DOUGLAS Grundbesitz GmbH, Hagen/Germany	100
85	Douglas Finance B.V., Nijmegen/The Netherlands	100
86	Douglas Grundstücks- und Verwaltungsgesellschaft mbH, Zossen/Germany	100
87	Douglas Grundstücks- und Verwaltungsgesellschaft mbH & Co. KG, Zossen/Germany	100
88	Beauty Holding One GmbH, Frankfurt on the Main/Germany	100
89	Beauty Holding Two GmbH, Frankfurt on the Main/Germany	100
90	HWW Immobilienbeteiligungsgesellschaft mbH & Co. KG, Hagen/Germany	40
91	ARCADEON/HWW Seminar- und Tagungsbetrieb GmbH, Hagen/Germany	39.3
92	Landhotel Halden Immobilien GmbH & Co. KG, Hagen/Germany	25
93	Hapag Lloyd Reisebüro Hagen Verwaltungs GmbH, Hanover/Germany	30
94	Hapag Lloyd Reisebüro Hagen GmbH & Co. KG, Hagen/Germany	30

1) Earnings before profit transfer

2) Values as at December 31, 2013

3) Values as at September 30, 2013

Hagen, January 26, 2015

Beauty Holding Zero GmbH
Management

Gudrun Krafczik

The following auditor`s report (Bestätigungsvermerk) has been issued in accordance with Section 322 German Commercial Code (Handelsgesetzbuch/HGB) on the consolidated financial statements and the group management report (Konzernlagebericht) of Beauty Holding Zero GmbH, Frankfurt am Main/Germany, as of and for the business year from 1 October 2013 to 30 September 2014. The group management report is neither included nor incorporated by reference in this prospectus. The auditor's report and the before-mentioned consolidated financial statements are both translations of the respective German-language documents.

Translation from the German Language

Auditor's report

We have audited the consolidated financial statements prepared by Beauty Holding Zero GmbH, Frankfurt on the Main, comprising the balance sheet, the statement of comprehensive income, statement of changes in equity, Cash Flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from October 1, 2013 to September 30, 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB are the responsibility of the parent company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 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 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 the company's Board of 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 IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 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.

Hamburg/Germany, January 27, 2015

RBS RoeverBroennerSusat GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Rudolph Wirtschaftsprüfer (German Public Auditor)	Schulz-Danso Wirtschaftsprüfer (German Public Auditor)

CONSOLIDATED FINANCIAL STATEMENT OF BEAUTY HOLDING ZERO FOR THE FISCAL YEAR 2012/2013

Beauty Holding Zero GmbH, Frankfurt on the Main

Consolidated statement of comprehensive income

for the period from October 1, 2012 to September 30, 2013

Fig. 1 • Income statement

10/01/2012 to 09/30/2013	Notes	in EUR m
1. Sales	**6**	**2,866.8**
2. Cost of raw materials, consumables and supplies and merchandise		(1,744.4)
3. Gross profit from retail business		**1,122.4**
4. Other operating income	7	179,7
5. Personnel expenses	8	(631.9)
6. Other operating expenses	9	(706.8)
7. Losses on participating interests in associated companies		(0.3)
8. Income from other investments		0.3
9. EBITDA		**(36.6)**
10. Amortization/depreciation		(106.5)
11. EBIT		**(143.1)**
12. Financial income		2.6
13. Financial expenses		(94.1)
14. Financial result	10	(91.5)
15. Earnings before taxes (EBT)		**(234.6)**
16. Income taxes	12	30.1
17. Net loss for the year		(204.5)
18. Profit attributable to non-controlling interests		**0.3**
19. Profit attributable to the Group shareholders		(204.2)

Fig. 2 • Reconciliation of income of the period to comprehensive income

10/01/2012 to 09/30/2013	in EUR m
Net loss/income for the year	(204.5)
Components that will be reclassified to the income statement in the future	
Foreign currency translation differences arising from translating the financial statements of a foreign operation	(3.0)
Effective portion of Cash Flow Hedges	(1.5)
Components that will not be reclassified to the income statement in the future	
Actuarial gains/losses from pension provisions	0.9
Other income	(3.6)
Total comprehensive income	(208.1)
Total comprehensive income attributable to Group shareholders	(207.8)
Total comprehensive income attributable to non-controlling interests	(0.3)

The prior year's figures are all less than 0.1 million EUR.

Beauty Holding Zero GmbH, Frankfurt on the Main

Consolidated statement of financial position as of September 30, 2013

Fig. 3 • Consolidated balance sheet

09/30/2013	Notes	in EUR m
Assets		
A. Non-current assets		
I. Intangible assets	13	973.6
II. Property, plant and equipment	13	371.5
III. Tax receivables		6.7
IV. Financial assets	17	4.7
V. Shares in associated companies		0.3
VI. Deferred tax assets	14	41.9
		1,398.7
B. Current assets		
I. Inventories	15	664.4
II. Trade accounts receivable	16	62.6
III. Tax receivables		48.2
IV. Financial assets	17	85.7
V. Other assets	18	23.9
VI. Cash and cash equivalents	19	226.3
		1,111.1
Total		2,509.8
Equity and liabilities		
A. Equity	20	
I. Capital stock		0.0
II. Additional paid-in capital		639.7
III. Retained earnings		(215.1)
IV. Minority interests		10.0
		434.6
B. Non-current liabilities		
I. Pension provisions	21	39.2
II. Other non-current provisions	22	37.5
III. Financial liabilities	23	1,111.4
IV. Other liabilities	24	1.3
V. Deferred tax liabilities	14	217.3
		1,406.7
C. Current liabilities		
I. Current provisions	22	137.1
II. Trade accounts payable		265.7
III. Tax liabilities		57.9
IV. Financial liabilities	23	56.0
V. Other liabilities	24	151.8
		668.5
Total		2,509.8

Beauty Holding Zero GmbH, Frankfurt on the Main

Statement of changes in Group equity

Fig. 4 • Statement of changes in Group equity

			Reserves					
	Capital stock (in EUR m)	Additional paid-in capital (in EUR m)	Other retained earnings (in EUR m)	Reserve for pension provisions (in EUR m)	Results from Cash Flow Hedges (in EUR m)	Differences from currency translation (in EUR m)	Non-controlling interests (in EUR m)	Total (in EUR m)
08/14/2012								**0.0**
Capital increase		0.1						0.1
09/30/2012		0.1						0.1
10/01/2012	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Currency translation						(3.0)		(3.0)
Other comprehensive income				0.9	(1.5)			(0.6)
Net result for the period			(204.2)				(0.3)	(204.5)
Total comprehensive income	0.0	0.0	(204.2)	0.9	(1.5)	(3.0)	(0.3)	(208.1)
Capital increase		639.6						639.6
Dividend payment							(0.2)	(0.2)
Transactions with shareholders	**0.0**	**639.6**	**0.0**	**0.0**	**0.0**	**0.0**	**(0.2)**	**639.4**
Change in scope of consolidation							7.3	7.3
Acquisition of non-controlling interests			(7.3)				3.2	(4.1)
09/30/2013	**0.0**	**639.7**	**(211.5)**	**0.9**	**(1.5)**	**(3.0)**	**10.0**	**434.6**

Beauty Holding Zero GmbH, Frankfurt on the Main

Consolidated Cash Flow statement

Fig. 5 • Consolidated Cash Flow statement

10/01/2012 to 09/30/2013			in EUR m
1.		EBIT	(143.1)
2.	+	Amortization/depreciation of non-current assets	106.5
3.	+/–	Increase/decrease in provisions	(5,3)
4.	+/–	Other non-cash income/expense	16,7
5.	+/–	Profit/loss on the disposal of non-current assets	(0.2)
6.	+/–	Changes in inventories, trade accounts receivable and other assets not classifiable to investing or financing activities	517.5
7.	+/–	Changes in trade payables and other liabilities not classifiable to investing or financing activities	(207.0)
8.	–	Tax paid/received	(37.6)
9.	**=**	**Net Cash Flow from operating activities**	**247.5**
10.	+	Proceeds from the disposal of non-current assets and disposal of stores	2,5
11.	–	Investments in non-current assets	(53.7)
12.	–	Payments for the acquisition of consolidated companies and other business units	(1,421.6)
13.	**=**	**Net Cash Flow from investing activities**	**(1,472.8)**
14.		**Free Cash Flow (sum of 9 and 13)**	**(1,225.3)**
15.	+	Receipts from appropriations to equity	639.5
16.	–	Payments for the repayment of financial liabilities	(240.0)
17.	+	Proceeds from borrowings	1,090.8
18.	–	Interest paid	(32.1)
19.	+	Interest received	0.8
20.	–/+	Other financial changes	(7.3)
21.	**=**	**Net Cash Flow from financing activities**	**1,451.7**
22.	=	Net change in cash and cash equivalents (total of rows 9, 13 and 21)	226.4
23.	+/–	Net change in cash and cash equivalents due to currency translation	(0.2)
24.	+	Cash and cash equivalents at beginning of fiscal year	0.1
25.	**=**	**Cash and cash equivalents as of September 30**	**226.3**

Notes to the consolidated financial statements of Beauty Holding Zero GmbH

for the fiscal year 2012/13

1. General principles

The consolidated financial statements of the retailing group Beauty Holding Zero GmbH, which is based in Frankfurt am Main, Germany, and its subsidiaries as of September 30, 2013 have been prepared according to International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, taking into account all mandatory standards and interpretations in effect at the closing date and as adopted by the European Union. Its activities encompass retail store-based and online sales in the Perfumeries, Books, Jewelry, Fashion, and Confectionery Divisions.

The financial statements of the domestic and foreign subsidiaries included in the consolidated financial statements were prepared uniformly using IFRS classification, accounting and measurement principles. Any accounting and valuation principles varying from the Group uniform standards have been accounted for in the separate preparation of the HGB balance sheet (HB II).

All figures in the balance sheet and income statement are shown in millions of Euro (EUR m).

Beauty Holding Zero GmbH has prepared IFRS consolidated financial statements for the first time. In the prior year, the Group consisted of four holding companies founded on August 14, 2012. As the holding companies did not have any material assets and liabilities as of September 30, 2012 and did not generate any material earnings, there was no need to reconcile equity or earnings from the provisions of the German Commercial Code [Handelsgesetzbuch—HGB] to IFRS.

2. New IASB accounting standards

The consolidated financial statements of Beauty Holding Zero GmbH have been prepared taking into account all published standards and interpretations which have been adopted as part of the European Union (EU) endorsement process and for which application is mandatory for fiscal year 2012/13. Beauty Holding Zero GmbH adopted the new provisions of IAS 19 on the accounting of long-term employee benefits applicable to annual periods beginning on January 1, 2013 earlier.

The new IASB regulations that did not have to be applied in the past fiscal year yet are presented in the following review.

Fig. 6 • New regulations not yet applicable

New standards / interpretations not yet applicable			Published by IASB	Date of first-time adoption in the EU	Endorsed by the European Commission	Probable impact on the Beauty Holding Zero Group
IFRS 1	First-time Adoption of International Financial Reporting Standards	Regulations for hyperinflation and the removal of fixed dates of application for first-time adopters	12/20/2010	01/01/2013	12/11/2012	No impact
IFRS 1	First-time Adoption of International Financial Reporting Standards	Regulation regarding the prospective application of IAS 20 (Government Loans)	03/13/2012	01/01/2013	03/04/2013	No impact
IFRS 7	Financial Instruments: Disclosure	Disclosures on the offsetting of financial assets and financial liabilities	12/16/2011	01/01/2013	12/13/2012	No material impact

New standards / interpretations not yet applicable			Published by IASB	Date of first-time adoption in the EU	Endorsed by the European Commission	Probable impact on the Beauty Holding Zero Group
IFRS 9	Financial Instruments: Classification and Measurement	Regulations for the accounting of financial instruments measured at amortized cost or Fair Value	11/12/2009 and 10/28/2010	01/01/2015	Not yet	No material impact
IFRS 10	Consolidated Financial Statements	Guidelines for limiting the scope of consolidation	05/12/2011	01/01/2014	12/11/2012	No material impact
IFRS 11	Joint Arrangements	Regulations for accounting treatment of jointly controlled entities	05/12/2011	01/01/2014	12/11/2012	No material impact
IFRS 12	Disclosures of Interests in Other Entities	Disclosure requirements for interests held in other entities	05/12/2011	01/01/2014	12/11/2012	Additional disclosure requirements in the Notes
IFRS 10, 11 and 12		Transitional guidelines until these standards are applied		01/01/2014	04/04/2013	No material amendments
IFRS 13	Fair Value Measurement	Standardization of rules for measuring Fair Value	05/12/2011	01/01/2013	12/11/2012	No material impact
IAS 12	Deferred Taxes	Recovery of underlying assets		01/01/2013	12/11/2012	No material impact
IAS 19	Pensions	Recognition of contributions from employees or third parties to defined benefit plans		07/01/2014	Not yet	No material impact
IAS 27	Separate Financial Statements	Limiting IAS 27 to separate financial statements	05/12/2011	01/01/2014	12/11/2012	No impact
IAS 28	Shares in Associates and Joint Ventures	Revision of accounting rules for associated companies and joint ventures	05/12/2011	01/01/2014	12/11/2012	No impact
IAS 32	Financial Instruments: Presentation	The offsetting of financial assets and financial liabilities	12/16/2011	01/01/2014	12/13/2012	No material impact
IAS 36	Impairment of Assets	Additional disclosures relating to the different levels of Fair Value measurement as well as the valuation methods applied and key assumptions for Level 2 and Level 3 valuations	05/29/2013	01/01/2014	Not yet	Extended Notes disclosures
IAS 39	Financial	Novation of derivatives;	06/27/2013	01/01/2014	Not yet	No material

New standards / interpretations not yet applicable			Published by IASB	Date of first-time adoption in the EU	Endorsed by the European Commission	Probable impact on the Beauty Holding Zero Group
	Instruments: Recognition and Measurement	if other contractual parameters remain unchanged, the change in counterparty will not result in the termination of the hedge relationship				impact
IFRS 10/ IFRS 12/ IAS 27	Investment Entities	Exception to the consolidation requirements for investment entities	10/31/2012	01/01/2014	11/20/2013	No impact
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Stripping costs in the production phase of a surface mine	10/19/2011	01/01/2014	12/10/2012	No impact
IFRIC 21	Levies	Recognition of obligations to pay levies	05/20/2013	01/01/2014	Not yet	No impact
Improvemen t Project 2010–2013		Improve existing standards	05/03/2012	01/01/2014	03/27/2013	No material impact

3. Consolidation principles

Group of consolidated companies

Beauty Holding Two GmbH, a wholly-owned subsidiary of Beauty Holding One GmbH, which is a wholly-owned subsidiary of Beauty Holding Zero GmbH, based in Frankfurt am Main, Germany, has acquired all shares in Douglas Holding AG via its subsidiary Beauty Holding Three AG, which was merged with Beauty Holding Two with retroactive effect as of October 1, 2012. In December 2012, Beauty Holding Three AG took control of the shares in Douglas Holding AG within the scope of a voluntary public takeover offer. The takeover offer was subject to the condition precedent that at least 75 percent of the shares in DOUGLAS HOLDING AG would be put on offer. This limit was exceeded on December 4, 2012. The takeover of the remaining shares was concluded following the transfer of the remaining shares to Beauty Holding Two GmbH resolved during the Annual General Meeting held on May 28, 2013. Beauty Holding Two GmbH holds 100 percent of the shares in DOUGLAS HOLDING AG.

The acquisition costs amounted to 1,498.5 million EUR. Of this amount, 1,337.5 million EUR was paid in cash. The cash acquired amounted to 77.0 million EUR. As of the acquisition date, the assets and liabilities were acquired with the following Fair Values:

Fig. 7 • Changes in the scope of consolidation

2012/13	in EUR m
Non-current assets	496.2
Current assets	1,248.9
Non-current liabilities	112.5
Current liabilities	1,032.2

The residual amount of 318.4 million EUR remaining after the purchase price allocation was capitalized as goodwill following the allocation to the operating segments. In particular, this reflects the acquired workforce. This goodwill cannot be used for tax purposes.

Since acquisition, the acquired companies have generated sales of 2,866.8 million EUR and EBT of (234.6) million EUR. Had the acquired companies been included for the entire fiscal year from October 1, 2012 to September 30, 2013, this would have resulted in sales of 3,451.8 million EUR and EBT of 236.0 million EUR.

All of the German and foreign companies over which Beauty Holding Zero GmbH has direct or indirect control are fully consolidated in the consolidated financial statements. Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group. They are deconsolidated on the date on which control ceases.

The scope of consolidation has developed as follows:

Fig. 8 • Group of consolidated companies

	Germany	Other countries	Total
As of October 1, 2012	4	0	4
Companies consolidated for the first time	53	30	83
Merged companies	1	0	1
As of September 30, 2013	56	30	86

A further five companies were founded and one company was merged following the acquisition of the Douglas Group.

Major associated companies over which Beauty Holding Zero GmbH exerts significant influence are carried in the consolidated financial statements at equity. Associated companies of minor importance for the consolidated financial statements are measured at cost.

One associated company was carried in the consolidated financial statements at equity. The at equity result amounted to (0.3) million EUR.

The equity method was not applied for six companies (including one foreign company) as these have different balance sheet dates and are of minor importance for the Group’s net assets, financial position and result of operations. These companies are carried at cost. Due to the business volume, these companies do not prepare interim financial statements. Therefore, information on assets, liabilities, revenues and earnings does not exist as of the balance sheet date. These investments encompass companies whose services are used by Group companies in individual cases as well as one company with confectionery stores in Portugal. The Fair Value of these companies cannot be reliably measured. The balance sheet dates of these companies differ from the Beauty Holding Group’s balance sheet date. In the prior year, these companies generated earnings of 0.7 million EUR.

Consolidation methods

The financial statements of the companies included in consolidation have been prepared as of September 30, 2013 and comprise a reporting period of ten months. The individual financial statements are consolidated based on the following principles:

Capital consolidation is conducted by offsetting acquisition costs against the Group’s interest in the consolidated subsidiary’s net assets at Fair Value on the acquisition date. Any positive differences that result are capitalized as goodwill and tested annually for impairment. Any negative differences are recognized directly in profit or loss. Any allocable net assets including hidden reserves and liabilities to minority shareholders are carried in equity as minority interests.

Receivables from and corresponding payables to consolidated companies are offset against each other. Material interim profits from intercompany goods and services within the Group were eliminated in the consolidated financial statements to the extent that these do not relate to sales realized with third parties. Sales and other income from intercompany deliveries of goods and services are offset against corresponding expenses.

4. Currency translation

The financial statements of the subsidiaries are translated to the Group currency according to the functional currency concept. The functional currency of the subsidiaries is the respective national currency. The functional currency of the parent company is the Euro.

The assets and liabilities of foreign companies that do not participate in the European Monetary Union are translated to Euros using the exchange rate on the balance sheet date. Income and expenses are converted at the average exchange rate for the period. The resulting currency translation differences are recognized directly in equity under the currency translation line item.

The following exchange rates have been used for currency conversion for the foreign subsidiaries:

Fig. 9 • Exchange rates

		Average exchange rate 2012/2013 (in EUR)	Closing rate 09/30/2013 (in EUR)
1 US dollar	USD	0.762	0.741
100Swiss franc	CHF	81.603	81.833
100Polish zloty	PLN	23.933	23.706
100Hungarian forint	HUF	0.341	0.336
100Turkish lira	TRY	41.236	36.346
100Czech crown	CZK	3.907	3.888
100Lithuanian litas	LTL	29.046	29.391
100Latvian lats	LVL	142.287	142.287
100Romanian leu	RON	22.581	22.441
100Croatian kuna	HRK	13.273	13.140
100Bulgarian lev	BGN	51.202	51.332

In the statutory financial statements, assets and liabilities denominated in foreign currency are converted using the exchange rate on the date of acquisition. An adjustment is then made to the respective closing rate on each balance sheet date and recognized to profit or loss.

In total, income from exchange rate differences totaling 0.8 million EUR and corresponding expenses totaling 1.1 million EUR were recorded to profit or loss.

5. Accounting and valuation principles

Intangible assets

Goodwill that arises as part of capital consolidation, and that represents the excess of the cost of the business combination over the company's interest in the net Fair Value of the identifiable net assets of the subsidiary, is capitalized according to the requirements of IFRS 3 and subject to an annual impairment test and whenever there are triggering events indicating impairment. For the purposes of the impairment test, goodwill is allocated to the group of cash-generating units (CGU) that are expected to profit from synergies arising from the acquisition. The Beauty Holding Zero Group generally views the individual retail store or online shop as the CGU. The ceiling for the allocation is generally the operating segment in conformity with IFRS 8.5. The Group's operating segments are the five Perfumeries, Books, Jewelry, Fashion, and Confectionery Divisions. If, within the scope of this impairment test, the company ascertains that the recoverable amount of the CGU is less than its carrying amount, the goodwill allocated to the CGU is written down and recognized to profit or loss. This measurement is maintained even if the reasons for impairment cease to exist in subsequent periods.

Other intangible assets are carried at cost. If qualifying assets with a production time of more than twelve months are acquired, borrowing costs will also be included when calculating acquisition costs. Intangible assets with finite useful lifes are subject to scheduled straight line amortization over their useful life. If they have an indefinite useful life, these intangible assets are not subject to scheduled amortization. These assets are reviewed for impairment at least once a year. If the recoverable amount of the asset is less than its carrying amount, it is written down to its Fair Value. If the reasons for write-downs made in prior years no longer apply, the assets are written up. Intangible assets that are subject to scheduled amortization are only subject to an impairment test if there are triggering events indicating impairment.

Property, plant and equipment

If items of property, plant and equipment are used for longer than one year, these are carried at cost less scheduled straight-line depreciation. The Group does not utilize the option of the revaluation method. Investment subsidies received reduce that asset's cost for which the subsidy was granted. As a rule, borrowing costs are not included when calculating acquisition costs for property, plant and equipment, but are immediately expensed to the income statement, because there are no qualifying assets in the Beauty Holding Group. Since, based on experience, the Beauty Holding Group's companies are not claimed for restoration obligations, these obligations are generally not recognized in the acquisition costs of the leasehold improvements. In the year of purchase, property, plant and equipment are depreciated on a pro rata temporis basis. Where indications of impairment exist, an impairment test is conducted for the corresponding asset. The impairment tests conducted for this purpose are generally performed on the basis of the CGU, which in the case of property, plant and equipment, is the individual retail store. Items of property, plant and equipment are derecognized when removed or further economic benefits are no longer expected from that asset's use. The gain or loss from the disposal of the asset arises from the difference between its net realizable value and carrying amount.

The amortization and depreciation periods for intangible assets and property, plant and equipment are determined based on their useful lifes as follows:

Fig. 10 • Useful lifes

	Years
Software	3–5
Leasehold	5–15
Customer bases	5–10
Non-competition clauses	5
Buildings	10–50
Store fittings, office and operating equipment	3–10

Leases

The economic ownership of a leased asset is allocated to that contractual party who bears substantially all the risks and rewards incident to ownership of the leased asset. Material lease arrangements predominantly relate to the leasing of company stores within the Beauty Holding Group. Leases are recognized in the balance sheet according to the requirements of IAS 17. In order to ensure the greatest possible flexibility, the Group generally aims to conclude rental agreements with a fixed rental period of no more than ten years and single or multiple exercisable options to extend the lease. In classifying lease agreements, consideration is given to the basic lease term and the exercise of any renewal options on the basis of knowledge acquired in the past, which means that these agreements regularly qualify as operating leases.

If the economic ownership of leased assets can be allocated to the Beauty Holding Group, the leased assets are capitalized at the inception of the lease and subject to scheduled straight-line depreciation in subsequent periods. At the commencement of the lease, the leased asset is recognized at the Fair Value of the asset or, if lower, the present value of the minimum lease payments. On the other hand, the financial obligations that result from future lease payments are recognized as a liability in the same amount. Depreciation is conducted over the estimated useful life or the shorter lease term. This liability is amortized proportionately over the lease term according to the effective interest rate method plus accrued interest.

Financial assets

Financial assets, including interests in unconsolidated companies that are not measured using the equity method, equity participations, securities and contractual receivables are accounted for according to IAS 39. Financial assets are initially measured at Fair Value, while all transaction costs—with the exception of financial instruments measured at Fair Value through profit or loss—are included. Depending on their classification, these are either measured at Fair Value (securities and financial assets from derivative financial instruments) or amortized cost (trade accounts receivable, and other contractual financial receivables).

Financial assets are derecognized either upon settlement or when substantially all opportunities and risks are transferred.

Financial assets denominated in a foreign currency are translated to the functional currency at the date of acquisition. An adjustment is then made to the respective closing rate on each balance sheet date and recognized to profit or loss. Interest income and expense are accounted for on an accrual basis within the financial result.

Receivables and other financial assets

Trade accounts receivable and other financial assets are classified as "loans and receivables" and capitalized at amortized cost at the time of revenue recognition. Recognizable risks are taken into account via write-downs based on the age structure of the receivables. A major portion of receivables that is more than 60 days overdue is transferred to a collection agency and written down in this context. Write-downs are in part conducted by using bad debt accounts. Receivables and other assets are generally derecognized when they are settled.

Securities

Securities are carried at their Fair Value according to the requirements of IAS 39. As a result, the Fair Value is adjusted and reflected directly in equity via a separate equity component, as securities have been classified to the "available for sale" category. As a rule, securities are initially recognized at the settlement date.

Cash and cash equivalents

Cash and cash equivalents, which include money accounts and short term money deposits with banks, are stated at amortized cost.

Deferred taxes

Deferred taxes are identified using the liability method based on the requirements of IAS 12. Deferred taxes are thus recognized for temporary differences between the carrying amounts in the consolidated financial statements and the tax base to the extent that these differences will lead to tax refunds or charges in future. Deferred taxes are measured taking into account the tax rates and tax regulations that have been enacted on the balance sheet date or which are expected to be enacted when the differences are reversed. Deferred tax assets are only recognized to the extent that there is taxable income expected on the date the difference is reversed against which the difference can be offset.

If the future tax advantage from loss carryforwards can be used with sufficient certainty in future periods, deferred tax assets are capitalized. Deferred tax assets and liabilities are netted to the extent that the tax claims and tax liabilities are for the same tax authority.

Inventories

Merchandise is recognized at the lower of cost and net realizable value. In individual areas, acquisition costs are identified using the retail method based on the selling price using reasonable valuation allowance deductions as well as on the basis of a separate valuation of additions from the perspective of the procurement market. Interest on borrowings is not included in the acquisition costs as inventories are not qualifying assets. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Selling as well as fashion and other risks were taken into account, to the extent needed, as part of measurement at the net realizable value. Raw materials, consumables and supplies are recognized at their acquisition costs.

Provisions

Other provisions are accounted for in conformity with IAS 37. Provisions are recognized if there is a legal or constructive obligation to third parties arising from past events and the future cash outflow to fulfill this commitment can be reliably estimated. The carrying amount of the provision is based—for individual risks—on the best estimate of the settlement taking into account all recognizable risks, or—for a large population of risks—the amount computed according to the expected value method. Non-current provisions are carried on the balance sheet at their present value as of the balance sheet date. The maturity of long-term human resources commitments is based on the date of dismissal of the employee or forecasted cash outflows. The maturity of long-term real estate commitments is based on the duration of the lease contract or the estimated date of an early termination of the lease contract. Provisions for restructuring measures are recognized if a constructive obligation to restructure was formalized by means of the adoption of a detailed restructuring plan and its communication vis-à-vis those affected as of the closing date. Restructuring provisions comprise only obligatory restructuring expenses.

Pension provisions are accounted for in line with the requirements of IAS 19. The Beauty Holding Group adopted the revised version of IAS 19 applicable to annual periods beginning on January 1, 2013 earlier. Taking into account biometric data, actuarial calculations for provisions for defined benefit plans use the projected unit credit method. As part of this measurement, the pensions and entitlements known on the balance sheet date are taken into account as well as the increases in salaries and pensions to be expected in future. For funded pension plans, the same interest rate chosen to determine interest expenses resulting from the measurement of obligations is also to be used to calculate interest income from plan assets. If changes to these calculation assumptions result in differences between the identified pension obligations and the actual present values of the entitlements, actuarial gains or losses will be incurred. These actuarial gains or losses as well as other actuarial valuation changes are recognized directly in equity under other comprehensive income.

Plan assets designated at Fair Value and liabilities from pension plans are presented in a net amount. Plan assets are maintained in qualified policies that are pledged to the employee. The interest portion included in the pension expense is presented as interest expense within the financial result. Further obligations similar to pension provisions such as part-time work schemes and termination benefits are also disclosed according to the requirements of IAS 19.

Financial liabilities

According to IAS 39, financial liabilities are generally recognized at amortized cost on the balance sheet. Acquisition costs are stated at Fair Value. Transaction costs attributable to the acquisition are included in acquisition cost. If there is a difference between the amount paid and the amount to be paid upon final maturity, this difference is amortized over the term according to the effective interest rate method. Financial liabilities that arise from leases are carried as a liability at their present values. Income and expense from non-derivative financial liabilities arise from interest income or expense or from currency translation gains and losses. Financial liabilities are recognized at the inception of the contract and are derecognized when the obligation is extinguished or expired (limitation of time). All trade accounts payable have a maturity of less than one year and are non-interest bearing. Liabilities arising from financing leases are reported under other liabilities. The election to initially recognize financial liabilities at Fair Value through profit or loss was not applied by the Beauty Holding Group.

Accounting for derivative financial instruments and hedging relationships

Derivative financial instruments are implemented exclusively to reduce Cash Flow fluctuations that result from interest rate risks. Derivative financial instruments are neither used nor issued for speculative purposes. Derivative financial instruments are recognized at Fair Value, which correspond to market value, both upon initial and subsequent measurement in accordance with IAS 39; and can result in a positive or negative figure. Gains and losses from Fair Value measurement, to the extent that these are designated derivative financial instruments qualifying as hedged items to hedge against Cash Flow risks, are recognized directly in equity under a separate equity item in line with the rules for hedge accounting. Derivative financial instruments that do not qualify as hedged items are measured at Fair Value and recognized in the income statement. Deferred taxes arising from the difference between the IFRS carrying amounts and the tax base are also recognized directly to equity under a separate equity item if the Fair Value differences were also recognized directly in equity under a separate equity item. The amounts recorded under equity increase or reduce profit or loss as soon as the hedged Cash Flows from the underlying transaction are recognized in the income statement.

The Fair Value of derivative financial instruments corresponds to the amount either paid or received by the group company upon termination of the financial instrument on the balance sheet date. The calculation of the Fair Value takes into account the interest rates and forward rates in effect as of the balance sheet date. The recognition of changes in the Fair Value depends on the application of the derivative financial instrument. Where the derivative financial instrument is not used in an effective hedging relationship, the change in Fair Value is immediately recognized to profit or loss. If, on the other hand, an effective hedging relationship exists, then it is recorded as such. The Beauty Holding Group implements derivative financial instruments as hedging instruments only as part of Cash Flow Hedges. By way of such Cash Flow Hedges, the Beauty Holding Group hedges the exposure to future variability in Cash Flows attributable to risks associated with recognized assets and liabilities in the balance sheet. In the case of a Cash Flow hedge, the effective portion of the value change in the hedging instruments is recognized directly to equity until the result arising from the hedged items is recognized. On the contrary, the ineffective portion of the value change is immediately recognized in profit or loss.

Revenue recognition

As a rule, sales are only recognized after goods are delivered and/or the service has been provided. The risks and rewards of ownership are transferred to the customer on delivery of the goods. Claims from customer loyalty programs are measured at the costs to be incurred therefrom and offset directly against sales. Sales arising therefrom are first collected upon redemption of the bonus points. Deferred sales are reversed or utilized in line with the way customers honor their gift vouchers and are also reported under sales. Interest income and interest expense are recognized in the financial result on an accrual basis.

Use of assumptions and estimates

Assumptions have been made and estimates used in the preparation of these consolidated financial statements that impact the disclosure and amount of the assets and liabilities, income and expenses carried in these statements. These assumptions and estimates were used, in particular, in the determination of useful lifes, classifying leases as operating or financing leases, valuing restoration obligations, assessing the recoverability of goodwill, measuring provisions and estimating the probability that future tax refunds will be realized. In addition, assumptions and estimates are of significance in determining the Fair Values and acquisition costs associated with first time consolidation. Actual values may vary in individual cases from the assumptions and estimates made. Changes are recognized in income as soon as more detailed information is known.

Capital management

Subject of capital management is the equity presented under IFRS. The goal of the Beauty Holding Group's capital management is to assure that the Group can continue to meet its financial obligations and that the financial covenants from the syndicated loans are met. Another goal of capital management is to increase the business value on a long-term basis. The aim of the capital management strategy is to ensure that all the Group companies have appropriate equity according to local needs, such that external capital requirements have always been met in the past fiscal year.

Fig. 11 • Capital

09/30/2013	in EUR m
Equity	434.6
Debt	2,075.2
Net debt	(612.1)
Liabilities to banks	838.4
Cash and cash equivalents	226.3

Notes to the consolidated statement of comprehensive income

6. Sales

(Net) sales totaling 2,866.8 million EUR were recorded in fiscal year 2012/13. Of this amount, 33.0 percent was recorded outside Germany.

Fig. 12 • Sales

2012/13	in EUR m
Perfumeries	1,636.3
international	749.1
Books	742.5
international	191.9
Jewelry	312.3
Fashion	93.4
Confectionery	79.9
international	3.7
Services	2.4
Total	**2,866.8**

7. Other operating income

Other operating income includes refunds of 102.8 million EUR primarily for marketing costs and other costs passed on. A total of 18.0 million EUR relates to the reversal of provisions, 17.1 million EUR to income from sub-rental of property, and 8.4 million EUR to income from customer cards.

8. Personnel expenses

Fig. 13 • Personnel expenses

2012/13	in EUR m
Wages and salaries	524.4
Social security, pensions and other benefits costs	107.5
thereof for pensions	3.6
Total	**631.9**

9. Other operating expenses

Other operating expenses are attributable to rent and utilities (322.4 million EUR), advertising costs (114.5 million EUR), services received (72.3 million EUR), goods handling costs (53.9 million EUR), and IT costs (20.0 million EUR).

10. Financial result

Fig. 14 • Financial result

2012/13	in EUR m
Interest from loans and receivables	1.8
Financing income from minority options	0.2
Financing income from discounting provisions	0.6
Total financial income	**2.6**
Interest expense from discounting provisions	(0.6)
Interest expense from discounting pension provisions	(0.9)
Financing expense from minority options	(1.8)
Financing expense for financial liabilities at amortized cost	(90.8)
Total financial expense	**(94.1)**
Financial result	**(91.5)**

Financial income and expense arising from financial instruments are classified to the respective categories pursuant to IAS 39.

Fees in the form of compensation incurred in conjunction with financial instruments amounted to 5.7 million EUR in the period under review. The financing income and expenses for the minority options relate to the distributions to third-party shareholders whose interests are reported as payables, as these either have an option right or are minority interests in German partnerships. The financing income from minority options arises from the valuation of put option liabilities.

11. Net results by valuation category

Fig. 15 • Net results by valuation category

2012/13	Income/expense from Fair Value measurement (in EUR m)	Impairment (in EUR m)	Interest income (in EUR m)	Interest expense (in EUR m)	Net profit/loss (in EUR m)
Loans and receivables	0.0	(2.9)	1.8	(90.8)	(91.9)
Minority options	0.0	0.0	0.2	(1.8)	(1.6)
Net profit by valuation category	**0.0**	**(2.9** **)**	**2.0**	**(92.6)**	**(93.5)**
Income/expenses from financial instruments not included in the	0.0	2.9	0.0	0.0	2.9

2012/13	Income/expense from Fair Value measurement (in EUR m)	Impairment (in EUR m)	Interest income (in EUR m)	Interest expense (in EUR m)	Net profit/loss (in EUR m)
interest result					
Interest income/expenses of items that are not financial instruments	0.0	0.0	0.6	(1.5)	(0.9)
Financial result	**0.0**	**0.0**	**2.6**	**(94.1)**	**(91.5)**

Interest arising from financial instruments is reported in the financial result and dividends under the investment result. Valuation allowances on trade accounts receivable classified to the loans and receivables category are shown under other operating expenses. In the fiscal year under review and in the prior year, neither income nor expenses from financial instruments, held to maturity nor available for sale were incurred.

12. Income taxes

Fig. 16 • Income taxes

2012/13	in EUR m
Income taxes	(25.8)
national	(19.7)
international	(6.1)
Deferred taxes	55.9
from temporary differences	54.9
from loss carryforwards	1.0
Total	**30.1**

The statutory corporate income tax rate in Germany for the assessment period fiscal year 2012/13 totaled 15 percent. Including trade tax and the solidarity surcharge, this resulted in a total tax rate of 32.0 percent. Deferred taxes for the German Group companies were also generally measured at 32.0 percent. For foreign companies, a country-specific average tax rate is generally applied.

In accordance with current tax provisions, the current imputed corporation tax credits of 6.7 million EUR were capitalized as of the balance sheet date. The corporate income credit is shown in the balance sheet under non-current tax receivables.

An amount of 0.5 million EUR was recognized directly to equity under a separate component of equity.

No deferred tax assets were recognized for tax losses carried forward of individual Group companies totaling 118.6 million EUR. Total tax losses carried forward of 1.3 million EUR were utilized in the fiscal year.

The reconciliation from the expected tax expense to the effective tax expense is as follows:

Fig. 17 • Tax reconciliation

2012/13		
Earnings before taxes	in EUR m	(234.6)
Consolidated income tax rate (national: including trade tax)	in %	32.0
Expected tax income	in EUR m	(75.1)
Impact of different national tax rates	in EUR m	(1.8)
Non-period tax income/expense	in EUR m	13.9
Tax-exempt income	in EUR m	(0.1)
Non-deductible tax operating expenses	in EUR m	1.7
Financial expenses—minority options	in EUR m	0.6
Unrecognized deferred tax assets due to operating losses		

2012/13		
	in EUR m	30.4
Other	in EUR m	0.3
Effective tax income	in EUR m	**(30.1)**

Notes to the balance sheet

13. Intangible assets and property, plant and equipment

Fig. 18 • Intangible assets

2012/13	Leasehold interests and similar rights and assets (in EUR m)	Goodwill (in EUR m)	Advance payments for intangible assets (in EUR m)	Total (in EUR m)
Acquisition costs				
As of October 1, 2012	**0.0**	**0.0**	**0.0**	**0.0**
Increases/decreases resulting from business combinations	744.3	318.4	3.6	1,066.3
Additions	4.9	0.0	1.9	6.8
Disposals	(3.1)	0.0	0.0	(3.1)
Reclassifications	0.3	0.0	(0.2)	0.1
As of September 30, 2013	**746.4**	**318.4**	**5.3**	**1,070.1**
Accumulated amortization				
As of October 1, 2012	**0.0**	**0.0**	**0.0**	**0.0**
Currency adjustments	(0.1)	0.0	0.0	(0.1)
Increases/decreases resulting from business combinations	78.3	0.0	0.0	78.3
Additions	20.5	0.0	0.0	20.5
IAS 36	0.9	0.0	0.0	0.9
Disposals	(3.0)	0.0	0.0	(3.0)
Reclassifications	0.0	0.0	0.0	0.0
As of September 30, 2013	**96.6**	**0.0**	**0.0**	**96.6**
Net	**649.8**	**318.4**	**5.3**	**973.5**

Fig. 19 • Property, plant and equipment

2012/13	Land and buildings (in EUR m)	Other equipment, operating and office equipment (in EUR m)	Payments on account and assets under construction (in EUR m)	Total (in EUR m)
Acquisition costs				
As of October 1, 2012	**0.0**	**0.0**	**0.0**	**0.0**
Currency adjustments	(1.6)	(2.1)	0.0	(3.7)
Increases/decreases resulting from business combinations	677.5	824.4	6.5	1,508.4
Additions	12.4	31.0	10.5	53.9
Disposals	(26.2)	(52.9)	(0.9)	(80.0)
Reclassifications	0.4	1.3	(1.8)	(0.1)
As of September 30, 2013	**662.5**	**801.7**	**14.3**	**1,478.5**

2012/13	Land and buildings (in EUR m)	Other equipment, operating and office equipment (in EUR m)	Payments on account and assets under construction (in EUR m)	Total (in EUR m)
Accumulated amortization				
As of October 1, 2012	**0.0**	**0.0**	**0.0**	**0.0**
Currency adjustments	(1.0)	(1.7)	0.0	(2.7)
Increases/decreases resulting from business combinations	455.7	646.7	0.0	1,102.4
Additions	27.1	51.0	0.0	78.1
IAS 36	3.2	3.8	0.0	7.0
Disposals	(25.5)	(52.3)	0.0	(77.8)
Reclassifications	0.3	(0.3)	0.0	0.0
As of September 30, 2013	**459.8**	**647.2**	**0.0**	**1,107.0**
Net				
As of September 30, 2013	**202.7**	**154.5**	**14.3**	**371.5**

Scheduled amortization/depreciation for the fiscal year totaled 98.6 million EUR. Impairment tests for property, plant and equipment at store level, as CGUs, led to write-downs totaling 7.0 million EUR in the fiscal year under review. Ongoing negative contributions towards profits and the intended closure of stores triggered the performance of impairment tests on the CGUs. Leaseholds of 0.9 million EUR were also subject to impairment.

As part of impairment testing, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is calculated as being the value in use of the future Cash Flows based on internal forecasts. Sensitivity planning assumptions include sales growth, gross profit forecasts, estimates of replacement investments in the store network, and the ratio of personnel expenses to sales on the basis of individual stores. The forecasts are based on the fixed term of the respective lease agreements. The forecast term is between one and ten years. Calculations are based on interest rates of between 7.3 percent and 18.8 percent before taxes.

The carrying amount of intangible assets with indefinite useful lifes, including goodwill, amounts to a total of 892.2 million EUR. Of this amount, 318.4 million EUR is attributable to goodwill arising from the acquisition. This was allocated to the following operating segments in line with their respective profit capacity: Perfumeries Division: 247.7 million EUR; Jewelry Division: 60.3 million EUR; Confectionery Division: 7.0 million EUR; and Fashion Division: 3.1 million EUR. Of the remaining amount of 574.1 million EUR, most is attributable to the trademarks capitalized in the course of the business combination. These include the following brands: “Douglas” with a carrying amount of 488.2 million EUR, “Christ” with a carrying amount of 56.5 million EUR, “Hussel” with a carrying amount of 8.3 million EUR, as well as “Thalia” with a carrying amount of 7.4 million EUR. As is the case with goodwill, the brands are allocated to the respective operating segments (Perfumeries, Books, Jewelry, Fashion, Confectionery), which each represent brand sales. Furthermore, certain purchased location advantages associated with the leasehold interests were classified as intangible assets with indefinite useful lifes. The useful life of these assets is independent of the term of the rental agreement. Their values are based on the individual usability advantages of each location. A total of 10.9 million EUR is attributable to various locations in France and 2.5 million EUR to one location in Vienna.

According to IAS 36, existing goodwill and intangible assets with indefinite useful lifes are subject to an impairment test at least once each year. As is the case for impairment tests for tangible assets, the carrying amount of the CGUs is compared with the recoverable amount of the CGUs, with the recoverable amount in the Beauty Holding Group being defined as the value in use based on the discounted future Cash Flows from the internal forecast. Sensitivity planning assumptions include sales growth, gross profit forecasts, estimates of replacement investments in the store network, and the ratio of personnel expenses to sales. The forecasts are based on both internal company estimates and experience values as well as external macroeconomic data.

The forecasts are developed on the basis of actual past values (historical data) and take into account an additional rise in profitability for individual foreign Perfumery companies from the increase in the share of private labels and exclusive brands.

The forecasts are based on detailed forecast periods of five years and a subsequent constant perpetual annuity. The calculations are based on a risk-adjusted growth rate of 1.0 percent before adjustments for future market saturation effects depending on the expected ROCE. For discounting purposes, an interest rate is applied of 10.76 percent before taxes.

Impairment testing applied to goodwill led to leasehold write-downs in the amount of 0.9 million EUR in the fiscal year under review.

In addition to the impairment tests, sensitivity analyses were performed. Regarding goodwill of the individual divisions, impairment needs would always arise if, under the same sensitivity parameters, the following parameters were included in the calculation with at least the following amounts.

Fig. 20 • Sensitivity analyses goodwill

2012/13	Interest rate before taxes (in %)	Change in sales increase in percentage points	Change in gross profit in percentage points
Perfumeries	12.3	(0.6)	(1.1)
Books	10.9	(0.1)	(0.1)
Jewelry	10.6	(0.2)	(0.3)
Fashion	11.4	(0.2)	(0.3)
Confectionery	25.1	(1.1)	(4.1)

In the opinion of management, it is currently unlikely that the above-mentioned parameters would change so much for the worse that extraordinary write-downs would have to be carried out on goodwill or the intangible assets with indefinite useful lifes.

As of the balance sheet date, intangible assets and property, plant and equipment with a total volume of 184.5 million EUR had been pledged to a banking syndicate as collateral for bank loans.

Financing leases

As of the balance sheet date, there were no Group companies with material financing leases.

Operating leases

Contracts qualifying as operating leases within the Beauty Holding Group mostly comprise store rental agreements. As a rule, these agreements are concluded for a basic rental period of ten years and contain lease extension options. The operating leases shown do not include any lease extension options. The lease installments are based on both variable and fixed rental payments. The minimum lease payments from operating lease agreements amounted to 243.4 million EUR during the reporting period. Contingent rent payments amounted to 3.1 million EUR.

Fig. 21 • Operating leases

2012/13	Less than 1 year (in EUR m)	1 to 5 years (in EUR m)	More than 5 years (in EUR m)	Total (in EUR m)
Obligations from operating leases	273.4	633.9	173.6	1,080.9
Income from subleases	15.9	39.8	7.1	62.8

14. Deferred taxes

Deferred taxes were calculated on the differences between the IFRS carrying amount and the tax base and can be broken down to the individual balance sheet items as follows:

Fig. 22 • Deferred taxes

09/30/2013	Asset (in EUR m)	Liability (in EUR m)
Intangible assets	3.4	201.9
Property, plant and equipment	18.0	6.5
Inventories	7.0	0.3
Financial assets	0.4	0.1
Provisions	16.1	0.2
Financial liabilities	1.6	17.0
Retained earnings	0.0	0.2
Tax loss carryforwards	4.3	0.0

09/30/2013	Asset (in EUR m)	Liability (in EUR m)
Total	50.8	226.2
Offsetting	(8.9)	(8.9)
Carrying amount	41.9	217.3

Deferred tax assets on loss carryforwards were recognized for companies with budget forecasts triggering substantial indications for recoverability or if sufficient deferred tax liabilities exist.

15. Inventories

Fig. 23 • Inventories

09/30/2013	in EUR m
Finished goods and merchandise	651.3
Raw materials, consumables and supplies	11.2
Advances to suppliers for merchandise	1.9
Total	**664.4**

In the fiscal year under review, inventories were written down to the net realizable value in the amount of 28.1 million EUR. As of the balance sheet date, inventories in the amount of 250.1 million EUR had been pledged to a banking syndicate as collateral for bank loans.

16. Trade accounts receivable

Trade accounts receivable primarily include settlement receivables from credit card organizations as well as from Douglas Card customers. Of this amount, 2.9 million EUR were written down due to an allowance for uncollectible accounts. The write-downs on trade accounts receivable are shown under other operating expenses. They are payable immediately. These receivables do not bear interest and are therefore not exposed to any interest rate risk. The carrying amounts of the receivables are basically equivalent to their Fair Values. The maximum default risk corresponds to the carrying amount as of the balance sheet date.

17. Financial assets

Fig. 24 • Financial assets

09/30/2013	With a remaining term of	
	Up to 1 year (in EUR m)	More than 1 year (in EUR m)
Bonuses	70.9	
Equity participations		4.2
Securities	0.1	
Other financial assets	14.7	0.5
Total	**85.7**	**4.7**

Equity participations are investments in equity instruments of unlisted companies and are carried at cost. Their Fair Values cannot be reliably measured because no market values for these instruments exist. Due to different balance sheet dates, no current financial information is available. Furthermore, it is not possible to state a range of estimated values.

Securities are designated as “available-for-sale” and are therefore carried at Fair Value. Changes in Fair Value are recognized directly to equity as a separate component.

Other financial assets include receivables from associates in the amount of 0.3 million EUR. Furthermore, the item contains balances owed in supplier accounts of 5.9 million EUR and 7.1 million EUR from rental agreements. All other financial assets are non-interest bearing. The carrying amounts of other financial assets are basically equivalent to their Fair Values.

As of the balance sheet date, trade accounts receivable and other financial assets in the amount of 76.5 million EUR had been pledged to a banking syndicate as collateral for bank loans. Furthermore, all interests in subsidiaries had also been pledged.

The maximum default risk corresponds to the carrying amount as of the balance sheet date.

Fig. 25 • Analysis of financial assets not impaired

	Not due (in EUR m)	Past due < 30 days (in EUR m)	Past due > 30 days (in EUR m)
Trade accounts receivable			
09/30/2013	0.0	58.8	3.8
Other receivables			
09/30/2013	88.3	2.1	0.0

With respect to receivables that are neither impaired nor past due, there were no indications of uncollectibility from the debtor as of the balance sheet date. No cash receipts relating to receivables fully written-off in prior periods were recognized in the fiscal year under review. No receivables for which previous write-downs were not recognized were subject to direct write-downs.

Fig. 26 • Write-downs on capitalized financial instruments

2012/13	Loans and receivables (in EUR m)
As of October 1	0.0
Changes to consolidated group	6.1
Additions	2.3
Reversal	(0.3)
Utilization	(0.2)
Currency translation adjustments	(0.1)
As of September 30	7.8

Impairment losses were not recognized on other financial assets in the fiscal year under review.

18. Other assets

Other assets primarily include deferred prepaid expenses.

19. Cash and cash equivalents

The largest item of cash and cash equivalents is bank balances. It also includes checks and cash in hand. The Cash Flow statement provides a detailed analysis of the movement in cash and cash equivalents. In the prior year, cash and cash equivalents amounted to 0.1 million EUR. The maximum default risk corresponds to the carrying amount as of the balance sheet date.

As of the balance sheet date, bank balances in the amount of 103.4 million EUR had been pledged to a banking syndicate as collateral for bank loans.

20. Equity

Capital stock

Issued capital stock totaled 25,000.00 EUR on the balance sheet date. Capital stock is entirely paid-in.

Additional paid-in capital

Additional paid-in capital includes capital contributions of Beauty Holding Zero GmbH shareholders in excess of subscribed capital.

Retained earnings

Fig. 27 • Retained earnings

09/30/2013	in EUR m
Other retained earnings	(211.5)
Reserve for the valuation of hedging instruments	(2.2)
Reserve for the recognition of actuarial gains/losses from pension provisions	1.2
Reserve pursuant to deferred tax directly charged to equity	0.4
Reserve for currency translation differences	(3.0)
Total	(215.1)

Of the deferred taxes directly charged to equity, 0.7 million EUR relates to the reserve for Cash Flow Hedges and (0.3) million EUR to the reserve for the recognition of actuarial gains/losses from pension provisions.

Profit appropriation

No dividends were distributed in the fiscal year under review. No payments are expected for the coming fiscal year either.

21. Pension provisions

Pension provisions are formed for commitments arising from pension entitlements and ongoing payments to employees and former employees and their surviving dependents. The pension entitlements usually relate to a payment for contractually agreed old-age pensions as a monthly amount. These commitments are accounted for according to the requirements of IAS 19. The Group has applied the provisions of the revised IAS 19 early. Consequently, actuarial gains/losses are recognized directly and in full via a separate equity component. The measurement for German subsidiaries is valued based on actuarial reports pursuant to the following parameters:

Fig. 28 • Calculation parameters

09/30/2013	in %
Interest rate	3.3
Pension benefit increase rate during expectancy period	2.5
Increase in consumer price index	1.5

The interest rates for the foreign subsidiaries range between 2.4 percent and 3.95 percent with the discounting of commitments and the calculation of interest income on plan assets, as well as a pension benefit increase rate during the expectancy period of between 1.2 percent and 2.0 percent as well as a pension increase of 0.5 percent to 2.0 percent.

Dr. Heubeck's 2005 “Mortality Tables” or comparable country-specific mortality tables, were used as a basis for the biometric parameters.

Company pensions in the Beauty Holding Group are based primarily on defined benefit plans.

Perfumery Douglas Nederland B.V. also takes part in a multi-employer plan, which basically qualifies as a defined benefit plan. However, due to the lack of necessary information, this plan qualifies as a defined contribution plan. The recognized expense due to this plan amounts to 1.5 million EUR. Payments of about the same amount are expected for the coming fiscal year.

Fig. 29 • Reconciliation of Defined Benefit Obligation (DBO)

09/30/2013	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)
DBO	31.7	39.0
Fair Value of plan assets	0.0	(31.5)
Liability	31.7	7.5

Fig. 30 • DBO reconciliation

2012/13	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)
DBO as of October 1	**0.0**	**0.0**
Changes in the scope of consolidation	31.8	38.8
Actuarial gains/losses	0.2	(0.3)
Service cost	0.3	2.5
Interest cost	0.8	0.9
Pension payments	(1.4)	(2.5)
Currency translation adjustments	0.0	(0.4)
DBO as of September 30	**31.7**	**39.0**

Fig. 31 • Pension expenses

2012/13	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)
Service cost	0.3	2.5
Interest cost	0.8	0.9
Expected return on plan assets	0.0	(0.8)
Period pension expenses	**1.1**	**2.6**

Fig. 32 • Development of plan assets

2012/13	in EUR m
Plan assets as of October 1	0.0
Changes in the scope of consolidation	31.5
Expected return on plan assets	0.8
Actuarial gains/losses	0.8
Contributions	0.9
Currency translation adjustments	(0.3)
Payments	(2.2)
Plan assets as of September 30	**31.5**

Contributions to plan assets in the amount of approximately 1.0 million EUR and 3.9 million Euro of pension payments are expected for the coming fiscal year.

The table below depicts the development of the financing status over the past fiscal years arising from the net present value between the defined benefit obligations and the Fair Value of plan assets.

Fig. 33 • Funded status

	09/30/2013 (in EUR m)	09/30/2012 (in EUR m)	09/30/2011 (in EUR m)	09/30/2010 (in EUR m)	09/30/2009 (in EUR m)
DBO	70.7	67.7	60.9	57.2	48.7
Plan assets	31.5	31.3	31.0	26.3	22.5
Net	(39.2)	(36.4)	(29.9)	(30.9)	(26.2)

An increase of 0.7 percentage points in the discount rate would reduce the present value of the defined benefit obligations by 6.7 million EUR. A decrease of 0.7 percentage points in the discount rate would increase the benefit obligations by 8.0 million EUR. An increase or a decrease of 0.5 percentage points in the expected pension trend while other parameters were unchanged would increase the present value of the defined benefit obligations by 3.5 million EUR or decrease the present value of the defined benefit obligations by 3.3 million EUR.

22. Provisions

Fig. 34 • Statement of changes in non-current provisions

	Human resources commitments (in EUR m)	Provision for purchase price annuities (in EUR m)	Real estate commitments (in EUR m)	Other provisions (in EUR m)	Total (in EUR m)
10/01/2012	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Changes in the scope of consolidation	18.0	0.4	29.7	3.2	50.9
Utilization	(1.7)	0.0	(5.1)	(0.6)	(7.4)
Reversal	(0.2)	0.0	(12.1)	(0.2)	(12.5)
Additions	2.0	0.0	4.3	0.0	6.3
Reclassifications	0.0	0.0	(0.2)	(0.4)	(0.6)
Interest	0.3	0.0	0.2	0.0	0.5
Currency translation adjustments	0.0	0.0	(0.1)	0.0	(0.1)
09/30/2013	**18.4**	**0.4**	**16.7**	**2.0**	**37.5**

Fig. 35 • Statement of changes in current provisions

	Human resources commitments (in EUR m)	Real estate commitments (in EUR m)	Other provisions (in EUR m)	Total (in EUR m)
10/01/2012	**0.0**	**0.0**	**0.0**	**0.0**
Changes in the scope of consolidation	56.0	9.7	52.2	117.9
Utilization	(40.5)	(3.7)	(21.8)	(66.0)
Reversal	(1.4)	(1.5)	(4.9)	(7.8)
Additions	60.6	1.8	30.3	92.7
Reclassifications	0.0	0.2	0.4	0.6
Interest	0.0	0.0	0.0	0.0
Currency translation adjustments	(0.1)	0.0	(0.2)	(0.3)
09/30/2013	**74.6**	**6.5**	**56.0**	**137.1**

Other current provisions primarily include follow-up invoices for deliveries and services not yet billed (39.5 million EUR) as well as litigation costs (3.7 million EUR).

23. Financial liabilities

Fig. 36 • Financial liabilities

	09/30/2013 (in EUR m)	Remaining term up to 1 year (in EUR m)	Remaining term between 1 and 5 years (in EUR m)	Remaining term more than 5 years (in EUR m)
Liabilities to banks	838.4	33.8	144.8	659.8
Advance payments received	1.9	1.9		
Financial liabilities from the valuation of options from minority interests	3.1	1.1	2.0	
Derivative financial instruments	2.5			2.5
Liabilities to minorities	302.3		302.3	
Other financial liabilities	19.2	19.2		
Total	**1,167.4**	**56.0**	**449.1**	**662.3**

Financial liabilities from valuation of options from minority interests are related to minority interests with cancellation and rights of disposal.

24. Other liabilities

Other liabilities include liabilities from gift vouchers not yet redeemed, liabilities from the customer loyalty program and deferred income.

25. Notes to the Cash Flow statement

In compliance with the requirements of IAS 7, the Cash Flow statement shows how the cash and cash equivalents balance of the Group changed during the reporting period from Cash-in and Cash-out Flows and cash equivalents amount to 226.3 million EUR. As a result of the Nocibé acquisition, Cash-in Flow increased as a result of the acquired cash and cash equivalents of 77.0 million EUR.

26. Fair Value of financial instruments

Fig. 37 • Fair Values 09/30/2013

	Carrying amount (in EUR m)	Amortised cost (in EUR m)	Fair Value through profit or loss (in EUR m)	Fair Value, changes recognized directly in equity (in EUR m)	Fair Value (in EUR m)
Assets					
Loans and receivables					
Trade accounts receivable	62.6	62.6			62.6
Other financial assets	86.1	86.1			86.1
Financial instruments: Available for sale					
Equity participations	4.3	4.3			4.3
Securities	0.1			0.1	0.1
Equity and liabilities					
Financial instruments: Held for trading					
Derivative financial instruments				2.5	2.5
Other financial liabilities					
Trade accounts payable	265.7	265.7			265.7
Liabilities to banks	838.4	838.4			882.6
Liabilities to shareholders	302.3	302.3			316.2
Liabilities from minority options	3.1				3.1
Other liabilities	23.6	23.6			23.6

Management of financial risks

The financial management of the DOUGLAS HOLDING AG is responsible for the Beauty Holding Group's financing and supports decision-makers in the German and foreign Group companies in respect of all financial issues.

The uniform presence of the subsidiaries of Beauty Holding Zero GmbH facilitates better conditions on the financial markets, and the bundling of the financing volumes of all domestic Group companies allows optimal use of the resources available as part of a cash management system.

The financial risks relevant to the Group, such as liquidity risks, the risk of interest rate changes, default risks and risks from Cash Flow fluctuations are adequately controlled and monitored by the financial management of the Douglas Holding AG.

27. Liquidity risk

The Group generally has access to various sources to finance operation, investments and potential acquisitions. This includes existing cash and cash equivalents, operating Cash Flow and bank credits as well as a shareholder loan.

Beauty Holding Two GmbH and its subsidiaries Douglas Holding AG and Douglas Finance B.V took out loans totaling 650 million EUR as part of a senior facility agreement to finance the acquisition of Douglas Holding AG. The interest on the loans was based on the EURIBOR plus a credit margin of around 5 percent. A further 200 million EUR was financed via mezzanine capital. The interest on these loans was based on the EURIBOR plus a credit margin of 11.5

percent. These financing agreements replaced all of Douglas Holding AG's previous credit agreements. The loans covered by the senior facility agreement have terms of until December 2018 and December 2019. The mezzanine financing has a term until December 2020.

Fig. 38 • Liabilities to banks (without current accounts and revolving credit facility) as of September 30, 2013

Nominal amount (in EUR m)	Carrying amount (in EUR m)	Fair Value (in EUR m)
200.0	189.2	200.0
450.0	425.3	450.0
200.0	191.3	200.0

The existing loan agreements were adjusted on October 4, 2013. The margin for the senior facility agreement was reduced by up to 1 percentage point against payment of a one-time fee. The credit volume was also expanded by up to 275 million EUR.

The Group also has access to a further 168.4 million EUR from a revolving credit facility. Drawings on this amounted to 4.7 million EUR as of the balance sheet date.

Beauty Holding Zero GmbH and its subsidiaries have to meet certain obligations and key financial covenants. Should these obligations from the financing agreements not be met, the lenders have the right, among other things, to terminate the loans early. All agreed financial covenants were adhered to in fiscal year 2012/2013.

Beauty Holding Zero GmbH also took out a fixed-interest, bullet repayment shareholder loan in the amount of 280.2 million EUR. The interest on this loan amounts to 9.68 percent. The interest increases the original loan amount every year and is due when the loan matures in December 2022.

All of the German subsidiaries, with the exception of the Books division and some subsidiaries based abroad, are linked to a cash management system (cash pooling). By combining financing volumes, short-term liquidity surpluses of individual Group companies can be used to finance the cash requirements of other Group companies. This leads to a reduction in borrowing and an optimizing of cash investments, thus having a positive impact on the Group's net interest result.

Fig. 39 • Liquidity Risk

	Carrying amount (in EUR m)	Payments due within the next 30 days (in EUR m)			Payments due within 30 to 90 days (in EUR m)		Payments due within 90 to 360 days (in EUR m)		Payments due over a period of 1 to 5 years (in EUR m)		Payments due after more than 5 years (in EUR m)
Liability	09/30/2013	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
Liabilities to banks	838.4	11.5		8.0	3.1	7.0	35.2	762.8	33.7	657.2	105.6
Liabilities to shareholders	302.3									280.2	425.7
Trade accounts payable	265.7	154.7		91.2		19.8					
Financial liabilities from the valuation of options from minority interests	3.1	1.1						2.0			
Advance payments received	1.9	1.9									
Other	19.2	19.2									

	Carrying amount (in EUR m)	Payments due within the next 30 days (in EUR m)		Payments due within 30 to 90 days (in EUR m)		Payments due within 90 to 360 days (in EUR m)		Payments due over a period of 1 to 5 years (in EUR m)		Payments due after more than 5 years (in EUR m)	
Liability	09/30/2013	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
financial liabilities											

All financial liabilities existing as of September 30, 2013 and for which payments were already contractually agreed are included. Plan payments for future liabilities are not taken into account. Floating interest rate payments are determined on the basis of the interest rates known as of September 30, 2013. Financial liabilities cancellable at all times are always classified to the earliest time slot. Amounts denominated in foreign currencies are translated to Euros using the closing rate.

28. Interest rate risk

The interest rate risk is the result of fluctuations in interest rates on the money and capital markets and market-related fluctuations of exchange rates.

The loans attributable to the Group from the senior facility agreement generally bear variable interest based on the three-month EURIBOR. The mezzanine financing is also subject to the risk of variable Cash Flow fluctuations. The variable interest on this financing is based on the six-month EURIBOR. Two thirds of the nominal amounts of these loans were hedged against interest rate risks to reduce the risk posed by Cash Flow fluctuations as a result of changes in the interest rates for these variably financed loans.

For this purpose, three interest rate swaps—to hedge a total nominal volume of 567 million EUR against the risk of interest rate fluctuation—were concluded at the level of both Beauty Holding Two GmbH and Douglas Holding AG. The interest rate swaps have terms until June 21, 2016; during this period, Cash Flows will be recognized in the income statement.

Fig. 40 • Interest rate swaps

	Fair Values		
09/30/2013	Reference amount (in EUR m)	Financial assets (in EUR m)	Financial liabilities (in EUR m)
Interest rate swaps	567.0	0.0	2.5
of which within Cash Flow Hedges	567.0	0.0	2.5

A sensitivity analysis was conducted according to IFRS 7 to quantify interest rate risks. This analysis was based on the following assumptions: non-derivative financial instruments are only subject to interest rate risks, which are reflected in the financial result or equity, if they are measured at Fair Value. Financial instruments measured at cost are not subject to any interest rate risks. Financial instruments with variable interest rates are subject to interest rate risks if they were not designated as the underlying transaction in a Cash Flow hedge. A relative increase of 100 basis points in interest rates would increase interest expenses by 2.7 million EUR. If the EURIBOR were to fall to 0.0 percent, interest income would rise by 0.8 million EUR.

29. Currency risk

The operating companies in the DOUGLAS Group largely conduct their activities in the respective functional currency. That is why currency risks within the Group are minimal since approximately 90 percent of the Group's sales were affected in Euros in the fiscal year, and merchandise was purchased almost exclusively in Euros. Differences arising from the translation of foreign currencies to the parent's currency for the preparation of the consolidated financial statements did not impact currency risk.

In order to hedge the residual currency risks, DOUGLAS HOLDING AG's financial management regularly reviews the Beauty Holding Group's currency items and analyzes the pros and cons of implementing derivative financial instruments.

Within the scope of IFRS 7, a sensitivity analysis was conducted for foreign currency risks. As part of this analysis, the effects from foreign currency positions, which are measured at the closing date rate pursuant to IAS 21, are included. In the event that foreign currency positions would have an equity characteristic, the foreign currency differences are recognized directly to equity.

With respect to the currency risks, the sensitivity analysis is presented as follows: the effects from foreign currency exchange rate fluctuations in financial instruments denominated in foreign currency but not designated as hedged items as part of foreign currency hedging transactions have been included in the sensitivity analysis. In all, the Beauty Holding Group would be exposed to a net risk of (0.3) million EUR based on an appreciation in value of the Euro currency of 5 percent and 0.3 million EUR based on a devaluation of 5 percent. The largest amounts encompass the Turkish lira (+/- 0.1 million EUR) and the Polish zloty (+/-0.1 million EUR).

30. Default risk

A default risk could exist if a banking partner should default, in particular for the inability to make payments on monetary deposits. The Beauty Holding Group counters this risk in the financial statements by exclusively investing in monetary deposits and entering into financial instruments with first-rated banks. At the same time, the volume is also distributed amongst several contracting parties in order to avoid a concentration of risks. On account of the difficult global economic situation, larger monetary deposits are avoided or only opened with first-rated German banks.

Arising from the increased focus of the distribution channel on the Internet, the companies of the Beauty Holding Group are faced with a receivables default risk, which is a system-inherent risk in mail ordering. For this reason, the companies operate an effective and constantly optimized debtor management system including consistent dunning procedures.

Events after the balance sheet date

The Swiss bookselling business was incorporated into Orell Füssli Thalia AG effective October 1, 2013. Beauty Holding Zero GmbH holds an indirect 50 percent stake in this company.

The existing loan agreements were adjusted on October 4, 2013. The margin for the senior syndicated loan was reduced considerably against payment of a one-time fee. The senior syndicated loan agreement was expanded effective December 20, 2013. This allows the Group to take out additional loans of up to 275 million EUR, particularly for the acquisition of French perfumery chain Nocibé.

31. Other explanatory notes

Other financial commitments

Purchase commitments for approved capital expenditure for property, plant and equipment totaled around 25.1 million EUR.

Average number of employees

The average number of persons employed was:

Fig. 41 • Average number of employees

	2012/13
Salaried employees and wage earners	21,428
Apprentices	2,085
Total	**23,513**

Shareholdings

The list of shareholdings provides an overview of the companies included in the consolidated financial statements and of other participating interests held by the Beauty Holding Group.

Beauty Holding Zero GmbH is a wholly-owned subsidiary of AI Beauty & Cy SCA, Luxembourg.

Related companies and related persons

The Beauty Holding Group had the following relationships with related parties in the fiscal year from delivery and supply relationships concluded in the past:

Fig. 42 • Related companies and related persons

2012/13	Deliveries and services received (in EUR m)	Deliveries and services provided (in EUR m)
Related companies	0.0	0.0
Related persons	2.4	0.2
Total	**2.4**	**0.2**

Furthermore 22.1 million Euro of interest expense were recorded in the Beauty Holding Zero Group concerning a shareholder loan.

Receivables from related companies/parties amounted to 0.0 million EUR on the balance sheet date; the corresponding liabilities totaled 302.6 million EUR, of which 302.2 million Euro are related to a shareholder loan. Business relationships with related persons are effected under the same conditions as with third parties (arm's length transaction).

The managing director of Beauty Holding Zero GmbH, as the parent company, did not receive any remuneration in fiscal year 2012/13.

Total remuneration for other key executives within the DOUGLAS Group amounted to 5,027 thousand EUR in fiscal year 2012/13. The pension provisions for these management members totaled 2,345 thousand EUR; provisions in the amount of 2,702 thousand EUR were formed as of September 30, 2013 for the variable salary components. Payments made following the cessation of management appointments amounted to 1.9 million EUR.

Expenses for auditor's fees

In accordance with Section 285 No. 17 HGB, the fees of the group auditors, RBS RoeverBroennerSusat GmbH & Co. KG, for the past fiscal year are as follows:

Fig. 43 • Auditor's fees

2012/13	in EUR m
Audit of the financial statements	1.0
Other confirmation and valuation services	0.0
Tax advice	0.0
Other services	0.2
Total	**1.2**

Options according to Sections 264 (3) and 264 b HGB

In application of Sections 264 (3) and 264 b HGB, the following German subsidiaries have refrained from disclosing their annual financial statements:

Fig. 44 • Options according to Sections 264 (3) and 264 b HGB

Perfumeries	Douglas Cosmetics GmbH	Düsseldorf/Germany
Perfumeries	Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG	Zossen/Germany
Perfumeries	HELA Kosmetik Handels GmbH & Co. Parfümerie KG	Hagen/Germany
Perfumeries	Parfümerie Douglas International GmbH	Hagen/Germany
Perfumeries	Parfümerie Douglas GmbH	Hagen/Germany
Perfumeries	Parfümerie Douglas Deutschland GmbH	Hagen/Germany
Perfumeries	Douglas Logistik GmbH	Zossen/Germany
Perfumeries	LTC Lifestyle Trading Company GmbH	Hagen/Germany

Perfumeries	Douglas Marken- und Lizenzen GmbH & Co. KG	Zossen/Germany
Books	Reinhold Gondrom GmbH & Co. KG	Kaiserslautern/Germany
Books	Thalia-Buchhandlung Erich Könnecke GmbH & Co. KG Boysen & Maasch	Hamburg/Germany
Books	Thalia Franchise GmbH & Co. KG	Hagen/Germany
Jewelry	Christ Juweliere und Uhrmacher seit 1863 GmbH	Hagen/Germany
Confectionery	Hussel Geschenkstudio GmbH	Hagen/Germany
Confectionery	Hussel Süßwarenfachgeschäfte GmbH	Hagen/Germany
Confectionery	Cerrini Confiserie GmbH	Hagen/Germany
Services	Beauty Holding Two GmbH	Frankfurt a. M./Germany
Services	Douglas Holding AG	Hagen/Germany
Services	Douglas Corporate Service GmbH	Hagen/Germany
Services	Douglas GmbH & Co. Objekt Zeil KG	Pullach i. Isartal/Germany
Services	Douglas Immobilien GmbH & Co. KG	Hagen/Germany
Services	Douglas Informatik & Service GmbH	Hagen/Germany
Services	Douglas Versicherungsvermittlung GmbH	Hagen/Germany
Services	Douglas Grundstücks- und Verwaltungsgesellschaft mbH & Co. KG	Zossen/Germany
Services	inter-moda GmbH	Hagen/Germany

Fig. 45 • Shareholdings

No.	Name and registered office	Group interest (in %)
	Beauty Holding Zero GmbH	
	Perfumeries	
1.	Parfümerie Douglas GmbH, Hagen/Germany	100
2.	Parfümerie Douglas Deutschland GmbH, Hagen/Germany	100
3.	Douglas Cosmetics GmbH, Düsseldorf/Germany	100
4.	Parfümerie Douglas International GmbH, Hagen/Germany	100
5.	Parfümerie Douglas Ges.m.b.H., Vienna/Austria	100
6.	Parfumerie Douglas Nederland B.V., Nijmegen/The Netherlands	100
7.	Parfumerie Douglas France S.A., Lille/France	100
8.	Profumerie Douglas S.P.A., Villafranca di Verona/Italy	100
9.	Parfümerie Douglas AG, Baar/Switzerland	100
10	Parfumerie Douglas Inc., Westport /U.S.A.	100
11	Douglas Spain S.A., Madrid/Spain	100
12	Perfumeria Douglas Portugal Lda., Lisbon/Portugal	100
13	Douglas Ungarn Kft., Budapest/Hungary	100
14	Douglas Polska SP.z.o.o., Warsaw/Poland	100
15	Parfumerie Douglas Monaco S.A.M., Monaco/Monaco	100
16	Douglas Investment B.V., Nijmegen/The Netherlands	100
17	Parfumerie Douglas s.r.o., Prague/Czech Republic	100
18	Douglas Parfümeri Limited Sirketi, Istanbul/Turkey	100
19	SA Douglas Expansion, Clermont-Ferrand/France	51.4
20	Douglas Iberia Holding S.L., Madrid/Spain	100
21	LTC Lifestyle Trading Company GmbH, Hagen/Germany	100
22	Hela Beteiligungs GmbH, Hagen/Germany	100

No.	Name and registered office	Group interest (in %)
23	HELA Kosmetik Handels GmbH & Co. Parfümerie KG, Hagen/Germany	100
24	UAB “Douglas Lithuania”, Vilnius/Lithuania	100
25	SIA “Douglas Latvia”, Riga/Latvia	100
26	S.I.A. Douglas Baltic, Riga/Latvia	100
27	Parf. Douglas S.R.L., Bukarest/Romania	100
28	Parfumerie Douglas Bulgaria ood, Sofia/Bulgaria	76.0
29	DESG Douglas Verwaltungs- und Beteiligungs GmbH, Zossen/Germany	100
30	Douglas Parfumerije d.o.o., Zagreb/Croatia	100
31	Douglas Einkaufs- und Service-Gesellschaft mbH & Co. KG, Zossen/Germany	100
32	Douglas Logistik GmbH, Zossen/Germany	100
33	Douglas Marken und Lizenzen-Verwaltungsgesellschaft mbH, Zossen/Germany	100
34	Douglas Marken und Lizenzen- GmbH & Co. KG, Zossen/Germany	100
35	DPB achats, Lille/France	55.1
36	Douglas Franchise B.V., Nijmegen/The Netherlands	100
37	Parfümerie Douglas International Verwaltungs GmbH	100
38	Parfümerie Douglas Beteiligungs GmbH	100
	Books	
39	Thalia Holding GmbH, Hamburg/Germany	100
40	Thalia Universitätsbuchhandlung GmbH, Hagen/Germany	100
41	Thalia-Buchhandlung Erich Könnecke GmbH & Co. KG, Boysen & Maasch, Hamburg/Germany	100
42	Könnecke Buchhandelsgesellschaft mbH, Hamburg/Germany	100
43	Thalia Medienservice GmbH, Hagen/Germany	100
44	Thalia Handels GmbH, Linz/Austria	100
45	Thalia Buch & Medien GmbH, Linz/Austria	100
46	Thalia Bücher AG, Basel/Switzerland	97.5
47	Kober & Thalia Buchhandelsgruppe Verwaltungs GmbH, Mannheim/Germany	100
48	Reinhold Gondrom GmbH & Co. KG, Kaiserslautern/Germany	100
49	R. Gondrom Verwaltungs-GmbH, Kaiserslautern/Germany	100
50	Grüttefien GmbH, Varel/Germany	100

No.	Name and registered office	Group interest (in %)
51	Buch & Kunst GmbH Leipzig, Leipzig/Germany	100
52	Haus des Buches GmbH Dresden, Dresden/Germany	100
53	G.D. Baedeker GmbH, Dresden/Germany	100
54	buch.de internetstores AG, Münster/Germany	79.9
55	Thalia Franchise GmbH & Co. KG, Hagen/Germany	100
56	textunes GmbH, Berlin/Germany	100
57	Thalia Franchise Verw. GmbH, Hagen/Germany	100
58	buch.de Markenverwaltung GmbH, Münster/Germany	100
59	Pocket Shop GmbH, Berlin/Germany	50.1
60	Orell Füssli Thalia AG, Zurich/Switzerland	50.0
	Jewelry	
61	Christ Juweliere und Uhrmacher seit 1863 GmbH, Hagen/Germany	100
	Fashion	
62	Reiner Appelrath-Cüpper Nachf. GmbH, Cologne/Germany	100
	Confectionery	
63	Hussel Süßwarenfachgeschäfte GmbH, Hagen/Germany	100
64	Hussel Geschenkstudio GmbH, Hagen/Germany	100
65	Cerrini Confiserie GmbH, Hagen/Germany	100
66	Hussel Iberia Chocolates e Confeitaria S.A., Lisbon/Portugal	49
67	Hussel Confiserie GmbH, Wels/Austria	100
	Services	
68	Beauty Holding One GmbH, Frankfurt a.M./Germany	100
69	DOUGLAS HOLDING AG, Hagen/Germany	100
70	Beauty Holding Two GmbH, Frankfurt a. M./Germany	100
71	DOUGLAS Leasing GmbH, Hagen/Germany	100
72	DOUGLAS Informatik & Service GmbH, Hagen/Germany	100
73	DOUGLAS Corporate Service GmbH, Hagen/Germany	100
74	DOUGLAS Immobilien GmbH & Co. KG, Hagen/Germany	100

No.	Name and registered office	Group interest (in %)
75	DOUGLAS Versicherungsvermittlung GmbH, Hagen/Germany	100
76	DOUGLAS Immobilien GmbH, Hagen/Germany	100
77	EKV Einkaufsverbund GMBH, Hagen/Germany	100
78	inter-moda GmbH, Hagen/Germany	100
79	EEG Energie-Einkaufsverbund GmbH, Hagen/Germany	100
80	Buch & Medien GmbH, Hagen/Germany	100
81	Douglas GmbH & Co. Objekt Zeil KG, Pullach im Isartal/Germany	88
82	DOUGLAS Grundbesitz GmbH, Hagen/Germany	100
83	Douglas Finance B.V., Nijmegen/The Netherlands	100
84	Douglas Grundstücks- und Verwaltungsgesellschaft mbH, Zossen/Germany	100
85	Douglas Grundstücks- und Verwaltungsgesellschaft mbH & Co. KG, Zossen/Germany	100
86	HWW Immobilienbeteiligungsgesellschaft mbH & Co. KG, Hagen/Germany	40
87	ARCADEON/HWW Seminar- und Tagungsbetrieb GmbH, Hagen/Germany	39.3
88	Landhotel Halden Immobilien GmbH & Co. KG, Hagen/Germany	25
89	Hapag Lloyd Reisebüro Hagen Verwaltungs GmbH, Hannover/Germany	30
90	Hapag Lloyd Reisebüro Hagen GmbH & Co. KG, Hagen/Germany	30

Management

Dr. Henning Kreke
Dr. Dennis Schulze
Gudrun Krafczik

Hagen, January 29, 2014

Beauty Holding Zero GmbH
Management

Dr. Henning Kreke Dr. Dennis Schulze Gudrun Krafczik

The following auditor`s report (Bestätigungsvermerk) has been issued in accordance with Section 322 German Commercial Code (Handelsgesetzbuch/HGB) on the consolidated financial statements and the group management report (Konzernlagebericht) of Beauty Holding Zero GmbH, Frankfurt am Main/Germany, as of and for the business year from 1 October 2012 to 30 September 2013. The Group management report is neither included nor incorporated by reference in this prospectus. The auditor's report and the before-mentioned consolidated financial statements are both translations of the respective German-language documents.

Translation from German Language

Auditor's report

We have audited the consolidated financial statements prepared by Beauty Holding Zero GmbH, Frankfurt am Main, comprising the balance sheet, the statement of comprehensive income, statement of changes in equity, Cash Flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from October 1, 2012 to September 30, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB are the responsibility of the parent company's Management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 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 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 the company's 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 IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 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.

Hamburg/Germany, January 27, 2015

RBS RoeverBroennerSusat GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Rudolph Wirtschaftsprüfer (German Public Auditor)	Schulz-Danso Wirtschaftsprüfer (German Public Auditor)

COMBINED FINANCIAL STATEMENTS OF DOUGLAS GROUP IN ACCORDANCE WITH IFRS TAKING INTO ACCOUNT THE BASIS OF PREPARATION AS SET OUT IN NOTE 1 OF THE COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2014, SEPTEMBER 30, 2013 AND SEPTEMBER 30, 2012

Combined statements of comprehensive income of DOUGLAS Group

for the years ended September 30, 2014, September 30, 2013 and September 30, 2012

Combined Income Statements

	Notes	10/01/2013 to 09/30/2014 (in EUR m)	10/01/2012 to 09/30/2013 (in EUR m)	10/01/2011 to 09/30/2012 (in EUR m)
1. Sales	**5**	**2,093.3**	**1,979.1**	**1,938.7**
2. Cost of raw materials, consumables and supplies and merchandise		(1,075.5)	(1,004.1)	(971.9)
3. Gross profit from retail business	**6**	**1,017.8**	**975.0**	**966.8**
4. Other operating income	7	183.7	191.5	176.0
5. Personnel expenses	8	(470.7)	(442.1)	(438.0)
6. Other operating expenses	9	(604.1)	(560.2)	(535.2)
7. Income from other investments		0.1	0.1	0.1
8. EBITDA		**126.8**	**164.3**	**169.7**
9. Amortization/depreciation	10	(64.3)	(73.8)	(117.9)
thereof impairment losses		(1.8)	(10.4)	(48.5)
10 EBIT		**62.5**	**90.5**	**51.8**
11 Financial income	11	55.0	8.0	8.3
12 Financial expenses	11	(84.8)	(28.3)	(7.8)
13 Financial result	11	(29.8)	(20.3)	0.5
14 Earnings before taxes (EBT)		**32.7**	**70.2**	**52.3**
15 Income taxes	13	(13.5)	(30.1)	(39.3)
16 Net profit for the year		**19.2**	**40.1**	**13.0**
17 Profit attributable to non-controlling interests		0.3	0.2	0.1
18 Profit (loss) attributable to the DOUGLAS Group shareholders		**18.9**	**39.9**	**12.9**

The accompanying Notes 5-13 are an integral part of these Combined Financial Statements.

Reconciliation of income to comprehensive income

	10/01/2013 to 09/30/2014 (in EUR m)	10/01/2012 to 09/30/2013 (in EUR m)	10/01/2011 to 09/30/2012 (in EUR m)
Net profit for the year	**19.2**	**40.1**	**13.0**
Components that will be reclassified to the income statement in the future			
Foreign currency translation differences arising from translating the financial statements of a foreign operation	(0.5)	(3.0)	3.3
Effective portion of cash flow hedges	(4.2)	(0.8)	0.0
Income tax effect	1.5	0.4	0.0
	(3.2)	**(3.4)**	**3.3**
Components that are not to be reclassified to the income statement			
Actuarial gains/losses from pension provisions	(2.7)	(1.9)	(3.2)
Income tax effect	0.7	0.6	(1.0)
	(2.0)	**(1.3)**	**(2.2)**
Total comprehensive income	**14.0**	**35.4**	**14.1**
Total comprehensive income attributable to DOUGLAS Group shareholders	13.7	35.2	14.0
Total comprehensive income attributable to non-controlling interest	0.3	0.2	0.1

Combined statements of financial position of DOUGLAS Group

as of September 30, 2014, September 30, 2013, September 30, 2012 and October 1, 2011

Combined Statements of Financial Position

		Notes	09/30/2014 (in EUR m)	09/30/2013 (in EUR m)	09/30/2012 (in EUR m)	10/01/2011 (in EUR m)
ASSETS						
A.	**Non-current assets**					
I.	Intangible assets	14,15	528.6	60.6	68.3	102.9
II.	Property, plant and equipment	14,15	245.6	231.4	254.4	275.5
III.						
	Tax receivables	13	3.7	6.4	6.4	6.7
IV.						
	Financial assets	19	19.5	65.1	66.9	108.6
V.	Deferred tax assets	16	42.7	29.7	28.9	26.7
			840.1	**393.2**	**424.9**	**520.4**
B.	**Current assets**					
I.	Inventories	17	542.6	401.5	410.2	384.1
II.	Trade accounts receivable	18	39.2	38.1	43.3	31.2
III.						
	Tax receivables	13	25.3	42.8	21.6	7.1
IV.						
	Financial assets	19	118.8	121.8	203.6	187.6
V.	Other assets	20	22.6	16.6	18.4	17.7
VI.						
	Cash and cash equivalents	21	217.5	113.3	32.5	29.0
			966.0	**734.1**	**729.6**	**656.7**
C.	**Assets held for sale**	**22**	**1.7**	**0.0**	**0.0**	**0.0**
Total			**1,807.8**	**1,127.3**	**1,154.5**	**1,177.1**

The accompanying Notes 14-22 are an integral part of these Combined Financial Statements.

Combined Statements of Financial Position

	Notes	09/30/2014 (in EUR m)	09/30/2013 (in EUR m)	09/30/2012 (in EUR m)	10/01/2011 (in EUR m)
EQUITY AND LIABILITIES					
A. Equity	**23**				
I. Net assets of DOUGLAS Group		88.7	444.5	561.5	576.1
II. Other components of equity attributable to DOUGLAS Group		(16.6)	(11.4)	(6.7)	(7.9)
III. Non-controlling interests		0.6	0.4	3.6	0.2
		72.7	**433.5**	**558.4**	**568.4**
B. Non-current liabilities					
I. Pension provisions	24	32.8	28.7	27.3	22.7
II. Other non-current provisions	25	16.6	16.4	15.8	14.2
III. Financial liabilities	26	1,065.6	197.5	18.9	27.3
IV. Other liabilities	27	0.9	1.1	1.4	4.6
V. Deferred tax liabilities	16	80.9	18.9	5.1	3.5
		1,196.8	**262.6**	**68.5**	**72.3**
C. Current liabilities					
I. Current provisions	25	117.0	86.6	77.2	78.2
II. Trade accounts payable		207.1	147.3	136.4	152.5
III. Tax liabilities		30.2	47.3	33.0	33.0
IV. Financial liabilities	26	48.2	34.1	173.3	169.5
V. Other liabilities	27	135.8	115.9	107.7	103.2
		538.3	**431.2**	**527.6**	**536.4**
Total		**1,807.8**	**1,127.3**	**1,154.5**	**1,177.1**

The accompanying Notes 16-27 are an integral part of these Combined Financial Statements.

Combined statements of changes in equity of DOUGLAS Group

for the years ended September 30, 2014, September 30, 2013 and September 30, 2012

		Other components of equity				
	Net assets attributable to DOUGLAS Group (in EUR m)	Reserve for pension provisions (in EUR m)	Results from cash flow hedges (in EUR m)	Differences from currency translation (in EUR m)	Non-controlling interests (in EUR m)	Total equity (in EUR m)
10/01/2011	**576.1**	**0.2**	**0.0**	**(8.0)**	**0.2**	**568.5**
Currency translation				3.3		3.3
IAS 39 Hedge Accounting			0.0			0.0
Pensions		(2.2)				(2.2)
Net result of the year	12.9				0.1	13.0
Total comprehensive *income*	**12.9**	**(2.2)**	**0.0**	**3.3**	**0.1**	**14.1**
Other changes in equity	(27.5)	0.0	0.0	0.0	3.3	(24.2)
09/30/2012	**561.5**	**(2.0)**	**0.0**	**(4.7)**	**3.6**	**558.4**
10/01/2012	**561.5**	**(2.0)**	**0.0**	**(4.7)**	**3.6**	**558.4**
Currency translation				(3.0)		(3.0)
IAS 39 Hedge Accounting			(0.4)			(0.4)
Pensions		(1.3)				(1.3)
Net income of the year	39.9				0.2	40.1
Total comprehensive *income*	**39.9**	**(1.3)**	**(0.4)**	**(3.0)**	**0.2**	**35.4**
Other changes in equity	(156.9)	0.0	0.0	0.0	(3.4)	(160.3)
09/30/2013	**444.5**	**(3.3)**	**(0.4)**	**(7.7)**	**0.4**	**433.5**
10/01/2013	**444.5**	**(3.3)**	**(0.4)**	**(7.7)**	**0.4**	**433.5**
Currency translation				(0.5)		(0.5)
IAS 39 Hedge Accounting			(2.7)			(2.7)
Pensions		(2.0)				(2.0)
Net income of the year	18.9				0.3	19.2
Total comprehensive income	**18.9**	**(2.0)**	**(2.7)**	**(0.5)**	**0.3**	**14.0**
Acquisition of non-controlling interests	(374.7)				(0.1)	(374.8)

		Other components of equity				
	Net assets attributable to DOUGLAS Group (in EUR m)	Reserve for pension provisions (in EUR m)	Results from cash flow hedges (in EUR m)	Differences from currency translation (in EUR m)	Non-controlling interests (in EUR m)	Total equity (in EUR m)
09/30/2014	88.7	(5.3)	(3.1)	(8.2)	0.6	72.7

Combined statements of cash flows

for the years ended September 30, 2014, September 30, 2013 and September 30, 2012

Combined Cash Flow Statements

		10/01/2013 to 09/30/2014 (in EUR m)	10/01/2012 to 09/30/2013 (in EUR m)	10/01/2011 to 09/30/2012 (in EUR m)
1	**EBITDA**	**126.8**	**164.3**	**169.7**
2	+/-Increase/decrease in provisions	13.9	6.8	6.4
3	+/-Other non-cash income/expense	(5.0)	2.7	2.5
4	+/-Profit/loss on the disposal of non-current assets	0.0	(0.2)	0.3
5	+/-Changes in inventories, trade account receivables and other assets not classifiable to investing or financing activities	21.8	(7.3)	(59.0)
6	+/-Changes in trade payables and other liabilities not classifiable to investing or financing activities	(14.4)	45.4	(7.3)
7	-Paid/reimbursed taxes	(5.8)	(35.0)	(42.1)
8	**=Cash flow from operating activities**	**137.3**	**176.7**	**70.5**
9	+Proceeds from the disposal of non-current assets and disposal of stores	**3.8**	**1.5**	**3.7**
10	-Investments in non-current assets	(51.9)	(40.3)	(65.6)
11	-Payments for the acquisition of combined companies	(147.3)	0.0	0.0
12	**=Cash flow from investing activities**	**(195.4)**	**(38.8)**	**(61.9)**
13	**Free cash flow (sum of 8 and 12)**	**(58.1)**	**137.9**	**8.6**
14	+Proceeds from equity	255.0	0.0	0.9
15	-Repayments of equity	0.0	(156.3)	0.0
16	-Dividends paid	0.0	0.0	(43.4)
17	-Payments for the repayment of financial liabilities	(431.8)	(25.5)	(64.4)
18	+Proceeds from borrowings	274.8	62.0	142.7
19	-Payments for granting of loans	0.0	(3.0)	0.0
20	+Proceeds from repayments of granted loans	0.0	5.0	41.5
21	-Interest paid	(5.0)	(16.3)	(5.0)
22	+Interest received	4.5	0.0	1.0
23	+/-Change in short term debt and other financial activities	64.9	77.2	(78.5)
24	**=Cash flow from financing activities**	**162.4**	**(56.9)**	**(5.2)**
25	**=Net change in cash and cash equivalents (total of rows 8, 12 and 24)**	**104.3**	**81.0**	**3.4**
26	+/-Net change in cash and cash equivalents due to currency translation	(0.1)	(0.2)	0.1
27	**+/-Cash and cash equivalents at beginning of year**	**113.3**	**32.5**	**29.0**
28	**=Cash and cash equivalents at end of year**	**217.5**	**113.3**	**32.5**

Combined Segment Reporting

	Germany			France			South Western Europe			Eastern Europe		
	2013/14	2012/13	2011/12	2013/14	2012/13	2011/12	2013/14	2012/13	2011/12	2013/14	2012/13	2011/1
	1,100.8	**1,079.2**	**1,055.2**	**274.9**	**178.1**	**154.5**	**489.3**	**507.0**	**523.6**	**228.3**	**214.8**	**205.4**
	16.7	14.7	14.8	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1,117.5	1,093.9	1,070.0	275.2	178.1	154.5	489.3	507.0	523.6	228.3	214.8	205.4
	91.9	**108.5**	**109.7**	**(14.6)**	**8.7**	**8.2**	**32.6**	**33.3**	**39.2**	**16.9**	**13.8**	**12.6**
%	8.2%	9.9%	10.3%	(5.3)%	4.9%	5.3%	6.7%	6.6%	7.5%	7.4%	6.4%	6.1
ments	41.1	16.0	2.0	29.4	0.1	0.0	2.4	0.2	1.5	(0.2)	0.1	0.0
	133.0	**124.5**	**111.7**	**14.8**	**8.8**	**8.2**	**35.0**	**33.5**	**40.7**	**16.7**	**13.9**	**12.6**
argin in	11.9%	11.4%	10.4%	5.4%	4.9%	5.3%	7.2%	6.6%	7.8%	7.3%	6.5%	6.1
	196.7	181.6	180.7	154.7	34.1	33.3	121.0	119.8	128.4	70.2	66.0	67.8
	22.7	25.4	39.6	8.2	3.8	5.9	11.0	9.2	12.2	6.7	6.7	6.6

Reconciliations

Operating profit	
Adjusted EBITDA	
One-off items/adjustments	
EBITDA	
Amortization/Impairments	
EBIT	
Financial income	
Financial expenses	
EBT	
Taxes	
Net income	
One-off items/adjustments	
Adjusted net income	

Entity-wide disclosures

	09/30/2014
	(in EUR m)
Non-current assets	
Germany	153.4
International	620.8
Total	**774.2**

Notes to the Combined Financial Statements of DOUGLAS Group

for the years ended September 30, 2014, 2013 and 2012

1. Basis of preparation

Background and purpose of the Combined Financial Statements

Al Beauty & Cy S.C.A., Luxembourg, announced its plans to publicly list DOUGLAS Perfumeries Business (hereafter referred to as "DOUGLAS Group" or "DOUGLAS"). According to the European Prospectus Regulation No. 809/2004 ("EPV"), an issuer shall present historical financial information covering the latest three periods in its securities prospectus. Therefore, financial information for the periods from October 1, 2013 to September 30, 2014, from October 1, 2012 to September 30, 2013 and from October 1, 2011 to September 30, 2012 are prepared.

According to the EPV, DOUGLAS Group has a "Complex Financial History". Therefore, the Combined Financial Statements consisting of Combined Statements of Comprehensive Income, Combined Statements of Financial Position, Combined Statement of Changes in Equity, Combined Cash Flow Statement, Segment Reporting and Notes to the Combined Financial Statements for the years 2013/14, 2012/13 and 2011/12 (collectively referred to hereafter as "Combined Financial Statements") were prepared.

Formerly DOUGLAS Perfumeries Business was one of the operating segments of the DOUGLAS HOLDING AG. In December 2012 Beauty Holding Two GmbH, a wholly-owned subsidiary of Beauty Holding One GmbH, which is based in Frankfurt am Main, Germany, has acquired all shares in DOUGLAS HOLDING AG via its subsidiary Beauty Holding Three AG a holding company indirectly held by funds advised by Advent International GmbH and the Kreke Family. Beauty Holding Three AG was merged with Beauty Holding Two with retroactive effect as of October 1, 2012. In December 2012 Beauty Holding Three AG took control of the shares in DOUGLAS HOLDING AG within the scope of a voluntary public takeover offer. The takeover offer was subject to the condition precedent that at least 75 percent of the shares in DOUGLAS HOLDING AG would be put on offer. This limit was exceeded on December 4, 2012. The takeover of the remaining shares was concluded following the transfer of the remaining shares to Beauty Holding Two GmbH resolved during the Annual General Meeting held on May 28, 2013. As of today, Beauty Holding Two GmbH holds 100 percent of the shares in DOUGLAS HOLDING AG.

DOUGLAS Perfumeries Business was the largest division (operating segment) of DOUGLAS HOLDING AG. DOUGLAS HOLDING AG was a leading European multi-channel retail conglomerate formerly consisting of five independent retail formats – DOUGLAS Perfumeries, Thalia Book stores, Christ Jewelry stores, Hussel Confectionery stores and Appelrath Cüpper Fashion stores (the latter divisions are not part of this Combined Financial Statements and have been sold to Al Beauty & Cy S.C.A as at October 1, 2014 - except for Hussel Confectionery stores which have been sold as of April 30, 2014). DOUGLAS Perfumeries Business holds a leading market position with 1,532 perfumeries in Europe spanning 18 countries offering fragrances, care products, make-up, fashion-accessories and decoration articles to its customers. DOUGLAS Perfumeries Business is operating in the regions Germany, France, South-western Europe and Eastern Europe.

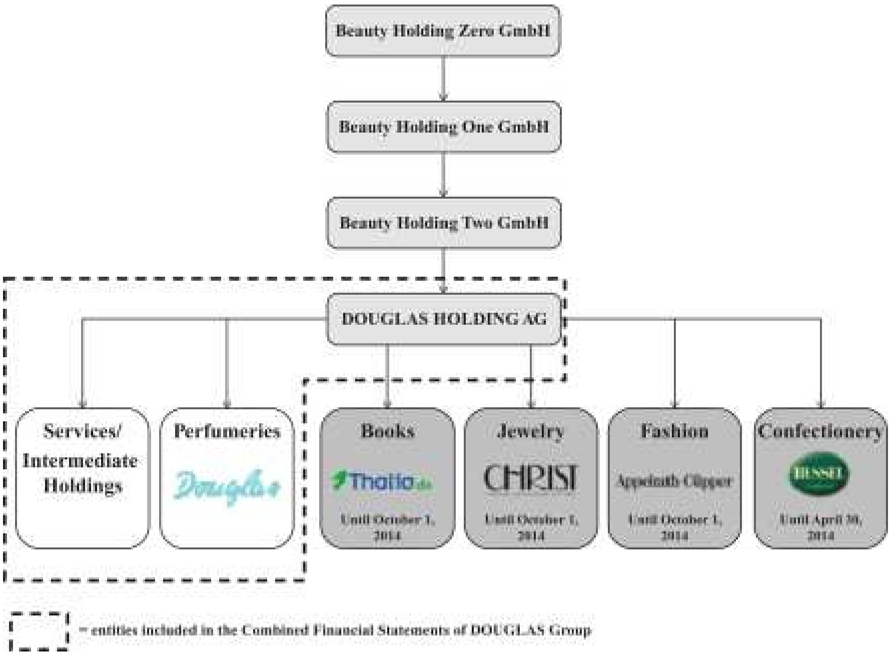
On June 24, 2014, DOUGLAS acquired the French perfumery chain Nocibé whereas Nocibé is integrated into DOUGLAS as of July 1, 2014. With this acquisition, DOUGLAS Group further developed its position as a leading perfumery chain in Europe. The acquisition of Nocibé by DOUGLAS Group created the largest perfumery chain in France, with 373 stores and about 2,946 employees. Together, in France, DOUGLAS and Nocibé achieve a number two position in terms of turnover.

The DOUGLAS Group is managed centrally by the Management Board of DOUGLAS HOLDING AG, located in Kabeler Str. 4, 58099 Hagen, Germany.

The purpose of these Combined Financial Statements is to provide general historical financial in-formation of DOUGLAS Group for the inclusion in the prospectus for the initial public offering and for the admission to the regulated market. Therefore, the Combined Financial Statements present only the historical financial information of those entities that will be part of DOUGLAS Group at the time of the intended initial public offering.

Scope of the entities included in the Combined Financial Statements

As of September 30, 2014, the entities of the Combined Financial Statements of the DOUGLAS Group consist of all entities belonging to the former segment Perfumeries of DOUGLAS HOLDING AG, as well as the former segment Services. However, DOUGLAS Corporate Service GmbH (DCS), formerly part of segment Services, is not included in the Combined Financial Statement due to a management buyout. Furthermore, the entities "Intermoda" of the former Fashion segment and "Buch & Medien" of the former Books segment (intermediate holding companies with out any business) have been added to the DOUGLAS Group and subsumed to the services entities. The structure of the DOUGLAS Group is illustrated in the following organizational chart (a detailed list of all entities of the Combined Group can be found under "other explanatory notes"):


Beauty Holding Zero GmbH
Beauty Holding One GmbH
Beauty Holding Two GmbH
DOUGLAS HOLDING AG
Services/ Intermediate Holdings
Perfumeries
Douglas
Books
Thalia.de
Until October 1, 2014
Jewelry
CHRIST
Until October 1, 2014
Fashion
Appelrath Cüpper
Until October 1, 2014
Confectionery
HUSSEL
Until April 30, 2014
= entities included in the Combined Financial Statements of DOUGLAS Group

Thalia, Christ, Appelrath-Cüpper and Hussel are not part of the combined group and hence their business impact is not included in these combined financial statements. In addition, it is to be noted that Hussel has been sold as of April 30, 2014 and that the remaining business units have been sold to Al Beauty & Cy S.C.A as of October 1, 2014.

For the years ended September 30, 2014, 2013 and 2012, all of the entities of DOUGLAS Group were under common control of DOUGLAS HOLDING AG.

Presentation of the Combined Financial Statements

The DOUGLAS Group as described above has prepared these Combined Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

These Combined Financial Statements are the first financial statements of DOUGLAS Group as defined in the section "Scope of the entities included in the Combined Financial Statements" in accordance with IFRS 1.3. DOUGLAS Group prepared the Combined Financial Statements using IFRS 1.D16 (a) ("predecessor accounting method"). The DOUGLAS Group used the same accounting policies and valuation methods with the exception of IAS 19R in accordance with IFRS 1 for the preparation of these Combined Financial Statements, as those used by the DOUGLAS companies for the preparation of the financial information included in historical DOUGLAS HOLDING AG Consolidated Financial Statements. In addition, accounting policies adopted by DOUGLAS HOLDING AG for the reporting period as of September 30, 2014 subject to the presentation of early payment discount and the presentation of effects from currency translation have been also applied in accordance with IFRS 1 since October, 1 2011. These accounting policies have been disclosed under Note 4 (Accounting and valuation principles). The Combined Financial Statements were prepared on a historical cost basis according to the current accounting policies of DOUGLAS HOLDING AG as included in DOUGLAS HOLDING AG Consolidated Financial Statements, based on DOUGLAS HOLDING AG's date of transition to IFRS (October 1, 2004).

Since IFRS does not provide any guidance for the preparation of Combined Financial Statements, IAS 8.12 has been used for the preparation of the Combined Financial Statements. IAS 8.12 requires that the latest pronouncements of other standard setters, other accounting literature and accepted industry practice should be considered. The Combined Financial Statements of the DOUGLAS Group have been derived from the aggregation of the net assets of DOUGLAS HOLDING AG and its direct and indirect subsidiaries. All intra-group balances, income, expenses and unrealized gains and losses arising from transactions between companies belonging to DOUGLAS Group were eliminated when preparing the Combined Financial Statements. Investments of the holding companies in DOUGLAS Group were eliminated against the equity of the respective subsidiaries. In addition, investments of DOUGLAS Group in non-IPO entities are eliminated against equity of DOUGLAS Group. Dividend distributions and transfers of profit and loss subject to profit and loss transfer agreements regarding those entities that are not part of the DOUGLAS Group are presented as other changes in equity similar to contributions of capital or withdrawals of capital respectively. In the combined cash flow statement such transactions are presented as proceeds or repayments of equity within cash flow from financing activities. Transactions with Beauty Holding Two GmbH, Beauty Holding One GmbH and Beauty Holding Zero GmbH as well as with the DOUGLAS HOLDING AG group companies, which do not belong to DOUGLAS Group, have been disclosed as transactions with related parties.

Income taxes were determined based on the assumption that the companies in DOUGLAS Group were separately taxable entities for the reporting period 2011/12 and 2012/13. This assumption implies that the current and deferred income taxes of all companies and of the tax groups within DOUGLAS Group are calculated separately and the recoverability of the deferred tax assets is also assessed accordingly for the reporting period 2011/12 and 2012/13. In the reporting period 2013/14, the introduction of a new profit and loss transfer agreement for the formation of a new tax group, in which Beauty Holding One GmbH is the tax group parent, caused a structure in which DOUGLAS HOLDING AG becomes an interim tax group entity. The implication of this structure is that the allocation of income and deferred taxes is performed according to the group allocation method. This causes a systematic allocation of income and deferred taxes of the tax group parent to each tax group entity. Due to the fact that certain entities of DOUGLAS Group did not file separate tax returns in previous years, the respective current tax assets and liabilities, as well as the deferred tax assets on net operating losses, are deemed either contributed or distributed to the respective tax group member filing the tax return with a corresponding effect in the equity of the (non-DOUGLAS Group) share-holder as of the end of the respective period. The taxes actually paid by the DOUGLAS Group have been presented in the Combined Statements of cash flow; the deemed contributions or distributions have not been included. In period 2013/14 all companies of DOUGLAS Group were either separately taxable entities or were part of an income tax group within Beauty Holding One Group. Receivables and payables between DOUGLAS HOLDING AG and Beauty Holding Two GmbH, Beauty Holding One GmbH or Beauty Holding Zero GmbH arising from the VAT group have been disclosed under other tax receivables / payables.

Management considers the separate tax return approach to be reasonable, but not necessarily indicative of the tax income or expense that would have been incurred if the entities were indeed separate taxable entities.

The Combined Financial Statements have been prepared and published in millions of Euro (EUR m). Rounding differences may occur in respect of individual amounts or percentages.

The Combined Financial Statements were authorized for issue by the Management Board of DOUGLAS HOLDING AG located in Kabeler Str. 4, 58099 Hagen, Germany, on April 17, 2015.

2. New IASB accounting standards

The Combined Financial Statements of DOUGLAS Group have been prepared taking into account all published standards and interpretations which have been adopted as part of the European Union ("EU") endorsement process and for which application is mandatory for the year 2013/14. Earlier application of the new standards in the accompanying Combined Financial Statements was not conducted by the DOUGLAS Group with the exception of IAS 19R.

In the past fiscal year, DOUGLAS Group has first applied effective changes of IFRS 1, IFRS 7, IAS 12 and IFRS 13 which are mandatory for financial years starting on January 1, 2013 and there-after. These standards did not have a material impact on the net assets, financial position and result of operations of the DOUGLAS Group. Only notes are impacted.

In addition to the mandatory standards and interpretations to be adopted in the Combined Financial Statements as of September 30, 2014, there are other new and/or revised standards and interpretations that are not yet applicable to annual periods beginning on October 1, 2013. These have not been adopted earlier by the DOUGLAS Group. The new regulations are presented in the following overview.

New Regulations of the IASB not yet applicable in 2013/14

New standard/regulation not yet applicable			Date of first-time adoption	Endorsed by the European Commission	Probable impact on the DOUGLAS Group
IFRS 9	Financial Instruments Disclosures	Regulations for the accounting of financial instruments measured at amortized cost or fair value	01/01/2018	no	No material impact
IFRS 10	Consolidated Financial Statements	Guidelines for limiting the scope of consolidation	01/01/2014	yes	No material impact
IFRS 10, IAS 28	Consolidated Financial Statements	Sale or contribution of assets between an investor and an associated company or jointly controlled entity	01/01/2016	no	No impact
IFRS 11	Joint Arrangements	Regulations for accounting treatment of jointly controlled entities	01/01/2014	yes	No material impact
IFRS 11	Joint Arrangements	Accounting for acquisitions of interests in joint operations	01/01/2016	no	No impact
IFRS 12	Disclosure of Interests in Other Entities	Disclosure requirements for interests held in other entites	01/01/2014	yes	Additional disclosure requirements in the Notes
IFRS 10, 11, 12		Transitional guidelines until these standards are applied	01/01/2014	yes	No material amendments
IFRS 14	Regulatory Deferral Accounts	Exemption option for first-time IFRS adopters	01/01/2016	no	No material impact
IFRS 15	Revenue from Contracts with Customers	Broad revenue recognition concept	01/01/2017	no	No material impact
IAS 16, IAS 38	Intangible Assets and Property, Plant and Equipment	Amendments to acceptable methods of depreciation and amortization	01/01/2016	no	No material impact
IAS 16, IAS 41	Biological Assets and Property, Plant and Equipment	Amendments to accounting for bearer plants	01/01/2016	no	No impact
IAS 19	Pensions	Recognition of contributions from employees or third parties to defined benefit plans	07/01/2014	yes	No material impact
IAS 27	Separate Financial Statements	Limitation of IAS 27 to separate financial statements	01/01/2014	yes	No impact
IAS 27	Separate Financial Statements	Application of the equity method in separate	01/01/2016	no	No impact

New standard/regulation not yet applicable			Date of first-time adoption	Endorsed by the European Commission	Probable impact on the DOUGLAS Group
		financial statements			
IAS 28	Shares in Associates and Joint Ventures	Revision of accounting rules for associated companies and joint ventures	01/01/2014	yes	No impact
IAS 32	Financial Instruments: Presentation	Disclosures on the offsetting of financial assets and financial liabilities	01/01/2014	yes	No material impact
IAS 36	Impairment of Assets	Additional disclosures relating to the different levels of fair value measurement as well as the valuation methods applied and key assumptions for Level 2 and Level 3 valuations	01/01/2014	yes	Extended Notes disclosures
IAS 39	Financial Instruments: Recognition and Valuation	Novation due to regulatory requirements with respect to OTC transactions and trade repositories (EMIR); with otherwise unchanged contract parameters, the change in the counterparty does not lead to termination of the hedge	01/01/2014	yes	No material impact
IFRS 10, 12, IAS 27	Investment Entities	Changes relating to the consolidation of subsidiaries in investment entities	01/01/2014	yes	No material impact
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine		01/01/2014	yes	No impact
IFRIC 21	Levies	Guidance on when to recognize a liability for a levy impost by a government	01/01/2014	yes	No material impact
Improvements to IFRS (2010-2012)	IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38		01/01/2014	yes	No material impact
Improvements to IFRS (2011-2013)	IFRS 1, IFRS 3, IFRS 13, IAS 40		01/01/2015	no	No material impact
Improvements to IFRS (2012-2014)	IFRS 1, IFRS 5, IFRS 7, IAS 19, IAS 34		07/01/2016	no	No material impact

3. Currency translation

Transactions in foreign currencies are translated to the respective functional currencies of DOUGLAS Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate of that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate of the date when the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations, including goodwill, are translated to EUR at ex-change rates at the reporting date. The income and expenses of foreign operations are translated to EUR at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

The following exchange rates have been used for currency translation purposes:

Exchange rates

			Average exchange rate			Closing rate			
in EUR			2013/14	2012/13	2011/12	09/30/2014	09/30/2013	09/30/2012	10/01/2011
1	US dollar	USD	0.737	0.762	0.770	0.788	0.741	0.774	0.741
100	Swiss franc	CHF	81.932	81.603	82.601	82.864	81.833	82.679	82.055
100	Polish zloty	PLN	23.975	23.933	23.438	23.924	23.706	24.306	22.594
100	Hungarian forint	HUF	0.328	0.341	0.340	0.321	0.336	0.351	0.341
100	Turkish lira	TRY	34.672	41.236	42.480	34.686	36.346	43.113	39.722
100	Czech crown	CZK	3.670	3.907	3.974	3.634	3.888	3.975	4.046
100	Lithuanian litas	LTL	28.962	29.046	29.039	28.962	29.391	29.138	28.988
100	Latvian lats	LVL	142.287	142.287	143.746	142.287	142.287	144.760	141.483
100	Romanian leu	RON	22.501	22.581	22.696	22.700	22.441	22.052	23.196
100	Croatian kuna	HRK	13.125	13.273	13.363	13.109	13.140	13.499	13.404
100	Bulgarian lev	BGN	51.212	51.202	51.196	51.140	51.332	51.377	51.174

In the individual financial statements, assets and liabilities denominated in foreign currencies are converted using the exchange rate on the date of acquisition. An adjustment is then made to the respective closing rate on each reporting date and recognized in profit or loss.

In total, income from exchange rate differences totaling 0.6 million EUR (2012/13: 0.4 million EUR, 2011/12: 1.1 million EUR) and corresponding expenses totaling 0.9 million EUR (2012/13: 0.9 million EUR, 2011/12: 0.9 million EUR) were recognized in profit or loss.

4. Accounting and valuation principles

Intangible assets

According to IFRS 3, Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill impairment testing is performed annually or if there is an indication of impairment. Goodwill arising from a business combination is allocated to cash generating units (CGUs) or groups of those CGUs that are expected to benefit from the synergies of the combination. Generally, CGUs are determined by stores and online shops, whereas the ceiling for the allocation is the operating segment in conformity with IFRS 8.5. Operating segments of DOUGLAS Group are the segments Germany, France, South-western Europe and Eastern Europe. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

Other intangible assets are carried at cost. Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lifes, and is generally recognized in profit or loss.

Intangible assets with indefinite useful lifes are not amortized but are tested for impairment at least once a year. An impairment loss is recognized if the carrying amount of such an asset exceeds its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Property, plant and equipment

If items of property, plant and equipment are used for longer than one year, these are carried at cost less scheduled straight-line depreciation. Investment subsidies received reduce that asset's cost for which the subsidy was granted. As a rule, borrowing costs are not included when calculating acquisition costs for property, plant and equipment, but are immediately expensed to the income statement, because there are no qualifying assets in the DOUGLAS Group. Since, based on experience, the DOUGLAS Group's companies do not utilize restoration obligations, these obligations are generally not recognized in the acquisition costs of the leasehold improvements. In the year of purchase, property, plant and equipment are depreciated on a pro rata temporis basis. Where indications of impairment exist, an impairment test is conducted for the corresponding asset. Items of property, plant and equipment are derecognized when removed or further economic benefits are no longer expected from that asset's use. The gain or loss from the disposal of the asset arises from the difference between its net realizable value and carrying amount.

The amortization and depreciation periods for intangible assets and property, plant and equipment are determined based on their useful lifes as follows:

Useful lifes

Item	Years
Software	3-5
Leasehold	5-15
Customer bases	5-10
Buildings	10-50
Store fittings, office and operating equipment	3-10

Leases

The economic ownership of a leased asset is classified to that contractual party who bears substantially all the risks and rewards incident to ownership of the leased asset. Material lease arrangements predominantly relate to the leasing of company stores within the DOUGLAS Group. Leases are recognized in the balance sheet according to the requirements of IAS 17. In order to ensure the greatest possible flexibility, the DOUGLAS Group generally aims to conclude rental agreements with a fixed rental period of no more than ten years and single or multiple exercisable options to ex-tend the lease. In classifying lease agreements, consideration is given to the basic lease term and the exercise of any renewal options on the basis of knowledge acquired in the past, which means that these agreements regularly qualify as operating leases as the fixed lease term plus one renewal option does not exceed the significant part of the economic useful life of the rented premises.

If, in cases of exception, the economic ownership of leased assets can be allocated to the DOUGLAS Group, the leased assets are classified as finance lease and are capitalized at the inception of the lease and subject to scheduled straight-line depreciation in subsequent periods. At the commencement of the lease, the leased asset is recognized at the fair value of the asset or, if lower, the present value of the minimum lease payments. On the other hand, the financial obligations that result from future lease payments are recognized as a liability in the same amount. Depreciation is conducted over the estimated useful life or the shorter lease term. This liability is amortized proportionately over the lease term according to the effective interest rate method plus accrued interest.

Financial assets

Financial assets, including interests in companies not part of the combined group that are not measured at equity, equity participations, securities and contractual receivables are accounted for according to IAS 39. Financial assets are initially measured at fair value. Directly attributable transaction costs are included except for financial assets at fair value through profit or loss, where transaction costs are recognized in profit or loss as incurred.

Depending on their classification, financial assets are either measured at fair value (securities and financial assets from derivative financial instruments) or amortized cost (trade accounts receivable and other contractual financial receivables).

The DOUGLAS Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a trans-action in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

Financial assets denominated in a foreign currency are translated to the functional currency at the date of acquisition. An adjustment is then made to the respective closing rate on each balance sheet date and recognized to profit or loss. Interest income and expense are matched to the period in the financial result.

Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred taxes are identified using the liability method based on the requirements of IAS 12. Deferred taxes are thus recognized for temporary differences between the carrying amounts in the combined financial statements and the tax base to the extent that these differences will lead to tax refunds or charges in future. Deferred taxes are measured taking into account the tax rates and tax regulations that have been enacted on the balance sheet date or which are expected to be enacted when the differences are reversed. Deferred tax assets are only recognized to the extent that there is taxable income expected on the date the difference is reversed against which the difference can be offset.

In determining the amount of current and deferred tax the DOUGLAS Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The DOUGLAS Group believes that its accruals for tax liabilities are adequate for all open tax periods based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the DOUGLAS Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if it is possible that there is a legally enforceable right to offset current tax liabilities and assets because they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Inventories

As a rule, merchandise is recognized at the lower of cost and net realizable value. In individual areas, acquisition costs are identified using the retail method based on the selling price using reasonable valuation allowance deductions as well as on the basis of a separate valuation of additions from the perspective of the procurement market. Interest on borrowings is not included in the acquisition costs as inventories are not qualifying assets. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Selling as well as fashion and other risks were taken into account, to the extent needed, as part of measurement at the net realizable value. Raw materials, consumables and supplies are recognized at their acquisition costs.

Receivables and other financial assets

Trade accounts receivable and other financial assets are classified as "loans and receivables". These assets are initially recognized at fair value plus any directly attributable transaction costs. Sub-sequent to initial recognition, they are measured at amortized cost using the effective interest method. Recognizable risks are taken into account via write-downs based on the age structure of the receivables. A major portion of receivables that is more than 60 days overdue is transferred to a collection agency. Necessary write-downs are in part conducted by using bad debt accounts. Receivables and other assets are generally derecognized when they are settled.

Receivables and other financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Securities

Securities are carried at their fair value according to the requirements of IAS 39. As a result, the fair value is adjusted and reflected directly in equity via a separate equity component, as securities have been classified to the "available-for-sale" category. Securities are initially recognized at the trade date.

Cash and cash equivalents

Cash and cash equivalents comprising cash balances, bank accounts and short term money deposits are recorded at cost.

Provisions

Provisions are accounted for in conformity with IAS 37. Provisions are recognized if there is a legal or constructive obligation to third parties arising from past events and the future cash outflow to fulfill this commitment can be reliably estimated. The carrying amount of the provision is based—for individual risks—on the best estimate of the settlement taking into account all recognizable risks, or—for a large population of risks—the amount computed according to the expected value method. Non-current provisions are carried on the balance sheet at their present value as of the balance sheet date. As of September 30, 2014, non-current provisions were discounted using a maturity related interest rate at an average of 2.7 percent (2013: 3.3 percent, 2012: 3.9 percent). The maturity of long-term human resources commitments is based on the date of dismissal of the employee or forecasted cash outflows. The maturity of long-term real estate commitments is based on the duration of the lease contract or the estimated date of an early termination of the lease contract. Provisions for restructuring measures are recognized if a constructive obligation to restructure was formalized by means of the adoption of a detailed restructuring plan and its communication vis-à-vis those affected as of the closing date. Restructuring provisions comprise only obligatory restructuring expenses.

Provisions for pensions are accounted for in line with the requirements of IAS 19. Actuarial calculations for provisions for defined benefit plans use the projected unit credit method. As part of this measurement, the pensions and entitlements known on the balance sheet date are taken into account as well as the increases in salaries and pensions to be expected in future. For funded pension plans, the same interest rate chosen to determine interest expenses resulting from the measurement of obligations is also to be used to calculate interest income from plan assets. If changes to these calculation assumptions result in differences between the identified pension obligations and the pension obligations determined as of the balance sheet date, actuarial gains or losses will be incurred. These actuarial gains or losses as well as other actuarial valuation changes are recognized directly in equity under other comprehensive income.

Plan assets designated at fair value and liabilities from pension plans are presented in a net amount. Plan assets are maintained in qualified policies that are pledged to the employee. The interest portion included in the pension expense is presented as interest expense within the financial result. Further obligations similar to pension provisions such as part-time work schemes and termination benefits are also disclosed according to the requirements of IAS 19.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The DOUGLAS Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Financial liabilities

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. Financial liabilities that arise from leases are carried as a liability at their present values. Income and expense from non-derivative financial liabilities arise from interest income or expense or from currency translation gains or losses. Financial liabilities are recognized at the inception of the contract and are derecognized when the obligation is extinguished or expired (limitation of time). All trade accounts payable have a maturity of less than one year and are non-interest bearing. Liabilities arising from financing leases are reported under other liabilities. The option to initially recognize financial liabilities at fair value through profit or loss was not applied by the DOUGLAS Group.

Accounting for derivative financial instruments and hedging relationships

Derivative financial instruments are used to reduce cash flow fluctuations that result from interest rate risks. Derivative financial instruments are neither used nor issued for speculative purposes. Derivative financial instruments are recognized at fair value, which correspond to market value, both upon initial and subsequent measurement in accordance with IAS 39 and can result in a positive or negative figure. Gains and losses from fair value measurement, to the extent that these are designated derivative financial instruments qualifying as hedged items to hedge against cash flow risks, are recognized directly in equity under a separate equity item in line with the rules for hedge accounting. Derivative financial instruments that do not qualify as hedged items are measured at fair value and recognized in the income statement. Deferred taxes arising from the difference between the IFRS carrying amounts and the tax base are also recognized directly to equity under a separate equity item if the fair value differences were also recognized directly in equity under a separate equity item. The amounts recorded under equity increase or reduce profit or loss as soon as the hedged cash flows from the underlying transaction are recognized in the income statement.

The fair value of derivative financial instruments corresponds to the amount either paid or received by the DOUGLAS Group company upon termination of the financial instrument on the balance sheet date. The calculation of the fair value takes into account the interest rates and forward rates in effect as of the balance sheet date. The recording of changes in the fair value depends on the application of the derivative financial instrument. Where the derivative financial instrument is not used in an effective hedging relationship, the change in fair value is immediately recognized to profit or loss. If, on the other hand, an effective hedging relationship exists, then it is recorded as such. The DOUGLAS Group implements derivative financial instruments as hedging instruments only as part of cash flow hedges. By way of such cash flow hedges, the DOUGLAS Group hedges the exposure to future variability in cash flows attributable to interest rate risks. In the case of a cash flow hedge, the effective portion of the value change in the hedging instruments is recognized directly to equity until the result arising from the hedged items is recognized. In addition, non-derivative financial liabilities as part of a net investment hedge are implemented to cover currency rate risks arising from net investments in non-Group foreign currencies. Accounting for net investment hedges generally follows the rules of cash flow hedges.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Fair value measurement

The input factors used to determine fair value are divided into three categories according to IFRS 13. Fair value measurements based on input factors of the first category relate to price quotations in active markets that can be determined for the valuation object—such as quoted prices. Fair value measurements based on factors whose value can be derived directly or indirectly from observable market data fall into the second category. The measurement of the third category is based on pricing models, which are based on inputs that cannot be observed in the market. The DOUGLAS Group only measures interest rate swaps at fair value. The fair value measurement of interest rate swaps falls into the second category as the valuation of interest rate swaps is based on observable market interest rates.

Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The DOUGLAS Group's revenues are predominantly related to cash transactions.

Revenue relating to customer loyalty programs is allocated between the loyalty program and the other components of the sale. Claims from customer loyalty programs are measured at the costs to be incurred therefrom and offset directly against sales. Sales arising therefrom are first recognized upon redemption of the bonus points. Deferred sales are reversed or utilized in line with the way customers redeem their gift vouchers and are also reported under sales. Interest income and interest expense are recognized in the financial result on an accrual basis.

Use of assumptions and estimates

Assumptions have been made and estimates used in the preparation of these Combined Financial Statements that impact the disclosure and amount of the assets and liabilities, income and expenses carried in these statements. These assumptions and estimates were used, in particular, in the determination of useful lifes, classifying leases as operating or finance leases, valuing restoration obligations, assessing the recoverability of goodwill, measuring provisions and estimating the probability that future tax refunds will be realized. In addition, assumptions and estimates are of significance in determining the fair values and acquisition costs associated with first time consolidation. Actual values may vary in individual cases from the assumptions and estimates made. Changes are recognized in income as soon as more detailed information is known.

Notes to the combined statements of comprehensive income

5. Sales

in EUR m	2013/14	2012/13	2011/12
Germany	1,100.8	1,079.2	1,055.2
International			
France	274.9	178.1	154.5
South-western Europe	489.3	507.0	523.6
Eastern Europe	228.3	214.8	205.4
Total	**2,093.3**	**1,979.1**	**1,938.7**

(Net) sales totaling 2,093.3 million EUR were recorded in the reporting period 2013/14. Thereof, 47.4 percent were recorded outside of Germany, following 45.5 and 45.6 percent in the periods 2012/13 and 2011/12.

6. Gross profit from retail business

Gross profit from retail business amounted to 1,017.8 million EUR in period 2013/14 (2012/13: 975.0 million EUR, 2011/12: 966.8 million EUR). The sales margin (ratio of gross profit to net sales) amounts to 48.6 percent in the reporting period 2013/14 (2012/13: 49.3 percent, 2011/12: 49.9 percent).

7. Other operating income

in EUR m	2013/14	2012/13	2011/12
Income from marketing and advertising costs recharged	100.0	107.2	99.0
Income from costs recharged to related parties	15.9	19.9	18.0
Income from leasing and subleasing	21.1	23.1	19.8
Income from customer card	10.9	10.4	9.7
Income from the reversal of provisions	9.9	5.1	4.3
Income from commissions	2.6	2.8	2.7
Income from the derecognition of liabilities	2.4	2.2	2.2
Income from insurance claims	0.8	1.6	1.0

in EUR m	2013/14	2012/13	2011/12
Income from the disposal of non-current assets	0.2	0.4	1.8
Income from the reversal of impairments	0.0	0.0	0.9
Other income	19.9	18.8	16.6
Total	**183.7**	**191.5**	**176.0**

Other operating income includes refunds primarily for marketing costs and other recharged costs to related parties. Related party relationships are described in other explanatory notes. Income from leasing and subleasing largely results from stores leased that are not used by the company, but are subleased.

8. Personnel expenses

in EUR m	2013/14	2012/13	2011/12
Wages and salaries	390.7	365.2	360.4
Social security, pension and other benefit costs	80.0	76.9	77.6
thereof expenses relating to defined contribution plans	22.1	21.2	21.4
Total	**470.7**	**442.1**	**438.0**

Perfumery Douglas Nederland B.V. takes part in a multi-employer-plan which basically qualifies as a defined benefit plan. However, due to limited information available this plan is qualified as a de-fined contribution plan according to IAS 19.36. The recognized expense amounts to 1.7 million EUR for period 2013/14 (2012/13: 1.5 million EUR, 2011/12: 1.7 million EUR). Payments in approximately the same amount are expected for the next period.

9. Other operating expenses

in EUR m	2013/14	2012/13	2011/12
Rent and energy costs	244.6	237.2	230.1
Marketing and advertising costs	110.3	108.2	101.7
Costs of transferring merchandise	54.7	54.7	52.4
Other services	93.0	58.4	47.8
IT costs	13.6	15.0	15.1
Expenses from sublease	16.4	18.1	14.0
Repair costs	9.1	9.4	9.3
Fees and dues	8.8	8.8	8.9
Office and postal costs	7.5	7.8	8.0
Travel and vehicle costs	8.0	7.8	8.5
Consumables and supplies	7.9	6.5	7.1
Credit card commission	6.8	6.3	7.6
Other expenses	23.4	22.0	24.7
Total	**604.1**	**560.2**	**535.2**

10. Amortization/depreciation

in EUR m	2013/14	2012/13	2011/12
Scheduled amortization of intangible assets and depreciation of property, plant and equipment	62.5	63.4	69.4
Impairment losses on intangible assets and property, plant and equipment	1.8	10.4	48.5
Total	**64.3**	**73.8**	**117.9**

11. Financial result

in EUR m	2013/14	2012/13	2011/12
Income from loans and receivables	53.7	7.1	6.5
Income from financial instruments: Trading	0.0	0.0	0.7
Income from discounting of provisions	0.1	0.3	0.0

in EUR m	2013/14	2012/13	2011/12
Income from non-controlling interest options	0.6	0.2	0.0
Income from foreign exchange differences	0.6	0.4	1.1
Total financial income	**55.0**	**8.0**	**8.3**
Expense for financial liabilities at amortized cost	(82.0)	(25.1)	(4.7)
Expense from unwinding of discounted provisions	(1.5)	(0.8)	(1.9)
Expense for non-controlling interest options	(0.4)	(1.5)	(0.3)
Expense for foreign exchange differences	(0.9)	(0.9)	(0.9)
Total financial expense	**(84.8)**	**(28.3)**	**(7.8)**
Financial result	**(29.8)**	**(20.3)**	**0.5**

In 2013/14, expenses for financial liabilities at amortized costs totaled 82.0 million EUR and primarily relate to the push down of bank liabilities from shareholders resulting in 60.9 million EUR additional expenses. The additional expenses mainly correspond to finance income from loans to the shareholder (Beauty Holding Two GmbH) in the amount of 53.7 million EUR. In 2012/13, expenses for financial liabilities at amortized costs totaled 25.1 million EUR. This development is primarily due to refinancing activities relating to the acquisition of the DOUGLAS business by Advent Inter-national. The financial liabilities obtained by Beauty Holding Two AG were pushed down to DOUGLAS Group. DOUGLAS Group recognized a corresponding receivable against Beauty Holding Two AG. It comprises mainly general interest expenses for the new loans and also contains interest expenses on tax repayments of 4.0 million EUR.

12. Net results by valuation category

Fiscal Year 2011/12

in EUR m	Currency translation	Impairment	Interest income	Interest expense	Net profit/loss
Financial instruments: Held-for-trading	0.0	0.0	0.7	0.0	0.7
Loans and receivables	0.0	(1.3)	6.5	(4.7)	0.5
Non-controlling interests	0.0	0.0	0.0	(0.3)	(0.3)
Net profit by measurement category	**0.0**	**(1.3)**	**7.2**	**(5.0)**	**0.9**
Income/expense not included in the interest result	0.0	1.3	0.0	0.0	1.3
Interest income/expenses of assets which are not financial instruments	0.2	0.0	0.0	(1.9)	(1.7)
Financial result	**0.2**	**0.0**	**7.2**	**(6.9)**	**0.5**

Fiscal Year 2012/13

in EUR m	Currency translation	Impairment	Interest income	Interest expense	Net profit/loss
Loans and receivables	0.0	(1.2)	7.1	(25.1)	(19.2)
Non-controlling interests	0.0	0.0	0.2	(1.5)	(1.3)
Net profit by measurement category	**0.0**	**(1.2)**	**7.3**	**(26.6)**	**(20.5)**
Income/expense not included in the interest result	0.0	1.2	0.0	0.0	1.2
Interest income/expenses of assets which are not financial instruments	(0.5)	0.0	0.3	(0.8)	(1.0)
Financial result	**(0.5)**	**0.0**	**7.6**	**(27.4)**	**(20.3)**

Fiscal Year 2013/14

in EUR m	Currency translation	Impairment	Interest income	Interest expense	Net profit/loss
Loans and receivables	0.0	(1.2)	53.7	(82.0)	(29.5)
Non-controlling interests	0.0	0.0	0.6	(0.4)	0.2
Net profit by measurement category	**0.0**	**(1.2)**	**54.3**	**(82.4)**	**(29.3)**
Income/expense not included in the interest result	0.0	1.1	0.0	0.0	1.1
Interest income/expenses of assets which are not financial instruments	(0.3)	0.0	0.2	(1.5)	(1.6)
Financial result	**(0.3)**	**(0.1)**	**54.5**	**(83.9)**	**(29.8)**

Interest arising from financial instruments is reported in the financial result and dividends under the investment result. Valuation allowances on trade accounts receivable classified to the loans and receivables category are shown under other operating expenses. In the fiscal year under review and in the previous years, neither income nor expenses from financial instruments held to maturity nor available for sale were incurred.

13. Income taxes

in EUR m	2013/14	2012/13	2011/12
Income taxes	**24.8**	**15.2**	**38.5**
national	14.0	11.1	27.0
international	10.8	4.1	11.5
Deferred taxes	**(11.3)**	**14.9**	**0.8**
from temporary differences	(3.8)	15.1	(3.6)
from loss carry-forwards	(7.5)	(0.2)	4.4
Total	**13.5**	**30.1**	**39.3**

The statutory corporate income tax rate including solidarity surcharge in Germany remained unchanged at 15.825 percent. Trade tax rates are determined based on the rate of assessment of the municipalities in which the respective companies generate their revenue. For the DOUGLAS Group companies based in Germany, the applicable trade tax rates are between 7 percent and 16 percent, which results in a total tax rate of between 23 percent and 32 percent. Including trade tax and the solidarity surcharge, this resulted in a total tax rate of 32.0 percent. Deferred taxes for the German DOUGLAS Group companies were also generally measured at 32.0 percent. For foreign companies, a country-specific average tax rate is generally applied. Deferred taxes are measured based on the respective specific corporate tax rate.

Deferred tax income in the amount of 0.7 million EUR (2012/13: 0.6 million EUR, 2011/12: 1.0 million EUR) were recognized in the reserve for pension provisions as well as deferred tax income of 1.3 million EUR (2012/13: 0.3 million EUR, 2011/12: 0.0 million EUR) in the Cash Flow hedge.

For tax losses carried forward of particular DOUGLAS Group companies totaling 53.8 million EUR (2012/13: 57.7 million EUR, 2011/12: 43.5 million EUR) no deferred tax assets were recognized. Tax losses carried forward of 0.9 million EUR in total (2012/13: 0.4 million EUR, 2011/12: 0.0 million EUR) were utilized in the reporting period.

The applicable tax rate recognized for the purposes of tax reconciliation has been calculated on the basis of the average effective corporate tax rates of the respective DOUGLAS Group companies. The applicable average tax rate used in the fiscal year 2013/14 amounted to 19.2 percent (2012/13: 26.8 percent, 2011/12: 25.6 percent). The discrepancy is due to the difference between the DOUGLAS Group basis of consolidation and the scope of the income tax group companies.

Tax reconciliation

in EUR m	2013/14	2012/13	2011/12
Earnings before taxes	32.7	70.2	52.3
Impact of different national tax rates	6.3	18.8	13.4
Non-period tax income/expense	2.8	2.1	0.3
Non-deductible tax operating expenses	1.6	1.8	1.5
Financial expenses—non-controlling interests	0.0	0.5	0.2
Impairment of deferred tax assets due to operating losses	0.0	1.4	4.8
Non-application of deferred taxes from tax loss carry-forwards	2.3	0.0	0.0
Derecognition of deferred tax assets due to impairments	0.8	0.0	4.0
Trade tax (additions/deductions)	0.0	1.5	10.7
Other	(0.3)	4.0	4.4
Effective tax expense	13.5	30.1	39.3

Notes to the combined statements of financial position

14. Intangible assets and property, plant and equipment

Intangible assets—Fiscal Year 2011/12

in EUR m	Leasehold interests and similar rights and assets	Goodwill	Advance payments for intangible assets	Total
Acquisition costs				
As of 10/01/2011	77.2	110.4	0.0	187.6
Currency adjustments	0.1	0.1	0.0	0.2
Additions	3.6	1.2	0.2	5.0
Post-acquisition adjustments	0.0	0.4	0.0	0.4
Disposals	(0.3)	(0.9)	0.0	(1.2)
Reclassifications	0.1	0.0	0.0	0.1
As of 09/30/2012	80.7	111.2	0.2	192.1
Accumulated amortization				
As of 10/01/2011	(45.2)	(39.5)	0.0	(84.7)
Additions	(5.1)	0.0	0.0	(5.1)
Impairments	(1.3)	(33.4)	0.0	(34.7)
Write-ups	0.4	0.0	0.0	0.4
Disposals	0.3	0.0	0.0	0.3
As of 09/30/2012	(50.9)	(72.9)	0.0	(123.8)
Net book value				
As of 09/30/2012	**29.8**	**38.3**	**0.2**	**68.3**
As of 09/30/2011	**32.0**	**70.9**	**0.0**	**102.9**
Amortization of the period	**(6.4)**	**(33.4)**	**0.0**	**(39.8)**

Intangible assets—Fiscal Year 2012/13

in EUR m	Leasehold interests and similar rights and assets	Goodwill	Advance payments for intangible assets	Total
Acquisition costs				
As of 10/01/2012	**80.7**	**111.2**	**0.2**	**192.1**
Currency adjustments	(0.1)	0.0	0.0	(0.1)
Additions	2.0	0.0	0.4	2.4
Post-acquisition adjustments	0.0	0.2	0.0	0.2
Disposals	(0.9)	0.0	0.0	(0.9)
Reclassifications	0.3	0.0	(0.2)	0.1
As of 09/30/2013	**82.0**	**111.4**	**0.4**	**193.8**
Accumulated amortization				
As of 10/01/2012	**(50.9)**	**(72.9)**	**0.0**	**(123.8)**
Additions	(4.7)	0.0	0.0	(4.7)
Impairments	(0.8)	(4.8)	0.0	(5.6)
Disposals	0.9	0.0	0.0	0.9
As of 09/30/2013	**(55.5)**	**(77.7)**	**0.0**	**(133.2)**
Net book value				
As of 09/30/2013	**26.5**	**33.7**	**0.4**	**60.6**
As of 09/30/2012	**29.8**	**38.3**	**0.2**	**68.3**
Amortization of the period	**(5.5)**	**(4.8)**	**0.0**	**(10.3)**

Intangible assets—Fiscal Year 2013/14

in EUR m	Leasehold interests and similar rights and assets	Goodwill	Advance payments for intangible assets	Total
Acquisition costs				
As of 10/01/2013	**82.0**	**111.4**	**0.4**	**193.8**
Changes resulting from business combinations	203.2	277.8	1.6	482.6
Additions	4.6	0.0	0.6	5.2
Disposals	(4.3)	0.0	0.0	(4.3)
Reclassifications	1.3	0.0	(0.8)	0.5
As of 09/30/2014	**286.8**	**389.2**	**1.8**	**677.8**
Accumulated amortization				
As of 10/01/2013	**(55.5)**	**(77.7)**	**0.0**	**(133.2)**
Changes resulting from business combinations	(13.6)	0.0	0.0	(13.6)
Additions	(6.1)	0.0	0.0	(6.1)
Disposals	3.7	0.0	0.0	3.7

in EUR m	Leasehold interests and similar rights and assets	Goodwill	Advance payments for intangible assets	Total
As of 09/30/2014	**(71.5)**	**(77.7)**	**0.0**	**(149.2)**
Net book value				
As of 09/30/2014	**215.3**	**311.5**	**1.8**	**528.6**
As of 09/30/2013	**26.5**	**33.7**	**0.4**	**60.6**
Amortization of the period	**(6.1)**	**0.0**	**0.0**	**(6.1)**

Property, plant and equipment—Fiscal Year 2011/12

in EUR m	Land and buildings	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Acquisition costs				
As of 10/01/2011	**408.7**	**515.1**	**4.6**	**928.4**
Currency adjustments	1.3	2.4	0.0	3.7
Additions	17.8	39.6	2.0	59.4
Disposals	(10.7)	(30.7)	0.0	(41.4)
Reclassifications	4.4	0.4	(4.8)	0.0
As of 09/30/2012	**421.5**	**526.8**	**1.8**	**950.1**
Accumulated depreciation				
As of 10/01/2011	**(262.2)**	**(390.7)**	**0.0**	**(652.9)**
Currency adjustments	(0.6)	(1.5)	0.0	(2.1)
Changes resulting from business combinations	0.0	(0.1)	0.0	(0.1)
Additions	(21.5)	(42.8)	0.0	(64.3)
Impairments	(8.4)	(5.4)	0.0	(13.8)
Write-ups	0.5	0.5	0.0	1.0
Disposals	7.3	29.2	0.0	36.5
Reclassifications	(2.4)	2.4	0.0	0.0
As of 09/30/2012	**(287.3)**	**(408.4)**	**0.0**	**(695.7)**
Net book value				
As of 09/30/2012	**134.2**	**118.4**	**1.8**	**254.4**
As of 09/30/2011	**146.5**	**124.4**	**4.6**	**275.5**
Depreciation of the period	**(29.9)**	**(48.2)**	**0.0**	**(78.1)**

Property, plant and equipment—Fiscal Year 2012/13

in EUR m	Land and buildings	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Acquisition costs				
As of 10/01/2012	**421.5**	**526.8**	**1.8**	**950.1**

in EUR m	Land and buildings	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Currency adjustments	(1.1)	(1.8)	(0.1)	(3.0)
Additions	10.6	23.7	8.3	42.6
Disposals	(14.9)	(38.8)	(0.3)	(54.0)
Reclassifications	0.2	0.9	(1.2)	(0.1)
As of 09/30/2013	**416.3**	**510.8**	**8.5**	**935.6**
Accumulated depreciation				
As of 10/01/2012	**(287.3)**	**(408.4)**	**0.0**	**(695.7)**
Currency adjustments	0.7	1.6	0.0	2.3
Additions	(19.3)	(39.4)	0.0	(58.7)
Impairments	(1.8)	(3.0)	0.0	(4.8)
Disposals	14.5	38.2	0.0	52.7
Reclassifications	(0.3)	0.3	0.0	0.0
As of 09/30/2013	**(293.5)**	**(410.7)**	**0.0**	**(704.2)**
Net book value				
As of 09/30/2013	**122.8**	**100.1**	**8.5**	**231.4**
As of 09/30/2012	**134.2**	**118.4**	**1.8**	**254.4**
Depreciation of the period	**(21.1)**	**(42.4)**	**0.0**	**(63.5)**

Property, plant and equipment—Fiscal Year 2013/14

in EUR m	Land and buildings	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Acquisition costs				
As of 10/01/2013	**416.3**	**510.8**	**8.5**	**935.6**
Currency adjustments	0.0	(0.3)	0.0	(0.3)
Changes resulting from business combinations	95.4	33.3	0.8	129.5
Additions	14.3	28.0	1.1	43.4
Disposals	(12.9)	(32.8)	(0.3)	(46.0)
Assets held for sale	0.0	(4.0)	0.0	(4.0)
Reclassifications	(0.4)	6.8	(6.9)	(0.5)
As of 09/30/2014	**512.7**	**541.8**	**3.2**	**1,057.7**
Accumulated depreciation				
As of 10/01/2013	**(293.5)**	**(410.7)**	**0.0**	**(704.2)**
Currency adjustments	0.0	0.3	0.0	0.3
Changes resulting from business combinations	(80.9)	(17.5)	0.0	(98.4)
Additions	(20.5)	(35.9)	0.0	(56.4)
Impairments	(0.8)	(1.0)	0.0	(1.8)
Write-ups	0.4	0.2	0.0	0.6
Disposals	12.5	31.8	0.0	44.3
Assets held for sale	0.0	3.4	0.0	3.4
Reclassifications	1.2	(1.1)	0.0	0.1

in EUR m	Land and buildings	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
As of 09/30/2014	**(381.6)**	**(430.5)**	**0.0**	**(812.1)**
Net book value				
As of 09/30/2014	**131.1**	**111.3**	**3.2**	**245.6**
As of 09/30/2013	**122.8**	**100.1**	**8.5**	**231.4**
Depreciation of the period	**(21.3)**	**(36.9)**	**0.0**	**(58.2)**

Capital expenditure

in EUR m	2013/14	2012/13	2011/12
Germany	22.7	25.4	39.6
International			
France	8.2	3.8	5.9
South-western Europe	11.0	9.2	12.2
Eastern Europe	6.7	6.7	6.6
Total	48.6	45.1	64.3

The additions to intangible assets primarily relate to the acquisition of Nocibé. For details please refer to note 15.

Capital expenditure in property, plant and equipment primarily relates to the opening and acquisition of five new stores in Germany (2012/13: 3 stores, 2011/12: 8 stores) and 25 stores abroad (2012/13: 18 stores, 2011/12: 30 stores). In addition, investments were made to design and re-design existing stores.

Scheduled amortization/depreciation for the period totaled 62.5 million EUR (2012/13: 63.4 million EUR, 2011/12: 69.4 million EUR).

Impairment tests for property, plant and equipment were conducted at store level (as the stores represent CGUs) and led to impairment losses totaling 1.8 million EUR (2012/13: 4.8 million EUR, 2011/12: 13.8 million EUR) in the reporting period. The impairment tests were triggered by ongoing negative contribution margins and intended closure of stores. In the reporting period 2013/14 no leaseholds were subject to impairment (2012/13: 0.8 million EUR, 2011/12: 1.3 million EUR).

Moreover, write-ups amounted to 0.6 million EUR in period 2013/14 (2012/13: 0.0 million EUR, 2011/12: 1.0 million EUR) and are presented as other operating income. In general, single cash-generating units are written-up due to increases in income following a previous write-down.

The recoverable amount is the higher of fair value less costs to sell and value in use. Sensitive assumptions used for the calculation of the recoverable amount include in particular sales growth, gross profit forecasts, estimated replacement investments in the store network and the ratio of personnel expenses to sales on the basis of individual stores. The forecasts are based on the fixed term of the respective lease agreements. The forecast term is between one and ten years.

Calculations are based on interest rates of between 7.5 percent and 16.7 percent before taxes.

As of the balance sheet date, intangible assets and property, plant and equipment in the amount of 798.0 million EUR (2012/13: 172.9 million EUR, 2011/12: 0.0 million EUR) were pledged to a banking syndicate as collateral for bank loans.

Finance leases

As of the balance sheet date, there were no DOUGLAS Group companies with material finance leases.

Operating leases

	Less than 1 year				1 to 5 years				More than 5 years			
in EUR m	13/14	12/13	11/12	10/11	13/14	12/13	11/12	10/11	13/14	12/13	11/12	10/11
Obligations from operating leases	180.8	152.7	154.2	152.2	356.7	333.5	352.8	353.6	78.8	85.3	107.0	116.6
Entitlement to sublease payments	10.2	8.4	9.1	8.9	27.5	21.6	22.7	24.6	17.9	3.5	4.5	7.6
Net minimum lease/sublease payments	170.6	144.3	145.1	143.3	329.2	311.9	330.1	329.0	60.9	81.8	102.5	109.0

	Total			
in EUR m	13/14	12/13	11/12	10/11
Obligations from operating leases	616.3	571.5	614.0	622.4
Entitlement to sublease payments	55.6	33.5	36.3	41.1
Net minimum lease/sublease payments	560.7	538.0	577.7	581.3

Contracts qualifying as operating leases within the DOUGLAS Group mostly comprise store rental agreements. As a rule, these agreements are concluded for a basic rental period of ten years and contain lease extension options. The lease installments are based on both variable and fixed rental payments. The minimum lease expenses from operating lease agreements amounted to 180.0 million EUR (2012/13: 170.6 million EUR, 2011/12: 165.4 million EUR) in the reporting period. Contingent rent payments amounted to 2.8 million EUR (2012/13: 1.0 million EUR, 2011/12: 1.2 million EUR).

Goodwill

Goodwill allocation is based on the regional operative segments which comply with DOUGLAS Group's internal reporting and controlling structure. Those are: Germany, France, South-western Europe and Eastern Europe. The goodwill impairment test is thus also executed on the level of the operating segments.

According to IAS 36, existing goodwill is subject to an impairment test at least once each year. Like impairment tests for tangible assets, the carrying amount of the CGUs is compared to its recoverable amount whereas the recoverable amount in the DOUGLAS Group is defined as the value in use based on the discounted future cash flows according to management´s business plan. Sensitivity planning assumptions include sales growth, gross profit expectations, estimations concerning in-vestments in store network and EBITDA margin. The forecasts are based on both internal management estimates and experience values as well as external macroeconomic data. The forecasts are developed on the basis of actual historic values and take into account an additional rise in profitability for perfumery companies of different regions.

The forecasts are based on detailed forecast periods of four years and a subsequent constant perpetual annuity. They are based on a net sales growth rate of operating segments of 2.0 percent p.a. and a slight increase of profitability. The projected growth in net sales is expected to relate mainly to the e-commerce division which saw above average growth rates in the past years. The profitability growth rate is expected to range between 0.0 percent and 0.7 percent based on the operating segment for the medium-term and is based on synergy effects. The calculations are based on a risk-adjusted growth rate of 1.0 percent. For discounting purposes, an interest rate of 7.49 percent has been used for segment Germany, France and South-western Europe, whereas a interest rate of 7.99 percent has been used for segment Eastern Europe since segment Eastern Europe is exposed to a higher market risk. Pre-tax interest rates amount to 11.0 percent for Germany, France and South-western Europe and 11.75 percent for Eastern Europe.

The book values of goodwill of the segments amount to 16.6 million EUR in Germany, 287.6 million EUR in France including the goodwill related to Nocibé, 0.8 million EUR in South-western Europe and 6.5 million EUR in Eastern Europe.

Impairment testing applied to goodwill, led to no write-downs in the reporting period.

In addition to the impairment tests, sensitivity analyses were performed. Regarding goodwill of the individual divisions, impairment needs would always arise if, under the same sensitivity parameters, the following parameters were included in the calculation with at least the following amounts.

in %		Change in net sales	Change in EBITDA
Segment	Interest rate	growth	(in % of net sales)
France	0.7	(1.4)	(1.3)

In the opinion of management, it is currently unlikely that the above-mentioned parameters would change so much for the worse that impairments would have to be carried out on goodwill or the in-tangible assets with indefinite useful lifes for the segment Germany, South-western Europe and Eastern Europe and therefore do not disclose the sensitivity analysis for these segments.

The book value of the intangibles with indefinite useful life amounts to a total of 488.3 million EUR. Thereof, 311.5 million EUR are related to goodwill, whereas, 277.6 million EUR are related to the acquisition of Nocibé. Intangibles include the Nocibé brand (139.6 million EUR) as well as in-tangibles related to advantageous property lease contracts purchased from previous tenants in France (34.7 million EUR) and Vienna, Austria (2.5 million EUR).

Advantages of location associated with the leasehold interests that were purchased from the prior tenant are capitalized under intangible assets with indefinite useful lifes. The useful life of these as-sets is predominantly independent of the term of the rental agreement.

15. Business Combination

As on June 24, 2014 100 percent of the shares of the French perfumery-chain Nocibé were acquired within the scope of a share deal in order to strengthen the market share within the important French perfumery-market. July 1, 2014 is used as the acquisition date. Nocibé runs 373 perfumery retail stores and thereby complements the international DOUGLAS stores. The brand Nocibé will be pursued in France and stores that have previously been operated under the brand "Douglas" were flagged under the brand Nocibé. Through the acquisition the market share in France was raised significantly.

The purchase price amounted to 165.2 million EUR and was fully paid in cash. In the course of the purchase price allocation the brand Nocibé was measured at 139.6 million EUR and recognized in the consolidation balance sheet. Moreover, the customer base and beneficial tenancy agreements were recognized within intangible assets at the amount of 17.5 million EUR and 1.6 million EUR respectively. Furthermore, the purchase price allocation resulted in an additional fair value step up of inventory stock at the amount of 32.4 million EUR. Hereupon, deferred tax liabilities of 67.7 million EUR were recognized in total. The residual value of 277.6 million EUR was recognized as goodwill. Goodwill is composed as a residual value as long as no further identifiable assets within the acquired company can be identified.

The acquired entities generated revenues at the amount of 101.2 million EUR and earnings before taxes of (10.8) million EUR since July 1, 2014. If the Nocibé group entities had already been included in the reporting period 2013/14 additional revenues of 502.3 million EUR and additional EBT of 11.4 million EUR would have been recognized.

Within the acquisition of Nocibé, following assets and liabilities have been included into the Combined Financial Statement.

Assets and liablilities of the Nocibé group as of 30/06/2014

in EUR m	Figures immediately after the acquisition	Figures after the purchase price allocation
Leasehold and similar rights	30.8	189.5
Other intangible assets	1.6	279.5
Property, plant and equipment	32.6	32.6
Inventory	104.2	136.5
Cash and cash equivalents	17.9	17.9
Accounts receivable	33.5	33.3
Other assets	2.8	2.8

in EUR m	Figures immediately after the acquisition	Figures after the purchase price allocation
Deferred tax assets	11.2	4.5
Provisions	23.8	23.8
Tax liabilities	3.0	3.0
Other liabilities	443.6	443.6
Deferred tax liabilities	0	61.0

16. Deferred taxes

Deferred tax assets and liabilities impact the following balance sheet captions:

	09/30/2014		09/30/2013		09/30/2012		10/01/2011	
in EUR m	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
Intangible assets	11.1	55.3	3.3	2.2	0.6	1.6	0.4	1.6
Property, plant and equipment	2.4	0.0	4.9	1.8	5.3	4.5	4.4	4.9
Inventories	10.6	1.0	6.6	0.0	10.0	0.1	7.6	0.1
Financial assets	2.9	1.9	0.3	0.1	0.3	0.0	0.3	0.1
Other assets	0.0	0.4	0.0	0.0	0.0	0.0	0.1	0.1
Pension Provisions	3.8	0.0	3.3	0.0	3.9	0.0	2.3	0.0
Other Provisions	3.7	0.9	4.7	0.7	4.1	0.7	3.8	0.2
Financial liabilities	3.0	28.2	3.9	13.9	3.8	0.0	3.7	0.1
Other liabilities	3.0	1.0	1.3	1.2	1.3	1.0	1.1	0.1
Tax loss carry-forwards	10.0	0.0	2.4	0.0	2.4	0.0	6.7	0.0
Total	**50.5**	**88.7**	**30.7**	**19.9**	**31.7**	**7.9**	**30.4**	**7.2**
Offsetting	7.8	7.8	1.0	1.0	2.8	2.8	3.7	3.7
Carrying amount	**42.7**	**80.9**	**29.7**	**18.9**	**28.9**	**5.1**	**26.7**	**3.5**

In assessing the DOUGLAS Group's ability to realize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax strategies in making this assessment. In order to fully realize the deferred tax asset, the DOUGLAS Group will need to generate future taxable income in the countries where the net operating losses incurred. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable that the DOUGLAS Group will realize aforementioned benefits.

17. Inventories

in EUR m	09/30/2014	09/30/2013	09/30/2012	10/01/2011
Finished goods and merchandise	535.3	393.0	401.1	376.7
Raw materials, consumables and supplies	5.9	7.3	7.8	6.7
Advances to suppliers for merchandis	1.4	1.2	1.3	0.7
Total	**542.6**	**401.5**	**410.2**	**384.1**

In the current period, write-downs on inventories totaled 7.8 million EUR (2012/13: 11.3 million EUR, 2011/12: 9.1 million EUR).

As of the balance sheet date, inventories in the amount of 311.5 million EUR (2012/13: 299.3 million EUR, 2011/12: 0.0 million EUR) were pledged to a banking syndicate as collateral for bank loans.

18. Trade accounts receivable

Trade accounts receivable primarily include settlement receivables from credit card organizations as well as from Douglas Card customers. Of this amount, 1.2 million EUR (2012/13: 1.3 million EUR, 2011/12: 1.2 million EUR) were written down due to an allowance for uncollectible accounts to account for default risks. The write-downs on trade accounts receivable are presented as other operating expenses. Receivables are due immediately. They do not bear interest and are therefore not exposed to any interest rate risk. The carrying amounts of the receivables are basically equivalent to their fair values. The maximum default risk corresponds to the carrying value as of the balance sheet date.

19. Financial assets

	09/30/2014		09/30/2013		09/30/2012		10/01/2011	
	With a remaining term of		With a remaining term of		With a remaining term of		With a remaining term of	
in EUR m	Up to 1 year	More than 1 year	Up to 1 year	More than 1 year	Up to 1 year	More than 1 year	Up to 1 year	More than 1 year
Volume based bonuses from suppliers	73.0	0.0	38.3	0.0	41.1	0.0	40.7	0.0
Other equity participations	0.0	3.0	0.0	1.8	0.0	1.9	0.0	1.9
Other loans and advances	0.7	16.5	0.4	63.3	0.5	65.0	9.3	106.7
Receivables from trade and cash-pooling	28.1	0.0	52.5	0.0	135.1	0.0	114.2	0.0
Receivables from leasing/rentals	6.1	0.0	5.9	0.0	6.5	0.0	6.0	0.0
Receivables from advertising subsidies and sales promotions	8.7	0.0	22.5	0.0	18.6	0.0	15.5	0.0
Other financial assets	2.2	0.0	2.2	0.0	1.8	0.0	1.9	0.0
Total	**118.8**	**19.5**	**121.8**	**65.1**	**203.6**	**66.9**	**187.6**	**108.6**

Other equity participations are investments in equity instruments of unlisted companies and are carried at cost. Their fair values cannot be reliably measured because no market values for these instruments exist. Due to different balance sheet dates, no current financial information is available. Furthermore, it is not possible to state a range of estimated values.

Other loans are exclusively owed by related parties and have variable interest rates.

Securities are designated as “available-for-sale” and therefore carried at fair value. Fair value changes are recognized directly in equity.

The balance sheet item receivables from trade and cash-pooling includes receivables arising from the cash-pooling system implemented by DOUGLAS Group as part of its cash management system. DOUGLAS Holding AG is the pool leader and holds a central cash account, where all cash balances of the pool participants are transferred on daily basis depending on a surplus or lack of cash. Such cash sweeps create receivables from or payables to the pool participants, which are solely related party entities (entities which do not belong to the DOUGLAS Group as described in note 1).

Other financial assets primarily include balances related to supplier accounts of 2.2 million EUR (2012/13: 2.0 million EUR, 2011/12: 1.7 million EUR). All other financial assets are non-interest bearing financial instruments. The carrying amounts of other financial assets are basically equivalent to their fair values.

As of the balance sheet date, financial assets in the amount of 60.5 million EUR (2012/13: 75.1 million EUR, 2011/12: 0.0 million EUR) were pledged to a banking syndicate as collateral for bank loans.

The carrying amount of financial assets represents the maximum default risk.

Analysis of financial assets not impaired

in EUR m	Not due	Past due <30 days	Past due >30 days
Trade accounts receivable			
09/30/2014	0.0	37.0	2.2
09/30/2013	0.0	35.8	2.3
09/30/2012	0.0	40.7	2.6
10/01/2011	0.0	29.3	1.9
Other receivables			

in EUR m	Not due	Past due <30 days	Past due >30 days
09/30/2014	95.5	2.1	0.0
09/30/2013	168.9	0.9	0.0
09/30/2012	258.6	1.7	0.0
10/01/2011	294.8	1.6	0.0

With respect to receivables that are neither impaired nor past due, there were no indications of uncollectibility from the debtor as of the balance sheet date. No cash receipts relating to receivables fully written-off in prior periods were recognized in the reporting period.

Write-downs on loans and receivables

	Loans and receivables		
in EUR m	2013/14	2012/13	2011/12
As of 10/01	**3.5**	**3.3**	**3.8**
Additions	0.5	0.5	0.5
Utilization	(0.3)	(0.1)	0.0
Reversal	(0.2)	(0.2)	(1.0)
As of 09/30	**3.5**	**3.5**	**3.3**

20. Other assets

Other assets primarily include deferred prepaid expenses.

21. Cash and cash equivalents

The largest item of cash and cash equivalents is bank balances. It also includes checks and cash on hand. The cash flow statement provides a detailed analysis of the movements in cash and cash equivalents. The carrying amount as of the balance sheet date represents the maximum default risk.

Cash and cash equivalents are broken down as follows:

in EUR m	09/30/2014	09/30/2013	09/30/2012	10/01/2011
Marketable securities	0.1	0.1	0.1	0.1
Cash-in-hand, bank balances and checks	217.4	113.2	32.4	28.9
Total	**217.5**	**113.3**	**32.5**	**29.0**

As of the balance sheet date, bank balances in the amount of 202.8 million EUR (2012/13: 102.0 million EUR, 2011/12: 0.0 million EUR) were pledged to a banking syndicate as collateral for bank loans.

22. Assets held for sale

Shop equipment of thirteen perfumery stores in France were sold due to cartel office decisions in relation with the acquisition of Nocibé, France, amounting to 1.7 million EUR. The related assets are presented as assets held for sale.

23. Equity

Net assets

Due to the preparation of the Combined Financial Statements the DOUGLAS Group’s equity is presented on a combined group structure and contains “Net assets attributable to DOUGLAS Group” and “Other components of equity”. For more details, please refer to note 1.

Net assets decreased significantly in the reporting period 2013/14, resulting from a liability to shareholders caused by the profit and loss transfer agreement which was netted with the receivable to shareholders resulting from the debt push down.

Non-controlling interests

According to IAS 32 put options on non-controlling interests are classified as financial liabilities and carried at fair value.

24. Provisions for pensions

As part of the employment compensation package, the DOUGLAS Group provides different retirement benefit arrangements or similar benefits. Pension provisions are made for commitments arising from pension entitlements and ongoing payments to employees and former employees and their surviving dependents. These commitments are accounted for according to the revised requirements of IAS 19R. The following assumptions were used to determine employee benefit obligation and expense for the German pension plans:

Calculation parameters

in %	09/30/2014	09/30/2013	09/30/2012	10/01/2011
Interest rate	2.7	3.3	3.9	5.1
Pension-benefit increase rate	2.5	2.5	2.5	2.5
Increase in consumer price index	1.5	1.5	1.5	1.5

The interest rates for the foreign subsidiaries range between 1.9 percent and 2.5 percent (2012/13: between 2.4 percent and 3.7 percent, 2011/12: between 2.1 percent and 4.0 percent, 10/01/2011: between 2.4 percent and 5.0 percent), the pension-benefit increase rates range between 1.2 percent and 2.0 percent (2012/13: between 1.2 percent and 2.0 percent, 2011/12: between 1.2 percent and 2.0 percent, 10/01/2011: between 1.2 percent and 2.0 percent) and the increases in consumer price index range between 0.5 percent to 2.0 percent (2012/13: between 0.5 percent and 2.0 percent, 2011/12: between 0.5 percent and 2.0 percent, 10/01/2011: between 0.5 percent and 2.0 percent).

Dr. Heubeck's 2005 "Mortality Tables", or comparable country-specific mortality tables, were used as source for the biometric parameters.

Reconciliation of Defined Benefit Obligations (DBO)

	09/30/2014		09/30/2013		09/30/2012		10/01/2011	
in EUR m	Unfunded obligation	Funded obligation	Unfunded obligation	Funded obligation	Unfunded obligation	Funded obligation	Unfunded obligation	Funded obligation
DBO	29.8	16.8	26.3	15.2	25.0	15.3	20.7	14.3
Fair value of plan assets	0.0	13.8	0.0	12.8	0.0	13.0	0.0	12.3
Liability	**29.8**	**3.0**	**26.3**	**2.4**	**25.0**	**2.3**	**20.7**	**2.0**

DBO reconciliation

	2013/14		2012/13		2011/12		2010/11	
in EUR m	Unfunded obligation	Funded obligation	Unfunded obligation	Funded obligation	Unfunded obligation	Funded obligation	Unfunded obligation	Funded obligation
DBO as of 10/01	**26.3**	**15.2**	**25.0**	**15.3**	**20.7**	**14.3**	**21.7**	**13.1**
Changes resulting from business combinations	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Actuarial gains/losses	2.0	0.9	1.6	0.5	3.5	0.3	(0.9)	0.3
Service cost	0.4	0.6	0.2	0.8	1.2	0.7	0.2	0.7
Interest cost	0.9	0.8	0.8	0.1	0.9	0.6	1.0	0.5
Past service costs	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Curtailments/Settlements								
Insurance premium								
Contributions	0.0	0.0	0.0	0.0	0.0	0.2	0.0	(0.3)
Pension Payments	(1.4)	(0.6)	(1.3)	(1.4)	(1.3)	(0.7)	(1.3)	(0.7)

in EUR m	2013/14 Unfunded obligation	2013/14 Funded obligation	2012/13 Unfunded obligation	2012/13 Funded obligation	2011/12 Unfunded obligation	2011/12 Funded obligation	2010/11 Unfunded obligation	2010/11 Funded obligation
Currency translation adjustment	0.0	(0.2)	0.0	(0.1)	0.0	(0.1)	0.0	0.7
DBO as of 09/30	**29.8**	**16.8**	**26.3**	**15.2**	**25.0**	**15.3**	**20.7**	**14.3**

Pension expenses

in EUR m	2013/14 Unfunded obligation	2013/14 Funded obligation	2012/13 Unfunded obligation	2012/13 Funded obligation	2011/12 Unfunded obligation	2011/12 Funded obligation	2010/11 Unfunded obligation	2010/11 Funded obligation
Service cost	0.4	0.6	0.2	0.8	1.2	0.7	0.2	0.6
Interest cost	0.9	0.8	0.8	0.1	0.9	0.5	1.0	0.5
Expected return on plan assets	0.0	(0.4)	0.0	(0.5)	0.0	(0.4)	0.0	(0.4)
Past service costs	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Gains/losses from curtailments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Period pension expense	**1.3**	**1.1**	**1.0**	**0.4**	**2.1**	**0.8**	**1.2**	**0.7**

Pension payments totaling 1.9 million EUR are expected for period 2014/15. DOUGLAS expects to pay 0.3 million EUR in contributions to its defined benefits plan in 2014/15.

The financing status over the past reporting periods is as follows:

Financing status of pensions

in EUR m	09/30/2014	09/30/2013	09/30/2012	09/30/2011	09/30/2010
DBO	46.6	41.5	40.3	35.0	34.8
Plan assets	13.8	12.8	13.0	12.3	11.6
Net	**(32.8)**	**(28.7)**	**(27.3)**	**(22.7)**	**(23.2)**

Plan assets are primarily composed of reinsurance policies.

An increase of 0.7 percentage points in the discount rate would reduce the present value of the de-fined benefit obligations by 3.6 million EUR (2013: 2.3 million EUR, 2012: 1.7 million EUR). A decrease of 0.7 percentage points in the discount rate would increase the benefit obligations by 4.2 million EUR (2013: 2.6 million EUR, 2012: 2.1 million EUR). An increase or a decrease of 0.5 percentage points in the expected pension trend while other parameters remain unchanged would in-crease the present value of the defined benefit obligations by 2.0 million EUR (2013: 1.4 million EUR, 2012: 1.3 million EUR) or decrease the present value of the defined benefit obligations by 1.8 million EUR (2013: 1.3 million EUR, 2012: 1.2 million EUR).

Development of plan assets

in EUR m	2013/14	2012/13	2011/12	2010/11
Plan assets as of 10/01	**12.8**	**13.0**	**12.3**	**11.6**
Expected return on plan assets	0.4	0.5	0.4	0.4
Actuarial gains/losses	0.3	0.2	0.5	(0.3)
Contributions	1.1	0.6	0.6	0.9
Currency translation adjustment	0.1	0.0	0.2	0.8
Costs				
Payments	(0.9)	(1.5)	(1.0)	(1.1)
Plan assets as of 09/30	**13.8**	**12.8**	**13.0**	**12.3**

25. Provisions

Changes in non-current provisions—Fiscal Year 2011/12

	Human resources commitments (in EUR m)	Real estate commitments (in EUR m)	Other provisions (in EUR m)	Total (in EUR m)
10/01/2011	**11.8**	**1.6**	**0.8**	**14.2**
Utilization	(2.9)	0.0	0.0	(2.9)
Reversal	(0.7)	(0.4)	0.0	(1.1)
Additions	4.3	0.2	0.2	4.7
Reclassifications	0.0	0.2	0.0	0.2
Interest	0.2	0.5	0.0	0.7
Currency differences	0.0	0.0	0.0	0.0
09/30/2012	**12.7**	**2.1**	**1.0**	**15.8**

Changes in non-current provisions—Fiscal Year 2012/13

	Human resources commitments (in EUR m)	Real estate commitments (in EUR m)	Other provisions (in EUR m)	Total (in EUR m)
10/01/2012	**12.7**	**2.1**	**1.0**	**15.8**
Utilization	(1.2)	0.0	(0.2)	(1.4)
Reversal	(0.2)	0.0	(0.1)	(0.3)
Additions	1.8	0.9	0.0	2.7
Reclassifications	0.0	(0.6)	(0.2)	(0.8)
Interest	0.2	0.2	0.0	0.4
Currency differences	0.0	0.0	0.0	0.0
09/30/2013	**13.3**	**2.6**	**0.5**	**16.4**

Changes in non-current provisions—Fiscal Year 2013/14

	Human resources commitments (in EUR m)	Real estate commitments (in EUR m)	Other provisions (in EUR m)	Total (in EUR m)
10/01/2013	**13.3**	**2.6**	**0.5**	**16.4**
Utilization	(1.3)	(0.1)	0.0	(1.4)
Reversal	(0.2)	(0.4)	(0.3)	(0.9)
Additions	1.6	0.2	0.2	2.0
Reclassifications	0.0	(0.5)	0.0	(0.5)
Change in basis of consolidation	0.0	0.0	0.7	0.7
Interest	0.2	0.1	0.0	0.3
Currency differences	0.0	0.0	0.0	0.0
09/30/2014	**13.6**	**1.9**	**1.1**	**16.6**

Leasehold commitments mainly concern location risks related to leasehold properties.

Changes in current provisions—Fiscal Year 2011/12

	Human resources commitments (in EUR m)	Real estate commitments (in EUR m)	Other provisions (in EUR m)	Total (in EUR m)
10/01/2011	**44.9**	**6.4**	**26.9**	**78.2**

	Human resources commitments (in EUR m)	Real estate commitments (in EUR m)	Other provisions (in EUR m)	Total (in EUR m)
Utilization	(37.0)	(3.0)	(21.2)	(61.2)
Reversal	(0.6)	(0.1)	(3.1)	(3.8)
Additions	38.1	2.0	23.8	63.9
Reclassifications	0.0	(0.2)	0.0	(0.2)
Currency differences	0.1	0.1	0.1	0.3
09/30/2012	**45.5**	**5.2**	**26.5**	**77.2**

Changes in current provisions—Fiscal Year 2012/13

	Human resources commitments (in EUR m)	Real estate commitments (in EUR m)	Other provisions (in EUR m)	Total (in EUR m)
10/01/2012	**45.5**	**5.2**	**26.5**	**77.2**
Utilization	(38.8)	(2.2)	(22.5)	(63.5)
Reversal	(0.7)	(1.2)	(3.0)	(4.9)
Additions	42.7	1.1	33.5	77.3
Reclassifications	0.0	0.7	0.0	0.7
Currency differences	(0.1)	0.0	(0.1)	(0.2)
09/30/2013	**48.6**	**3.6**	**34.4**	**86.6**

Changes in current provisions—Fiscal Year 2013/14

	Human resources commitments (in EUR m)	Real estate commitments (in EUR m)	Other provisions (in EUR m)	Total (in EUR m)
10/01/2013	**48.6**	**3.6**	**34.4**	**86.6**
Utilization	(38.4)	(2.3)	(26.1)	(66.8)
Reversal	(1.9)	(0.6)	(6.7)	(9.2)
Additions	51.6	3.3	29.4	84.3
Reclassifications	0.0	0.5	0.0	0.5
Change in basis of consolidation	0.8	0.0	20.8	21.6
Interest	0.0	0.0	0.0	0.0
Currency differences	0.0	0.0	0.0	0.0
09/30/2014	**60.7**	**4.5**	**51.8**	**117.0**

Other current provisions are as follows:

Other current provisions

in EUR m	09/30/2014	09/30/2013	09/30/2012	10/01/2011
Deliveries and services not yet invoiced	38.8	23.6	16.5	18.6
Litigation costs	4.9	2.6	2.8	2.8
Onerous contracts	1.2	0.7	0.7	1.0
Supervisory Board remuneration	0.6	0.6	0.6	0.9
Costs for annual financial statements	0.1	0.1	0.1	0.1
Interest	0.2	0.0	0.0	0.0
Other	6.0	6.8	5.8	3.5
Total	**51.8**	**34.4**	**26.5**	**26.9**

26. Financial liabilities

	09/30/2014			09/30/2013			09/30/2012			10/01/2011		
	With a remaining term of			With a remaining term of			With a remaining term of			With a remaining term of		
in EUR m	Up to 1 year	Between 1 and 5 years	More than 5 years	Up to 1 year	Between 1 and 5 years	More than 5 years	Up to 1 year	Between 1 and 5 years	More than 5 years	Up to 1 year	Between 1 and 5 years	More than 5 years
Liabilities to banks	20.3	0.0	1,058.5	13.2	42.1	152.8	153.4	17.0	0.0	66.6	25.5	0.0
Financial liabilities from put options of non-controlling interests	0.6	2.0	0.0	1.1	1.7	0.0	2.9	1.9	0.0	78.8	1.8	0.0
Derivative financial instruments	0.0	5.1	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.7	0.0	0.0
Payables from trade and cash-pooling	2.0	0.0	0.0	6.1	0.0	0.0	2.1	0.0	0.0	12.5	0.0	0.0
Other liabilities	25.3	0.0	0.0	13.7	0.0	0.0	14.9	0.0	0.0	10.9	0.0	0.0
Total	**48.2**	**7.1**	**1,058.5**	**34.1**	**43.8**	**153.7**	**173.3**	**18.9**	**0.0**	**169.5**	**27.3**	**0.0**

Liabilities to banks increased as a result of a debt push down from Beauty Holding Two to Douglas Holding AG. For further information please refer to section “Liquidity risk”.

Financial liabilities from put options of non-controlling interests are related to non-controlling shareholders with rights of cancellation and disposal.

For details of the derivative financial instruments please refer to section “Interest rate risk”.

The payables from trade and cash-pooling include payables arising from the cash-pooling system implemented by DOUGLAS Group as part of its cash management system. DOUGLAS Holding AG is the pool leader and holds a central cash account, where all cash balances of the pool participants are transferred on a daily basis depending on a surplus or lack of cash. Such cash sweeps create receivables from or payables to the pool participants that do not belong to Douglas Group according to note 1.

Corresponding to liabilities to banks as of the balance sheet date, assets with a total volume of 1,372.8 million EUR (2012/13: 649.3 million EUR, 2011/12: 0.0 million EUR) were pledged to a banking syndicate as collateral for such bank loans.

27. Other liabilities

in EUR m	09/30/2014	09/30/2013	09/30/2012	09/30/2011
Short-term liabilities from gift vouchers not yet redeemed	100.3	94.7	89.3	84.6
Short-term liabilities from the customer loyalty program	12.7	6.6	7.2	6.6
Deferred income	15.3	8.2	7.7	7.8
Other	7.5	6.4	3.5	4.2
Total	**135.8**	**115.9**	**107.7**	**103.2**

Notes to combined segment reporting

Segment reporting has been prepared in conformity with the provisions of IFRS 8. The segments comply with DOUGLAS Group’s internal reporting and controlling structure. Internal reporting and controlling is generally performed according to the individual geographic companies of the corporate divisions. The operative business segments are combined into reporting segments in the segment re-porting, which correspond to the regional corporate divisions of DOUGLAS Group. Service and regional holding entities are allocated to the segment based on the region of their place of business. Key financial figures of the operating segments are reported regularly to the managing board member of DOUGLAS, the chief operating decision maker, who decides on that basis and allocates re-sources accordingly.

The earnings of the operative business segments are determined in compliance with the accounting and valuation methods applied to the Combined Financial Statements. Transfers between segments are at the same prices that would apply between third parties (arm's length transactions).

Germany

DOUGLAS has 434 perfumeries in Germany (2012/13: 438 perfumeries, 2011/12: 446 perfumeries). Segment Germany also includes services entities located in Germany, which are responsible for business activities with non-IPO entities.

France

DOUGLAS has 93 perfumeries in France (2012/13: 92 perfumeries, 2011/12: 93 perfumeries). Furthermore, 373 perfumeries have been included into segment France due to the Nocibé acquisition.

South-western Europe

DOUGLAS has 360 perfumeries in South-western Europe (2012/13: 363 perfumeries, 2011/12: 377 perfumeries).

Eastern Europe

DOUGLAS has 272 perfumeries in Eastern Europe (2012/13: 264 perfumeries, 2011/12: 274 perfumeries).

Segment sales

External sales represent the sales generated from third parties. Intersegment sales represent sales to other segments of the DOUGLAS Group.

Segment earnings

The key performance indicator is adjusted EBITDA. The EBITDA is adjusted for items, which are either temporary in nature or one off items in the opinion of the board of DOUGLAS Group. The one-off and temporary effects primarily include consulting fees in connection with the acquisition of Nocibé, the planned and restructuring costs relating to severance payments, costs for the closure of stores and the integration of Nocibé in the DOUGLAS Group. The costs for employees that were hired to implement efficiency programs have also been adjusted, as well as increasing ongoing rental expenses, which have been contradicted and which are without legal capacity yet. Further valuation effects on inventories and trade receivables relating to impairments based on age structure analyses are adjusted. By contrast, corresponding write-ups are taken into account. Furthermore, net income is adjusted for impairment losses. In accordance with our internal management reporting net income is not adjusted for tax effects on the aforementioned adjustments.

Segment inventory

Segment inventory comprises finished goods and merchandise, raw materials, consumables and supplies as well as advances to suppliers for merchandise.

Capital expenditure

Capital expenditure shown under segment reporting relates to additions made to intangible assets and property, plant and equipment.

Segment assets

Segment assets generally comprise non-current assets. Non-current tax items are not allocated to the segment assets.

Management of financial risks

Fair values 09/30/2011

	Carrying amount (in EUR m)	Amortized cost (in EUR m)	Fair Value through profit or loss (in EUR m)	Fair Value, changes recognized directly in equity (in EUR m)	Fair Value (in EUR m)
Assets					
Loans and receivables					
Loans and advances	116.0	116.0			119.1
Trade accounts receivable	31.2	31.2			31.2
Other financial assets	178.3	178.3			178.3
Financial instruments: Held-for-trading					
Derivative financial instruments					
Financial instruments: Available-for-sale					
Equity participations	1.9	1.9			1.9
Securities					
Equity and liabilities					
Financial instruments: Held-for-trading					
Derivative financial instruments	0.7		0.7	1.6	0.7
Other financial liabilities					
Trade accounts payable	152.5	152.5			152.5
Financial liabilities from put options of non-controlling interest	80.6				80.6
Liabilities to banks	92.1	92.1			93.4
Other financial liabilities	23.4	23.4			23.4

Fair values 09/30/2012

	Carrying amount (in EUR m)	Amortized cost (in EUR m)	Fair Value through profit or loss (in EUR m)	Fair Value, changes recognized directly in equity (in EUR m)	Fair Value (in EUR m)
Assets					
Loans and receivables					
Loans and advances	65.5	65.5			68.7
Trade accounts receivables	43.3	43.3			43.3
Other financial assets	203.1	203.1			203.1
Financial instruments: Held-for-trading					
Derivative financial instruments					
Financial instruments: Available-for-sale					
Equity participations	1.9	1.9			1.9
Securities					
Equity and liabilities					
Financial instruments: Held-for-trading					
Derivative financial instruments					

	Carrying amount (in EUR m)	Amortized cost (in EUR m)	Fair Value through profit or loss (in EUR m)	Fair Value, changes recognized directly in equity (in EUR m)	Fair Value (in EUR m)
Other financial liabilities					
Trade accounts payable	136.4	136.4			136.4
Financial liabilities from put options of non-controlling interest	4.8				4.8
Liabilities to banks	170.4	170.4			171.8
Other financial liabilities	17.0	17.0			17.0

Fair values 09/30/2013

	Carrying amount (in EUR m)	Amortized cost (in EUR m)	Fair Value through profit or loss (in EUR m)	Fair Value, changes recognized directly in equity (in EUR m)	Fair Value (in EUR m)
Assets					
Loans and receivables					
Loans and advances	63.7	63.7			64.0
Trade accounts receivables	38.1	38.1			38.1
Other financial assets	121.5	121.5			121.5
Financial instruments: Held-for-trading					
Derivative financial instruments					
Financial instruments: Available-for-sale					
Equity participations	1.8	1.8			1.8
Securities					
Equity and liabilities					
Financial instruments: Held-for-trading					
Derivative financial instruments	0.9			0.9	0.9
Other financial liabilities					
Trade accounts payable	147.3	147.3			147.3
Financial liabilities from put options of non-controlling interest	2.8				2.8
Liabilities to banks	208.1	208.1			208.1
Other financial liabilities	19.8	19.8			19.8

Fair values 09/30/2014

	Carrying amount (in EUR m)	Amortized cost (in EUR m)	Fair Value through profit or loss (in EUR m)	Fair Value, changes recognized directly in equity (in EUR m)	Fair Value (in EUR m)
Assets					
Loans and receivables					
Loans and advances	17.2	17.2			17.2
Trade accounts receivables	39.2	39.2			39.2
Other financial assets	118.1	118.1			118.1
Financial instruments: Held-for-trading					

	Carrying amount (in EUR m)	Amortized cost (in EUR m)	Fair Value through profit or loss (in EUR m)	Fair Value, changes recognized directly in equity (in EUR m)	Fair Value (in EUR m)
Derivative financial instruments					
Financial instruments: Available-for-sale					
Equity participations	3.0	3.0			3.0
Securities					
Equity and liabilities					
Financial instruments: Held-for-trading					
Derivative financial instruments	5.1			5.1	5.1
Other financial liabilities					
Trade accounts payable	207.1	207.1			207.1
Financial liabilities from put options of non-controlling interest	2.6				2.6
Liabilities to banks	1,078.8	1,078.8			1,120.3
Other financial liabilities	27.3	27.3			27.3

The financial management of the DOUGLAS HOLDING AG is responsible for the DOUGLAS Group's financing and supports decision-makers in the German and foreign DOUGLAS Group companies in respect of all financial issues.

The uniform presence of the DOUGLAS Group facilitates better conditions on the financial markets, and the bundling of the financing volumes of all domestic DOUGLAS Group companies al-lows optimal use of the resources available as part of a cash management system.

The financial risks relevant to the DOUGLAS Group, such as liquidity risks, risk of interest rate changes, default risks and risks from cash flow fluctuations are adequately controlled and monitored by the financial management of the DOUGLAS HOLDING AG.

Liquidity risk

The DOUGLAS Group generally has access to various sources to finance operation, investments and potential acquisitions. This includes existing cash and cash equivalents, operating cash flow and bank credits.

By signing up to the acquisition financing of the Beauty Holding Two AG in December 2012, the DOUGLAS Group and Beauty Holding Two AG gained access to parts of the contractually agreed loans totaling 650 million EUR. The DOUGLAS Group used these loans to redeem its existing bank debt and to partly finance the acquisition of the shares of DOUGLAS HOLDING AG by Beauty Holding Three AG. Beauty Holding Two AG originally obtained the financing and forwarded it to DOUGLAS HOLDING AG via a debt push down.

The above mentioned syndicated loan agreement was amended in October and December 2013 as well as in September 2014. An additional tranche of 275 million EUR was obtained and a further 47 million EUR were redeemed. The financing is based on the EURIBOR plus margin, which was between 3.8 percent and 5.5 percent in 2013/14. The margin of the senior consortium bank agreement was 4.0 percent towards the end of the reporting year 2013/14. The loans covered by the senior facility agreement have terms of until December 2019 and June 2020.

Further on, DOUGLAS Group entered into mezzanine syndicated loan agreements of 200.0 million EUR in December 2012. These loans have an interest of EURIBOR plus a margin of 11.5 percent. Interest is only partly paid. The other part is added to the loan. The mezzanine syndicated loan agreement was pushed down to DOUGLAS Group in 2013/14.

Liabilities to banks (without current accounts and revolving credit facility) as of 10/01/2011

Nominal amount (in EUR m)	Carrying amount (in EUR m)
86.3	34.3

Liabilities to banks (without current accounts and revolving credit facility) as of 09/30/2012

Nominal amount (in EUR m)	Carrying amount (in EUR m)
85.0	25.7

Liabilities to banks (without current accounts and revolving credit facility) as of 09/30/2013

Nominal amount (in EUR m)	Carrying amount (in EUR m)
61.5	61.5
138.5	138.5

Liabilities to banks (without current accounts and revolving credit facility) as of 09/30/2014

Nominal amount (in EUR m)	Carrying amount (in EUR m)
412.0	394.3
274.0	263.9
192.0	184.2
230.0	224.0

A revolving loan facility of 156.1 million EUR has been pushed down by Beauty Holding Two to DOUGLAS Group in 2013/14. The utilization as of the reporting date was 0.0 million EUR. In addition, some entities hold bilateral current account facilities with a total utilization of 8.6 million EUR.

DOUGLAS Group has to meet certain obligations and key financial covenants, an interest cover (EBITDA in relation to financing expenses), a leverage cover (relation of net debt to adjusted EBITDA), a cash flow cover (cash flow in relation to debt servicing), and a capex cover (ceiling for investments).

If these obligations are not met, the lenders are entitled to cancel the loan agreements with immediate effect and call upon all pledged collateral. The financial covenants are calculated on a quarterly basis and tested annually. All agreed financial covenants were adhered to in the fiscal year 2013/14. A compliance certificate was issued to the lenders in connection with this. The Executive Board of DOUGLAS HOLDING AG estimates that the risk of any financial covenants not being adhered to in the fiscal year 2014/15 is low.

All of the German subsidiaries of the DOUGLAS Group and some subsidiaries based abroad are linked to a cash management system (cash pooling). By combining financing volumes, short-term liquidity surpluses of individual DOUGLAS Group companies can be used to finance the cash requirements of other DOUGLAS Group companies. This leads to a reduction in borrowing and an optimization of cash investments, thus having a positive impact on the DOUGLAS Group's net interest result.

The following tables show financial liabilities and the corresponding future payments due:

Fiscal Year 2011

	Carrying amount ~~(in EUR m)~~	Payments due within the next 30 days ~~(in EUR m)~~		Payments due within 30 to 90 days ~~(in EUR m)~~		Payments due within 90 to 360 days ~~(in EUR m)~~		Payments due over a period of 1 to 5 years ~~(in EUR m)~~		Payments due after more than 5 years ~~(in EUR m)~~	
	~~10/01/2011~~	~~Redemption~~	~~Interest~~	~~Redemption~~	~~Interest~~	~~Redemption~~	~~Interest~~	~~Redemption~~	~~Interest~~	~~Redemption~~	~~Interest~~
Liabilities to banks	92.1	58.1				8.5	1.2	25.5	1.9		
Trade accounts payable	152.5	79.5		70.3		3.0					
Financial liabilities from put options of non-controlling interests	80.6	78.8						1.8			
Advance payments received	0.0										
Other financial liabilities	24.1	24.1									

Fiscal Year 2012

	Carrying amount ~~(in EUR m)~~	Payments due within the next 30 days ~~(in EUR m)~~		Payments due within 30 to 90 days ~~(in EUR m)~~		Payments due within 90 to 360 days ~~(in EUR m)~~		Payments due over a period of 1 to 5 years ~~(in EUR m)~~		Payments due after more than 5 years ~~(in EUR m)~~	
	~~09/30/2012~~	~~Redemption~~	~~Interest~~	~~Redemption~~	~~Interest~~	~~Redemption~~	~~Interest~~	~~Redemption~~	~~Interest~~	~~Redemption~~	~~Interest~~
Liabilities to banks	170.4	84.9		60.0	0.1	8.5	0.9	17.0	0.9		
Trade accounts payable	136.4	88.7		46.4		1.4					
Financial liabilities from put options of non-controlling interests	4.8	2.9						1.9			
Advance payments received	0.0										
Other financial liabilities	17.0	17.0									

Fiscal Year 2013

	Carrying amount (in EUR m)	Payments due within the next 30 days (in EUR m)		Payments due within 30 to 90 days (in EUR m)		Payments due within 90 to 360 days (in EUR m)		Payments due over a period of 1 to 5 years (in EUR m)		Payments due after more than 5 years (in EUR m)	
	09/30/2013	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
Liabilities to banks	208.1	5.8		2.5	3.2	4.9	14.1	49.2	55.2	145.7	14.8
Trade accounts payable	147.3	97.2		48.6		1.5					
Financial liabilities from put options of non-controlling interests	2.8	1.1						1.7			
Advance payments received	0.0										
Other financial liabilities	20.7	20.7									

Fiscal Year 2014

	Carrying amount (in EUR m)	Payments due within the next 30 days (in EUR m)		Payments due within 30 to 90 days (in EUR m)		Payments due within 90 to 360 days (in EUR m)		Payments due over a period of 1 to 5 years (in EUR m)		Payments due after more than 5 years (in EUR m)	
	09/30/2014	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
Liabilities to banks	1,078.8	12.3			11.4		56.1		227.5	1,108.0	48.3
Trade accounts payable	207.1	134.1		70.7		2.3					
Financial liabilities from put options of non-controlling interests	2.6	0.5						2.1			
Derivative financial instruments	5.1								5.1		
Other financial liabilities	27.3	27.3									

All financial liabilities existing as of September 30, 2014 and for which payments were already contractually agreed are included. Plan payments for future liabilities are not taken into account. Floating interest rate payments are determined on the basis of the interest rates known as of September 30, 2014. Financial liabilities cancellable at all times are always classified to the earliest time slot. Amounts denominated in foreign currencies are translated to Euros using the closing rate.

Interest rate risk

The interest rate risk is the result of fluctuations in interest rates on the money and capital markets and market-related fluctuations of exchange rates.

The loans attributable to the DOUGLAS Group from the senior facility agreement (refer to section "financial liabilities") generally bear variable interest based on the three-month EURIBOR. The mezzanine financing is also subject to the risk of variable cash flow fluctuations. The variable interest on this financing is based on the six-month EURIBOR. Two third of the nominal amounts of these loans were hedged against interest rate risks to reduce the risk posed by cash flow fluctuations as a result of changes in the interest rates for these variably financed loans.

For this purpose, three interest rate swaps with nominal amounts totaling 567.0 million EUR were concluded at the level DOUGLAS HOLDING AG. The interest rate swaps have terms until February 22 and August 22, 2016. The remaining cash flows of the interest rate swaps will impact the interest result for the period beginning October 1, 2014 until February 22 or August 22, 2016.

These interest rate swaps are summarized in the below table:

Interest rate swaps

	09/30/2014			09/30/2013		
in EUR m	Reference amount	Fair values: Financial assets	Fair values: Financial liabilities	Reference amount	Fair values: Financial assets	Fair values: Financial liabilities
Interest rate swaps	567.0	0.0	5.1	200.0	0.0	0.9
of which within cash flow hedges	567.0	0.0	5.1	200.0	0.0	0.9
of which not part of a hedge	0.0	0.0	0.0	0.0	0.0	0.0

Interest rate swaps

	09/30/2012			10/01/2011		
in EUR m	Reference amount	Fair values: Financial assets	Fair values: Financial liabilities	Reference amount	Fair values: Financial assets	Fair values: Financial liabilities
Interest rate swaps	0.0	0.0	0.0	25.0	0.0	0.7
of which within cash flow hedges	0.0	0.0	0.0	0.0	0.0	0.0
of which not part of a hedge	0.0	0.0	0.0	25.0	0.0	0.7

A sensitivity analysis was conducted according to IFRS 7 to quantify interest rate risks. This analysis was based on the following assumptions: Primary financial instruments are only subject to interest rate risks, which are reflected in the financial result or equity, if they are measured at fair value. Financial instruments measured at cost are not subject to any interest rate risks. Interests of financial instruments with variable interest rates are subject to interest rate risks if they were not designated as the underlying transaction in a cash flow hedge.

A relative increase of 100 basis points in interest rates would increase interest expenses by 5.5 million EUR. Of this amount, 2.8 million EUR was attributable to the loan taken out in the prior fis-cal year in the amount of 275 million EUR, which was not hedged against using interest rate swaps. The corresponding interest rate risk in the prior year was 2.7 million EUR.

If the EURIBOR were to fall to 0.0 percent, interest expense would decrease by 1.2 million EUR. Of this amount, 0.6 million EUR was attributable to the loan taken out in the prior fiscal year in the amount of 275.0 million EUR. The corresponding potential improvement in the profit margin if the EURIBOR were to be reduced to 0.0 percent amounted to 0.8 million EUR in the prior year.

Currency risk

The operative companies of the DOUGLAS Group largely conduct their activities in the respective functional currency. Currency risks within the DOUGLAS Group are minimal since approximately 93.0 percent of the DOUGLAS Group's sales were affected in Euros in period 2013/14, and merchandise was purchased almost exclusively in Euros.

Differences arising from the translation of foreign currencies to the parent's currency for the preparation of the Combined Financial Statements did not impact currency risk.

In order to monitor the residual currency risks, DOUGLAS HOLDING AG's financial management regularly reviews the DOUGLAS Group's currency items and analyzes the advantages and disadvantages of implementing derivative financial instruments.

Within the scope of IFRS 7, a sensitivity analysis was conducted for foreign currency risks. The sensitivity analysis shows the effects from foreign currency exchange rate fluctuations in financial instruments denominated in foreign currency but not designated as hedged items as part of foreign currency hedging transactions have been included in the sensitivity analysis. In total, the DOUGLAS Group would be exposed to a net risk of (0.3) million EUR (2012/13: (0.4) million EUR, 2011/12: 0.1 million EUR) following an appreciation in value of the Euro currency of 5 percent and 0.3 million EUR (2012/13: 0.4 million EUR, 2011/12: (0.1) million EUR) as a consequence of a devaluation of 5.0 percent.

Default risk

A default risk could exist if a banking partner defaults on payments and bank deposits. The DOUGLAS Group mitigates this risk by exclusively investing in monetary deposits and entering into financial instruments with first-rate banks. At the same time, the volume is distributed among several contracting parties in order to avoid a concentration of risks. Larger monetary deposits are avoided or only made with first-rate German banks.

Due to the increased focus on internet sales the companies of the DOUGLAS Group are exposed to credit risk, which is a system-inherent risk in the mail order business. For this reason, the companies operate an effective and constantly optimized debtor management system including consistent dunning procedures.

Capital management

The purpose of capital management is to maintain equity in conformity with IFRS. The goal of the DOUGLAS Group's capital management is to assure that financial obligations and financial covenants from the syndicated loans (refer to section "Management of financial risks") are met.

In addition, the DOUGLAS Group aims to sustain the business value on a long-term basis. The objective of the Group's capital management strategy is to ensure that all DOUGLAS Group companies maintain an appropriate equity base in accordance with local needs. External capital requirements have always been met in the past reporting periods.

Capital

		09/30/2014	09/30/2013	09/30/2012	10/01/2011
Equity	in EUR m	72.7	433.5	558.4	568.4
Liabilities	in EUR m	1,735.1	693.8	596.1	608.7
Debt	in EUR m	1,078.8	208.1	170.4	92.1
Net debt	in EUR m	861.4	94.9	138.0	63.2
Working capital	in EUR m	374.7	292.3	317.1	262.8

Other explanatory notes

Other financial commitments

Purchase commitments for approved capital expenditure for property, plant and equipment totaled around 19.8 million EUR (2012/13: 16.8 million EUR, 2011/12: 16.5 million EUR).

Average number of employees

The average number of persons employed was:

	2013/14	2012/13	2011/12
Employees	15,318	13,461	13,782
Apprentices	1,020	1,051	987
Total	**16,338**	**14,512**	**14,769**

List of shareholdings

The list of shareholdings provides an overview of the companies included in the Combined Financial Statements and of other participating interests held by the DOUGLAS Group.

		DOUGLAS Group interest in %			
No.	Name and registered office	2013/14	2012/13	2011/12	2011
	DOUGLAS Group				
	Perfumeries				
1.	Parfümerie Douglas GmbH, Hagen/Germany	100	100	100	100
2.	Parfümerie Douglas Deutschland GmbH, Hagen/Germany	100	100	100	100
3.	Douglas Cosmetics GmbH, Düsseldorf/Germany	100	100	100	100
4.	Parfümerie Douglas International GmbH, Hagen/Germany	100	100	100	100
5.	Parfümerie Douglas Ges.m.b.H., Vienna/Austria	100	100	100	100
6.	Parfumerie Douglas Nederland B.V., Nijmegen/ The Netherlands	100	100	100	100
7.	Parfumerie Douglas France S.A.,Villeneuve d'Ascq/France	100	100	100	100
8.	Profumerie Douglas S.P.A., Villafranca di Verona/Italy	100	100	100	100
9.	Parfümerie Douglas AG, Baar/Switzerland	100	100	100	100
10.	Parfumerie Douglas Inc., Westport/USA	100	100	100	100
11.	Douglas Spain S.A., Madrid/Spain	100	100	100	100
12.	Perfumeria Douglas Portugal Lda., Lisbon/Portugal	100	100	100	100
13.	Douglas Ungarn Kft., Budapest/Hungary	100	100	100	100
14.	Douglas Polska SP.z.o.o., Warsaw/Poland	100	100	100	100
15.	Parfumerie Douglas Monaco S.A.M., Monaco/Monaco	100	100	100	100
16.	Douglas Investment B.V., Nijmegen/The Netherlands	100	100	100	100
17.	Parfumerija Douglas d.o.o., Maribor/Slovenia	0	0	0	100
18.	Parfumerie Douglas s.r.o., Prague/Czech Republic	100	100	100	100
19.	Parfumerie Douglas Slovakia s.r.o., Bratislava/Slovakia	0	0	0	100
20.	Parfümeri Douglas Limited Sirketi, Istanbul/Turkey	100	100	100	100
21.	SA Douglas Expansion, Villeneuve d'Ascq/France	51.4	51.4	51.4	51
22.	Douglas Iberia Holding S.L., Madrid/Spain	100	100	100	100
23.	LTC Lifestyle Trading Company GmbH, Hagen/Germany	100	100	100	100
24.	Hela Beteiligungs GmbH, Hagen/Germany	100	100	100	100
25.	HELA Kosmetik Handels GmbH & Co. Parfümerie KG, Hagen/Germany	100	100	100	100
26	UAB "Douglas Lithuania", Vilnius/Lithuania	100	100	100	100

		DOUGLAS Group interest in %			
No.	Name and registered office	2013/14	2012/13	2011/12	2011
.					
27.	SIA “Douglas Latvia”, Riga/Latvia	100	100	100	100
28.	S.I.A. Douglas Baltic, Riga/Latvia	100	100	51	51
29.	Parf. Douglas S.R.L., Bukarest/Romania	100	100	100	100
30.	Parfumerie Douglas Bulgaria ood, Sofia/Bulgaria	76	76	51	51
31.	DESG Douglas Verwaltungs- und Beteiligungs GmbH, Zossen/Germany	100	100	100	100
32.	Douglas Parfumerije d.o.o., Zagreb/Croatia (former IRIS DOUGLAS d.d.)	100	100	75	51
33.	Douglas Einkaufs- und Service-Gesellschaft mbH & Co. KG, Zossen/Germany	100	100	100	100
34.	Douglas Logistik GmbH, Zossen/Germany	100	100	100	100
35.	Douglas Marken- und Lizenzen Verwaltungsgesellschaft mbH, Zossen/Germany	100	100	100	100
36.	Douglas Marken- und Lizenzen GmbH & Co. KG, Zossen/Germany	100	100	100	0
37.	DPB achats, Villeneuve d’Ascq/France	55.1	55.1	55.1	0
38.	Douglas Franchise B.V., Nijmegen/The Netherlands	100	100	0	0
39.	Parfümerie Douglas International Verwaltungs GmbH, Hagen/Germany	100	100	0	0
40.	Parfümerie Douglas Beteiligungs GmbH, Hagen/Germany	100	100	0	0
41.	Group Nocibé SAS, Villeneneuve d’Ascq, France	100	0	0	0
42.	Group Nocibé France SAS, Villeneuve d’Ascq, France	100	0	0	0
43.	Nocibé France Distribution SAS, France	100	0	0	0
44.	Nocibé France Development SAS, France	100	0	0	0
45.	Nocibé France Expansion SAS, France	100	0	0	0
46.	Nocibé SAS, Villeneuve d’Ascq, France	100	0	0	0
47.	Nocibeauté SAS, Villeneuve d’Ascq, France	100	0	0	0
48.	JCE Parfums SAS, Villeneuve d’Ascq. France	100	0	0	0
49.	Beauté Parfums Cosmétiques SAS, France	100	0	0	0
50.	Dusserre et Cie SAS, France	100	0	0	0
51.	Chabrier Truphème SAS, Villeneuve d’Ascq, France	100	0	0	0
52.	Nocibé France SAS, Villeneuve d’Asc, France	100	0	0	0
53.	AI Perfume France S.A.S, Villeneuve d’Ascq, France	100	0	0	0

		DOUGLAS Group interest in %			
No.	Name and registered office	2013/14	2012/13	2011/12	2011
	Services				
54.	DOUGLAS HOLDING AG, Hagen/Germany	100	100	100	100
55.	DOUGLAS Leasing GmbH, Hagen/Germany*	0	100	100	100
56.	DOUGLAS Informatik & Service GmbH, Hagen/Germany	100	100	100	100
57.	DOUGLAS Immobilien GmbH & Co. KG, Hagen/Germany	100	100	100	100
58.	DOUGLAS Versicherungsvermittlung GmbH, Hagen/Germany	100	100	100	100
59.	DOUGLAS Immobilien GmbH, Hagen/Germany	100	100	100	100
60.	EKV Einkaufsverbund GmbH, Hagen/Germany*	0	100	100	100
61.	inter-moda GmbH, Hagen/Germany	100	100	100	100
62.	EEG Energie-Einkaufsverbund GmbH, Hagen/Germany*	0	100	100	100
63.	Buch & Medien GmbH, Hagen/Germany	100	100	100	100
64.	Douglas GmbH & Co. Objekt Zeil KG, Pullach im Isartal/Germany	88	88	88	88
65.	DOUGLAS Grundbesitz GmbH, Hagen/Germany	100	100	100	100
66.	Douglas Finance B.V., Nijmegen/The Netherlands	100	100	100	100
67.	Douglas Grundstücks- und Verwaltungsgesellschaft mbH, Zossen/Germany	100	100	100	100
68.	Douglas Grundstücks- und Verwaltungsgesellschaft mbH & Co. KG, Zossen/Germany	100	100	100	100
69.	HWW Immobilienbeteiligungsgesellschaft mbH & Co. KG, Hagen/Germany	40	40	40	40
70.	ARCADEON/HWW Seminar—und Tagungsbetrieb GmbH, Hagen/Germany	39.3	39.3	39.3	39.3
71.	Landhotel Halden Immobilien GmbH & Co. KG, Hagen/Germany	25	25	25	25
72.	Hapag Lloyd Reisebüro Hagen Verwaltungs GmbH, Hannover/Germany	30	30	30	30
73.	Hapag Lloyd Reisebüro Hagen GmbH & Co. KG, Hagen/Germany	30	30	30	30

* *Entities have been merged as of October 1,2013*

Related parties

Beauty Holding Two GmbH, Beauty Holding One GmbH, Beauty Holding Zero GmbH, AI Beauty & Cy S.C.A. as well as the DOUGLAS HOLDING AG group companies, which do not be-long to DOUGLAS Group, have been defined as related parties in the basis of preparation of the Combined Financial Statements of DOUGLAS Group.

DOUGLAS Group had the following transactions with related parties from service relationships concluded in the past:

	Services provided to related parties		
in EUR m	2013/14	2012/13	2011/12
Books*			
a) Holding Services	6.9	0.9	0.7
b) IT Services	3.2	3.5	3.5
c) Real Estate Management	1.9	2.1	1.0
d) Purchasing Services	0.0	7.4	7.2
e) Insurance Services	0.1	0.0	0.0
f) Leasing Services	3.5	4.3	3.3
Jewelry*			
a) Holding Services	3.0	0.6	0.6
b) IT Services	2.8	2.4	2.6
c) Real Estate Management	0.6	0.8	0.6
d) Purchasing Services	0.0	2.9	2.5
e) Insurance Services	0.0	0.0	0.0
f) Leasing Services	1.7	2.3	2.4
Fashion*			
a) Holding Services	1.7	0.1	0.1
b) IT Services	0.5	0.5	0.5
c) Real Estate Management	0.1	0.1	0.0
d) Purchasing Services	0.0	1.7	1.7
e) Insurance Services	0.0	0.0	0.0
f) Leasing Services	3.8	4.7	4.7
Confectionary*			
a) Holding Services	0.2	0.2	0.3
b) IT Services	0.4	0.6	0.8
c) Real Estate Management	0.1	0.1	0.2
d) Purchasing Services	0.7	1.5	1.3
e) Insurance Services	0.0	0.0	0.0
f) Leasing Services	0.2	0.3	0.3
Total	**31.4**	**37.0**	**34.3**

	Services received from related parties		
in EUR m	2013/14	2012/13	2011/12
Perfumerie and Services			
g) Corporate Services	4.8	4.9	4.9
Total	**4.8**	**4.9**	**4.9**

* *Books, Jewelry, Fashion and Confectionery represent former operating segments of DOUGLAS HOLDING AG, which are not part of the IPO group.*

Service entities do not have a significant EBITDA contribution to the DOUGLAS Group. DOUGLAS Group is planning to sell and transfer or otherwise dispose of their business activities related to non-IPO group entities.

a) Holding Services

The DOUGLAS Group Development division advises the Executive Board and the management of the subsidiaries on business strategies, marketing and product range concepts, and methods of optimizing business processes and work flows.

DOUGLAS Group Auditing & Risk Management assists the Executive Board and the Supervisory Board in performing independent reviews of the internal control systems at all of the DOUGLAS Group's domestic and international divisions and coordinating the risk management of the DOUGLAS Group.

Mergers & Acquisitions provides the Executive Board and the management of the subsidiaries with assistance in implementing investment and divestment projects.

The Human Resources division is focused primarily on core issues relating to HR strategy and is the contact partner for the employees and trainees at the Hagen site. Furthermore, it supports the subsidiaries within the scope of HR projects as a service partner and is responsible for consolidated HR reporting.

Legal & Corporate Affairs is responsible for all legal matters—from acquisitions to trademark law. This division also has numerous responsibilities with regard to the topic of compliance, including organizing training sessions.

Taxes & Consulting provides the DOUGLAS Group's consolidated companies with comprehensive advice regarding all taxation matters.

b) IT Services

DOUGLAS Informatik & Service GmbH (DIS) is responsible for the efficient use of information technology in the DOUGLAS Group's business processes as well as for leveraging any potential synergies, particularly those that are strategically focused on financial management, enterprise re-source planning (ERP), information and knowledge management, and customer relationship management (CRM). It is responsible for the IT center and telecommunications services and runs a service center providing IT support to DOUGLAS Group stores around the world.

c) Real Estate Management

DOUGLAS Immobilien GmbH & Co. KG acquires rental properties in Germany and abroad and manages and optimizes the DOUGLAS Group's real estate portfolio, including more than 2,800 cur-rent real estate contracts. It handles all financial transactions involving real estate and is also responsible for planning and project management and supervises facility management for all subsidiaries.

d) Purchasing Services

EKV Einkaufsverbund GmbH and EEG Energie-Einkaufsverbund GmbH (both are now merged with DOUGLAS HOLDING AG) leverage cost benefits for the DOUGLAS Group by pooling orders for goods not for resale (GNFR) and negotiating service agreements for multiple divisions. Its activities are focused on procurement of electricity and natural gas (for Germany and the other European countries), negotiations in the valuables logistics, telecommunications, office supplies, and maintenance service sectors. EKV also manages the office building at the DOUGLAS Group's service headquarters in Hagen.

e) Insurance Services

DOUGLAS Versicherungsvermittlung GmbH is the DOUGLAS Group's go-to agency for all insurance issues. It negotiates all the policies for the German subsidiaries and handles any claims centrally. It also provides optional advisory services to the DOUGLAS Group's foreign subsidiaries.

f) Leasing Services

DOUGLAS Leasing GmbH (now merged with DOUGLAS HOLDING AG) manages the vehicle fleet with the purpose of optimizing costs and generating synergy benefits for the DOUGLAS Group. Furthermore, the DOUGLAS HOLDING AG provides subleasing services to the DOUGLAS Group companies.

g) Corporate Services

DOUGLAS Corporate Service GmbH (DCS) was formerly an in-house provider of financial, accounting, and payroll services to the majority of the DOUGLAS Group's consolidated companies. The DCS is not included in the Combined Financial Statements anymore due to a management buy-out. It is also responsible for the standardization of the DOUGLAS Group's accounting policies and their compliance with IFRS. Its other responsibilities include assisting users in SAP environments, implementation of SAP systems at new DOUGLAS Group companies, and advising customers in handling operational processes. The above mentioned services, with the exception of payroll services, will be performed as of 1.10.2014 by the DOUGLAS Group companies.

DOUGLAS Group had the following outstanding balances with related parties:

Receivables and payables

in EUR m	09/30/2014	09/30/2013	09/30/2012	10/01/2011
Receivables	**38.1**	**115.5**	**200.1**	**220.7**
Cash-pooling and trade accounts receivables	28.1	52.5	135.1	114.2
Loans	10.0	63.0	65.0	106.5
Long-term receivables	0.0	0.0	0.0	0.0
Liabilities	**2.0**	**6.1**	**2.1**	**12.5**
Cash-pooling and trade accounts payables	2.0	6.1	2.1	12.5
Short-term liabilities	0.0	0.0	0.0	0.0
Long-term liabilities	0.0	0.0	0.0	0.0

DOUGLAS Finance B.V. facilitates the DOUGLAS Group's financing function by providing the medium-term and long-term funding of foreign subsidiaries.

For explanation of financing activities between DOUGLAS Group and Beauty Holding entities please refer to Note 11.

Related Persons

Related persons comprise Executive Board members and Supervisory Board members.

Deliveries and services received by related persons totaled 1.3 million EUR (2012/13: 2.4 million EUR; 2011/12: 5.5 million EUR). Deliveries and services provided to related persons amounted to 36.9 million EUR (2012/13: 0.2 million EUR, 2011/12: 0.2 million EUR) which are mainly due to a trade receivable from AI Perfume.

Key management personnel compensation comprised the following:

in EUR m	2013/2014	2012/2013	2011/2012
Compensation	7.8	7.6	5.0
thereof:			
Short-term employee benefits	6.4	5.5	3.6
Post-employment benefits (including contributions to defined contribution plans)	0.2	0.2	1.0
Termination benefits	1.2	1.9	0.4
Share-based payments	—	—	—

Compensation of the Group's key management personnel includes salaries and contributions to a post-employment defined benefit plan (see Note 24)

Share-price oriented models, e.g., stock options, do not exist.

As a result of termination of employment, employee leave benefits were incurred for the settlement of contract and for the continuation of compensation payments.

Translation from German Language

INDEPENDENT AUDITOR'S REPORT

To the board of directors of Douglas Holding AG, Hagen/Germany:

We have audited the accompanying combined financial statements of Douglas Holding AG, Hagen, which comprise the combined statements of financial position as of 30 September 2014, 30 September 2013 and 30 September 2012 and the combined income statements, the combined statements of comprehensive income, the combined cash flow statements and the combined statements of changes in equity for the fiscal years then ended, and notes to the combined financial statements (the "Combined Financial Statements").

Our engagement is based on the engagement contract concluded with Douglas Holding AG. Accordingly, our responsibility and liability for negligence is limited in accordance with the terms of the contract.

Management's Responsibility for the Combined Financial Statements

Douglas Holding AG's management is responsible for the preparation and fair presentation of the combined financial statements in accordance with IFRS as adopted in the European Union together with the basis of preparation stated in section 1 of the notes of the combined financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Combined Financial Statements based on our audit. We conducted our audit in accordance with Section 317 German Commercial Code (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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the combined financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Combined Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Combined Financial Statements present fairly, in all material respects, the financial position of Douglas Group as defined in section 1 of the combined financial statements as at 30 September 2014, 30 September 2013 and 30 September 2012 and of its financial performance and cash flows for the years then ended in accordance with IFRS as adopted by the European Union taking into account the basis of preparation as described in section 1 of the notes of the Combined Financial Statements.

Emphasis of Matter

We draw attention to section 1 of the Combined Financial Statements, which describes the basis of preparation and the purpose of the combined financial statements. As a result, the Combined Financial Statements may not be suitable for another purpose. Our opinion is not qualified in respect of this matter.

Hamburg, 20 April 2015

RBS RoeverBroennerSusat GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Rudolph (German Public Auditor)	Schulz-Danso (German Public Auditor)

Consolidated financial statements for the twelve-month period from January 1, 2012 to December 31, 2012, the twelve-month period from January 1, 2013 to December 31, 2013 and the nine-month period from January 1, 2014 to September 30, 2014

Groupe Nocibé SAS

Simplified Joint Stock Company with capital of 252.255.781 euros
Registered office : 2, rue de Ticléni, 59 493 Villeneuve d'Ascq
451 489 017 Lille Métropole Trade and companies Register

Consolidated statement of comprehensive income

Thousand of Euros	Notes	31/12/2012 12 months	31/12/2013 12 months	30/09/2014 9 months
Sales	6	474,060	491,028	323,247
Cost of raw materials, consumables and supplies and merchandise		(260,571)	(268,995)	(177,837)
Gross profit from retail business		**213,489**	**222,034**	**145,409**
Other operating income	7	23,251	24,916	18,415
Personnel expenses	8	(91,460)	(90,247)	(65,120)
other operating expenses	9	(94,953)	(99,902)	(70,545)
EBITDA		**50,327**	**56,801**	**28,159**
Amortization/depreciation (*)		(11,223)	(11,814)	(11,140)
EBIT		**39,104**	**44,988**	**17,018**
Financial Income		285	187	68
Financial expenses		(41,769)	(40,281)	(39,245)
Financial result	**10**	**(41,484)**	**(40,094)**	**(39,177)**
Earnings before taxes (EBT)		**(2,380)**	**4,893**	**(22,159)**
Income taxes	11	(3,431)	(9,089)	6,437
Net loss for the year		**(5,812)**	**(4,196)**	**(15,721)**

(*) Amortization / depreciation only include fixed assets amortization and depreciation.

Amortization and depreciation	31/12/2012	31/12/2013	30/09/2014
Assets amortization and dépreciation including Finance leases amort.	11,223	11,814	9,278
Assets held for sale depreciation			1,862
Total	**11,223**	**11,814**	**11,140**

EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) shows an operational result without financing impacts (interests) and investing impacts (amortization and fixed assets depreciation). EBITDA includes operational charges including accrual and reversal of provision.

Statement of comprehensive income

Thousand of Euros	31/12/2012 12 months	31/12/2013 12 months	30/09/2014 9 months
Net loss for the year	**(5,812)**	**(4,196)**	**(15,721)**
Effective portion of Cash Flow hedges	1,554	724	156
Components that will not be reclassified to the income statement in the future			
Actuarial gains/losses from pension provisions	(173)	59	(890)
Total OCI	**1,381**	**784**	**(735)**
Total comprehensive income	**(4,431)**	**(3,412)**	**(16,456)**

Consolidated balance Sheet

Thousand of Euros	Notes	01/01/2012	31/12/2012	31/12/2013	30/09/2014
Non-current assets		**484,054**	**499,373**	**504,638**	**511,824**
Intangible assets	12	447,864	458,935	460,806	458,079
Property, plant and equipment	13	27,520	28,463	32,361	35,017
Tax receivables					
Financial assets	14	7,406	7,469	7,380	7,302
Deferred tax assets	15	1,265	4,506	4,091	11,426
Current assets		**231,540**	**229,517**	**239,863**	**162,800**
Inventories	16	89,852	92,293	95,816	103,292

Thousand of Euros	Notes	01/01/2012	31/12/2012	31/12/2013	30/09/2014
Trade accounts receivable	**14**	21,327	29,580	20,368	19,075
Financial assets	**14**	27,653	23,976	49,208	33,905
Other assets	**17**	4,543	3,883	3,766	3,072
Cash and cash equivalents	**18**	88,165	79,785	70,705	3,456
Assets held for sale	**19**				1,431
ASSETS		715,594	728,891	744,500	676,055

Thousand of Euros	Notes	01/01/2012	31/12/2012	31/12/2013	30/09/2014
Equity	**20**	**58,059**	**53,649**	**50,237**	**226,035**
Capital stock		60,000	60,000	60,000	252,256
Additional paid-in capital		11,419	11,419	11,419	11,419
Retained earnings		(13,361)	(17,770)	(21,182)	(37,640)
Minority interests					
Non-current liabilities		**479,689**	**491,634**	**489,966**	**328,246**
Pension provisions	**21**	687	1,047	1,030	1,721
Other non-current provisions					
Financial liabilities	**23**	474,262	484,501	487,219	326,525
Derivatives financial liabilities	**23**	4,741	6,087	1,718	
Other liabilities					
Deferred tax liabilities					
Current liabilities		**177,846**	**183,607**	**204,296**	**121,774**
Current provisions	**22**	8,110	5,875	10,172	2,958
Trade accounts payable		109,111	120,060	129,981	71,329
Tax liabilities		35,433	37,035	38,922	18,870
Financial liabilities	**23**	4,385	562	3,386	9,719
Other liabilities		20,807	20,075	21,836	18,899
Liabilities held for sale					
LIABILITIES		715,594	728,891	744,500	676,055

Consolidated Cash Flow statement

	31/12/2012	31/12/2013	30/09/2014
Thousand of Euros	12 months	12 months	9 months
Net income	**(5,812)**	**(4,196)**	**(15,721)**
Depreciation, amortisation and provisions	9,046	15,986	3,078
Taxes paid and deferred tax	(7,987)	(9,852)	(15,908)
(Profit) / Loss on disposal of fixed assets	3,157	(736)	481
Borrowing costs	41,485	40,095	39,177
Deferral of upfront rents	612	664	453
Cash inflow	**40,501**	**41,962**	**11,559**
Change in working capital	11,472	630	(59,935)
Net cash outflow from operating activities	**51,974**	**42,591**	**(48,376)**
Payments to acquire fixed assets	(20,025)	(15,757)	(16,031)
Receipts from the sale of fixed assets	307	1,251	24
Net cash outflow on acquisition of subsidiaries	(8,882)	0	0
Net cash outflow from investing activities	**(28,600)**	**(14,506)**	**(16,006)**
Others and changes in equity	(27)	(50)	192,218
Interest paid	(22,880)	(20,222)	(17,377)
Increase in borrowings	16,000	2,736	398,195

Thousand of Euros	31/12/2012 12 months	31/12/2013 12 months	30/09/2014 9 months
Change in loans and deposits	65	87	32
Decrease in borrowings	(21,317)	(20,735)	(575,082)
Net cash outflow from financing activities	**(28,159)**	**(38,183)**	**(2,013)**
Decrease in cash	**(4,785)**	**(10,098)**	**(66,395)**

Thousand of Euros	31/12/2012 12 months	31/12/2013 12 months	30/09/2014 9 months
Cash and cash equivalents at the beginning of the period	88,165	79,785	70,705
Cash and cash equivalents at the end of the period	79,785	70,705	3,456
Change in Cash (I)	**(8,380)**	**(9,080)**	**(67,249)**
Bank overdraft at the beginning of the period	3,916	321	1,339
Bank overdraft at the end of the period	321	1,339	484
Change in Bank overdrafts (II)	**(3,595)**	**1,018**	**(855)**
Net treasury at the beginning of the period	84,248	79,464	69,366
Net treasury at the end of the period	79,464	69,366	2,971
Decrease in cash (I—II)	**(4,785)**	**(10,098)**	**(66,395)**

Change in Working Capital	31/12/2012	31/12/2013	30/09/2014
Inventories	882	3,523	7,476
Trade accounts receivable	8,242	(9,212)	(1,293)
Financial assets	(3,953)	25,232	(15,303)
Other assets	(920)	(192)	(234)
Assets	**4,251**	**19,350**	**(9,353)**
Trade accounts payable	9,191	9,921	(58,652)
Tax liabilities	5,178	11,676	(10,888)
Other liabilities	1,354	(1,617)	253
Liabilities	**15,723**	**19,981**	**(69,288)**
Total	**11,472**	**630**	**(59,935)**

Statement of changes in Group equity

In thousand euros	Capital	Other capital	Reserves	Reserve for pension	Results from Cash flow hedge	Total
01/01/2012	**60,000**	**11,419**	**(10,927)**		**(2,434)**	**58,059**
Other Comprehensive income				(173)	1,554	1,380
Net result for the period			(5,812)			(5,812)
Other Changes			22			22
31/12/2012	**60,000**	**11,419**	**(16,717)**	**(173)**	**(880)**	**53,649**
Other Comprehensive income				59	724	784
Net result for the period			(4,196)			(4,196)
31/12/2013	**60,000**	**11,419**	**(20,913)**	**(114)**	**(156)**	**50,237**
Other Comprehensive income				(890)	156	(735)
Net result for the period			(15,721)			(15,721)
Capital increase	192,256					192,256
30/09/2014	**252,256**	**11,419**	**(36,635)**	**(1,005)**	**0**	**226,035**

Notes to the consolidated financial statements of NOCIBE Group

1. Basis of preparation

Nocibé Group was acquired by Douglas Group In June 24, 2014 and has been consolidated as part of Douglas Perfumeries, a division of Douglas Group, starting July 1st, 2014.

The consolidated financial statements of Nocibé Group, have been prepared in the context of securities offering of Douglas Perfumeries.

Douglas International GmbH holds all the shares in AI perfume France as Douglas International GmbH is the Douglas Group holding company for all foreign companies and holds also direct investment in existing French Douglas entities.

The consolidated financial statements of the Nocibé Group ("the Group"), which is located at Villeneuve d'Ascq, France, and its subsidiaries as of September 30, 2014 have been prepared according to International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, taking into account all mandatory standards and interpretations in effect at the closing date and as adopted in the European Union. Its activities encompass retail store-based and online sales.

In accordance with European regulation No. 1606/2002 dated July 19, 2002, the 2014 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) adopted in the European Union.

These consolidated financial statements represent the first annual financial statements of the company prepared in accordance with International Financial Reporting Standards ("IFRS"). The company adopted IFRS in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1").

For the reported periods, the accounting standards and interpretations adopted in the European Union are similar to the 4 compulsory standards and interpretations published by the International Accounting Standards Board (IASB) with the exception of the carve-out of IAS 39 together with the standards and interpretations currently being endorsed, that have no effect on the Group accounts. Consequently, the Group financial statements are prepared in accordance with the IFRS standards and interpretations, as published by the IASB.

These financial statements were authorized for issuance by the President of Groupe Nocibé SAS on March 26, 2015.

All figures are shown in thousands of euros (K€).

The consolidated financial statements of Nocibé Group presented herein are as of and for the twelve-month period ended December 31, 2012 and December 31, 2013 and as of for the nine-month period ended September 30, 2014, fiscal year closing of Douglas Group being September 30.

2. New IASB accounting standards and IFRS transition

The Group has applied IFRS standards effective for fiscal year starting January 1, 2014 to all periods presented in this consolidated financial statements, as if these standards had always been in effect (subject to the mandatory and optional IFRS 1 exemptions discussed hereafter).

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1st 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The Group is assessing the impact of IFRIC 21.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Transition IFRS

The European Union has decided to adopt the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Under EC regulation 1606/2002 of July 19, 2002, companies listed on a regulated stock exchange in one of the member states are required to present their consolidated financial statements for financial years beginning on or after January 1, 2005 in conformity with IFRS.

Nocibé Group was not subject to this requirement. The Group has not previously prepared financial or financial information using the basis of preparation presented herein. Prior to the Group's first-time adoption of IFRS, it prepared consolidated financial statements in accordance with accounting principle generally accepted in France ("French GAAP") for fiscal year ended December 31, 2013.

Comparative figures for the year ending December 31, 2013 and for the year ending December 31, 2012: Nocibé Group prepared an opening balance sheet as at January 1, 2012, which is the starting point for the application of IFRS. The quantitative impacts of the transition to IFRS as at January 1, 2012 were recorded in equity in line with IFRS 1 "First-time Adoption of International Financial Reporting Standards".

The main options considered by the Nocibé Group in applying IFRS 1 are:

- Fixed assets are evaluated at cost;
- Business combinations prior to the transition are not accounted for according to IFRS 3;
- Derivatives qualified as hedging instruments in the statutory consolidated accounts and eligible to hedge accounting according to IAS 39 have been qualified as hedging instruments at the transition date. (note 22).
- Financial liabilities are evaluated at amortized cost except for compound financial instruments which are evaluated at fair value.

Statement of changes in equity for IFRS Transition

	Capital	Other capital	Reserves	Result	Total
French Gaap Equity as at January 01, 2012	**60,000**	**11,419**	**(15,248)**		**56,171**

	Capital	Other capital	Reserves	Result	Total
IFRS restatement					
Finance leases			(23)		(23)
Inventories valuation			(2,562)		(2,562)
Loyalty program			(2,795)		(2,795)
Derivatives			(4,740)		(4,740)
Pensions			0		0
Convertible bonds			9,440		9,440
Debt			3,972		3,972
Total			**3,292**		**3,292**
Goodwill amortization cancellation			0		0
Grants			(271)		(271)
Deferred Tax			(1,134)		(1,134)
IFRS Equity as at January 01, 2012	**60,000**	**11,419**	**(13,361)**	**0**	**58,059**

	Capital	Other capital	Reserves	Result	Total
French Gaap Equity as at December 31, 2012	**60,000**	**11,419**	**(15,275)**	**(4,814)**	**51,331**
IFRS restatement					
Finance leases			(23)	(1)	(24)
Inventories valuation			(2,562)	(4,799)	(7,361)
Loyalty program			(2,795)	19	(2,776)
Derivatives			(2,309)	(3,778)	(6,087)
Pensions			(271)	271	(0)
Convertible bonds			9,440	(832)	8,609
Debt			3,972	3,915	7,887
Total			**5,452**	**(5,205)**	**247**
Goodwill amortization cancellation				2,383	2,383
Grants			(223)	0	(223)
Deferred Tax			(1,913)	1,824	(89)
IFRS Equity as at December 31, 2012	**60,000**	**11,419**	**(11,959)**	**(5,812)**	**53,649**

	Capital	Other capital	Reserves	Result	Total
French Gaap Equity as at December 31, 2013	**60,000**	**11,419**	**(20,138)**	**(7,057)**	**44,224**
IFRS restatement					
Finance leases			(24)	8	(15)
Inventories valuation			(7,361)	(2,159)	(9,520)
Loyalty program			(2,776)	(14)	(2,790)
Derivatives			(4,917)	3,200	(1,717)
Pensions			94	(94)	0
Convertible bonds			8,609	(1,210)	7,399
Debt			7,887	(416)	7,471
Total			**1,512**	**(684)**	**828**
Goodwill amortization cancellation			2,383	3,290	5,673
Grants			(173)	0	(173)
Deferred Tax			(570)	255	(316)
IFRS Equity as at December 31, 2013	**60,000**	**11,419**	**(16,987)**	**(4,196**	**50,237**

Capital	Other capital	Reserves	Result	Total
			)	

3. Consolidation principles

Group of consolidated companies

List of consolidated companies as at December 31, 2012, December 31, 2013 and September 30th, 2014:

Company Name	Country	% of control	% of interest	Basis of consolidation	Commentary
GROUPE NOCIBE SAS	France	Parent			
GROUPE NOCIBE France SAS	France	100%	100.00%	Global	
NOCIBE France SAS	France	100%	100.00%	Global	
NOCIBE France DISTRIBUTION SAS	France	100%	100.00%	Global	
NOCIBE DEVELOPPEMENT SAS	France	100%	100.00%	Global	
DELORME SAS	France	100%	100.00%	Global	Merger in 2013
NOCI BEAUTE SAS	France	100%	100.00%	Global	
NOCIBE EXPANSION SAS	France	100%	100.00%	Global	
NOCIBE SAS	France	100%	100.00%	Global	
BUJOSS SAS	France	100%	100.00%	Global	New at 15/11/2012 - Merger in 2013
BEAUTE PARFUMS COSMETIQUES SAS	France	100%	100.00%	Global	New at 03/12/2012
CHABRIER TRUPHEME SAS	France	100%	100.00%	Global	New at 03/12/2012
PARFUMERIE DUSSERRE & CIE SAS	France	100%	100.00%	Global	New at 03/12/2012
JCE PARFUMS SAS	France	100%	100.00%	Global	New at 03/12/2012

Consolidation methods

The financial statements have been prepared for the 9-month period ended September 30, 2014, for the 12-month period ended December 31, 2013, and for the 12-month period ended December 31, 2012. The financial statements are established based on the following principles:

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to comply with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-evaluated to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

4. Currency translation

The functional currency of the parent company and all of its subsidiaries is the Euro. The Group carries all operations in Euro.

5. Accounting and valuation principles

Intangible assets

Goodwill arises from the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the income statement.

The Nocibé Group has been built from various acquisitions. However the Group does not monitor existing goodwill at the store level. The stores are indeed not independent from each other as their operating performance is largely affected by strategic decisions managed centrally:

Sale prices are decided at the Group level and are the same for all stores.

Assortments to be displayed in stores are defined, along with marketing strategy and operations, at the Group level.

Recruitment and incentives for store staff are managed centrally.

All negotiations with suppliers including rebates and bonuses are managed centrally.

This is why the Group is considered as the one and only Cash Generating Unit for impairment testing purpose. The value in use is then derived from an estimated projection of the Group future operating performance.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognized immediately as an expense and is not subsequently reversed.

The discount rate used for the purpose of impairment testing is the Weighted Average Capital Cost (WACC).

Other intangible assets are carried at cost.

These Intangible assets (goodwill and leasehold rights) with indefinite useful lifes are reviewed for impairment at least once a year and depreciated if necessary.

Property, plant and equipment

If items of property, plant and equipment are used for longer than one year, these are carried at cost less scheduled straight-line depreciation. In the year of purchase, property, plant and equipment are depreciated on a pro rata temporis basis. Where indications of impairment exist, an impairment test is conducted for the corresponding asset. Historical costs include expenditure that is directly attributable to the acquisition of the items.

The amortization and depreciation periods for intangible assets and property, plant and equipment are determined based on their useful lifes as follows:

Useful lifes	2. Years
Buildings	15-30
Buildings equipment	7-10
Operating equipment	3-10
Office equipment	3-5
Transport equipment	4-5
Software	1-3

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The assets' residual values and useful lifes are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other operating income/expense' in the income statement.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Credit card equipment and Cellu M6 (Beauty institutes equipment) leases are considered as finance lease according to indicators given by IAS 17.

Financial assets

Financial assets are accounted for according to IAS 39. Financial assets are initially measured at Fair Value, although all transaction costs—with the exception of financial instruments measured at Fair Value through profit or loss—are included. Depending on their classification, these are either measured at Fair Value (securities and financial assets from derivative financial instruments) or amortized cost (trade accounts receivable, and other contractual financial receivables).

Financial assets are carried at cost less impairment only by exception, if and only if it is an investment in equity securities that is not quoted in an active market and whose fair value cannot be reliably measured.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Concerning financial carried at cost less impairment: impairment test must be performed whenever any impairment indicator is present. The impairment should be recorded in the income statement and shall not be subsequently reversed.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of businesses. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Receivables are impaired if there is a non-recovery risk. The amount of the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Current and Deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Assets held for sales

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Inventories

Inventories are stated at the lower of cost and net realizable value. As a rule, merchandise is valuated at weighted-average cost (including bonuses and slotting fees). Interest on borrowings is not included in the acquisition costs as inventories are not qualifying assets. The cost of merchandise comprises all costs of purchase, including cost of conversion if any and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses, i.e. cost of completion if any and cost necessary to make the sale.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

The carrying amount of the provision is based – for individual risks – on the best estimate of the settlement taking into account all recognizable risks, or – for a large population of risks – the amount computed according to the expected value method. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Pensions

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. In France, all contributions made to Social Security and other organisms are accounted for as defined contribution plans

For defined contribution plans, the Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. Past-service costs are recognized immediately in income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in financial result in the income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Customer loyalty program

Under IFRS, customer loyalty programs are considered as part of an IAS 18 sales transaction. Within the scope of IAS 18, IFRIC 13 considers that an entity's obligation to provide free or discounted goods or services should be treated as a separately identifiable component of the sales transactions. This part of the transaction is allocated to the award credits (net sales), with the corresponding liability recognized under "deferred revenue."

Financial liabilities

Financial liabilities, such as borrowings, are generally recognized initially at fair value, net of transactions costs incurred. They are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the instrument using the effective interest method. Financial liabilities are recognized at the inception of the contract and are derecognized when the obligation is extinguished or expired (limitation of time).

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bond and bond with attached warrants denominated in Euro that can be converted to fixed ordinary share at the option of the holder.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-evaluated, except on conversion or expiry. Interest related to the financial liability is recognized in profit or loss.

Accounting for derivative financial instruments and hedging relationships

Derivative financial instruments are implemented exclusively to reduce Cash Flow fluctuations that result from interest rate risks. Derivative financial instruments are neither used nor issued for speculative purposes. Hedging transactions presented in the notes to the financial statements are solely Cash Flow Hedge operations. Derivative financial instruments are recognized at Fair Value, which correspond to market value, both upon initial and subsequent measurement in accordance with IAS 39; and can result in a positive or negative figure. Gains and losses from Fair Value measurement depends on the application of hedging accounting. Derivative financial instruments that do not qualify as hedging instrument according to IAS 39 requirements are measured at Fair Value and recognized in the income statement. If, on the other hand, derivative instruments are qualified as hedging instruments according to IAS 39, the effective portion of the value changes in hedging derivatives is recognized directly as other comprehensive income under a separate equity item until the result arising from the hedged items is recognized.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the income statement within the financial result.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within Financial Result.

Deferred taxes arising from the difference between the IFRS carrying amounts and the tax base are also recognized directly as other comprehensive income under a separate equity item if the Fair Value differences were also recognized directly as other comprehensive income under a separate equity item. The amounts recorded under equity increase or reduce profit or loss as soon as the hedged Cash Flows from the underlying transaction are recognized in the income statement.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

As a rule, sales are only recognized after goods are delivered and/or the service has been provided. The risks and rewards of ownership are transferred to the customer on delivery of the goods. Sales arising therefrom are first collected upon redemption of the bonus points. Deferred sales are reversed or utilized in line with the way customers honor their gift vouchers and are also reported under sales. Interest income and interest expense are recognized in the financial result on an accrual basis.

Use of assumptions and estimates

Assumptions have been made and estimates used in the preparation of these consolidated financial statements that impact the disclosure and amount of the assets and liabilities, income and expenses carried in these statements.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 5, Intangible assets. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 12).

(b) Income taxes

Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(c) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example Over-the-counter derivatives, shareholder loan) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (note 23).

(d) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 21.

Fair value measurement

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Capital management

The purpose of capital management is to maintain equity in conformity with IFRS. The goal of the Nocibé Group's capital management is to ensure that the Group can continue to meet its financial obligations and that the financial covenants from the syndicated loans are met. Another of the goals of capital management is to sustain the business value on a long-term basis. The aim of the capital management strategy is to ensure that all the Group companies have appropriate equity according to local needs, such that external capital requirements have always been met in the past fiscal year. Since June 24, 2014 there is no obligation concerning bank covenant at Nocibé Group level.

Financial risk management

Liquidity risk

Prior to its acquisition by Douglas, Nocibé Group had access to various sources of financing including existing cash and cash equivalents, operating Cash Flow and bank borrowings.

Nocibé Group had to meet certain obligations and key financial covenants. Should these obligations from the financing agreements not be met, the lenders had the right, among other things, to terminate the loans early. All agreed financial covenants were adhered to in fiscal year 2011, 2012, and 2013 till the date of acquisition by Douglas Group.

Since 2014, June 24 Nocibé Group has three types of financing (detailed in note 23):

- Convertible bonds (held by AI perfume)
- Bank borrowings
- Shareholder loan

Nocibé Group is now part of the Douglas Group cash management system (cash pooling) which strongly reduces the liquidity risk.

Interest rate risk

The interest rate risk is the result of fluctuations in interest rates on the money and capital markets and market-related fluctuations of exchange rates.

Nocibé Group used to cover this risk with swaps. Since the acquisition by Douglas, the Nocibé Group does not use hedging instruments anymore.

Default risk

A default risk could exist if a banking partner should default, in particular for the inability to make payments on monetary deposits.

Nocibé Group used monetary term deposits with refunding at any time.

Since the acquisition, this risk is now covered by Douglas Group by exclusively investing in monetary deposits and entering into financial instruments with first-rated banks. At the same time, the volume is also distributed amongst several contracting parties in order to avoid a risk of concentration.

Notes to the consolidated statement of comprehensive income

6. Sales

Net sales totaling 474 million EUR were recorded in fiscal year 2012 and 491 million EUR in fiscal year 2013, 323 million EUR in 2014 (9-month period).

Thousand of Euros	31/12/2012 12 months	31/12/2013 12 months	30/09/2014 9 months
Sales	456,675	472,987	308,763
Thereof Online Sales	*14,980*	*21,858*	*13,172*
Beauty institutes sales	17,385	18,041	14,484
Total	**474,060**	**491,028**	**323,247**

7. Other operating income

Thousand of Euros	31/12/2012 12 months	31/12/2013 12 months	30/09/2014 9 months
Marketing costs recharges	16,684	16,712	10,641
Franchisee fees	1,109	1,116	705
Training costs charged to franchisee	600	983	81
CRM rental	147	571	0
IT costs capitalized	1,310	675	
DGCCRF litigation(*)			2,250
Costs charged to Douglas France			1,359
Others	3,401	4,859	3,379
Total	**23,251**	**24,916**	**18,415**

(*) DGCCRF is the Competition Council in France. The litigation relates to alleged price fixing violations of the competition laws by the Nocibé Group and various other suppliers and distributors in the fragrances industry. The income recorded in 2014 is an accrual reversal following a court decision limiting the risk to the fine paid by the Group in 2012.

Operating income is largely made of marketing costs recharge to suppliers. The decrease in 2014 is due to the 9-month period.

8. Personnel expenses

Thousand of Euros	31/12/2012 12 months	31/12/2013 12 months	30/09/2014 9 months
Wages and salaries and pension obligations	65,926	67,005	47,321
Employee profit sharing	524	536	469
Social charges(*)	25,010	22,706	17,330
	91,460	**90,247**	**65,120**

(*) The Third Amended Finance Bill for 2012 introduced a "competitiveness and employment tax credit" (Crédit d'impôt pour la compétitivité et l'emploi") or "CICE" as from 1 January 2013. This tax credit is calculated on the portion of the gross payroll not exceeding 2.5 times the national minimum wage. The rate of the CICE is 4% for wages paid in 2013 and 6% for wages paid in 2014 with no cap on the total amount. CICE represents a reduction of social charges by 2243 K€ in 2013 and 2461 K€ in 2014.

9. Other operating expenses

Other operating expenses cover principally rent and utilities, advertising costs and taxes.

Thousand of Euros	31/12/2012 12 months	31/12/2013 12 months	30/09/2014 9 months
Marketing	17,890	18,599	13,520
Rents	34,913	37,373	28,067
Energy & maintenance	5,455	5,285	3,986
External services	4,756	5,146	5,482
Transport	4,233	5,190	3,400
Consumables	927	842	673
Postal costs	1,642	1,589	1,238
IT costs	2,549	2,258	2,630
Insurance and fees	5,846	9,122	2,984
Travel expenses	1,804	1,650	1,131
Taxes	4,285	4,907	3,258
DGCCRF litigation		400	
Assets disposal	3,464	515	502
Provisions	1,656	2,386	847
Others	5,532	4,640	2,827
	94,953	99,902	70,545

In 2012, a fine of 3,150 K€ has been paid with regard to the DGCCRF Litigation (compensated by an accrual reversal of the same amount). Following a Court decision in 2013, the remaining provision has been increased by 400K€. In year 2014, following a further decision, the accrual above the 2012 fine payment has been fully reversed (see 22. Provisions).

Contracts qualifying as operating leases within Nocibé Group mostly comprise store rental agreements. As a rule, these agreements are concluded for a basic rental period of 9 years and contain lease extension options and possibility to end agreement every 3 years (‘Agreement 3, 6, 9 years’).

Minimum lease obligation for store rentals amounts to 52,335 K€.

	< 1 year	1 to 5 years	> 5 years	Total
Obligations from operating leases	26,438	25,817	301	52,556
sub rental contract	(165)	(56)		(221)
Total	26,273	25,761	301	52,335

10. Financial result

Thousand of Euros	31/12/2012 12 months	31/12/2013 12 months	30/09/2014 9 months
Interest from Deposit	264	137	55
Others Income interest	21	50	13
Total financial income	**285**	**187**	**68**
Financial expense for financial liabilities	(41,474)	(39,877)	(39,016)
Interest expense from pensions	(21)	(30)	(25)
Others	(274)	(374)	(204)
Total financial expenses	**(41,769)**	**(40,281)**	**(39,245)**
Financial result	**(41,484)**	**(40,094)**	**(39,177)**

Financial expense mostly relates to accrued and capitalized interests.

Credit line authorization amounted to 19,377 K€ for 2012, 2013, 2014. Only 10,500 K€ were used in 2012, 7,000 K€ in 2013 and 18,000 K€ in 2014.

11. Income tax

The statutory corporate income tax rate in France totaled 36.1 percent for 2012 and 38.0 percent (exceptional contribution) for 2013 and 2014.

	31/12/2012	31/12/2013	30/09/2014
Thousand of Euros	12 months	12 months	9 months
Income Taxes	**7,453**	**9,152**	**307**
Thereof Value-added based contribution	2,220	2,380	1,328
Thereof change in provisions for tax exposures	958		(958)
Deferred taxes	**(4,022)**	**(63)**	**(6,744)**
From temporary differences	(4,022)	(85)	(6,749)
Others	0	22	5
	3,431	**9,089**	**(6,437)**

The reconciliation from the expected tax expense to the effective tax expense is as follows:

Tax reconciliation

	31/12/2012	31/12/2013	31/12/2014
Earnings before taxes	**(2,380)**	**4,894**	**(22,159)**
Consolidated income tax rate	36.10%	38.00%	38.00%
Expected tax income	(859)	1,860	(8,420)
Non deductible tax operating expenses	2,075	5,834	938
Change in tax rate	108	(236)	0
Operating losses of the year on which no deferred tax asset is recognized	0	0	672
Value added base contribution and Change in provision for tax exposures	2,031	1,476	229
Others	76	156	144
Effective tax income	**3,431**	**9,089**	**(6,437)**
	-144	**186**	**29**
	%	%	%

French tax administration does not allow full deductibility of net financial interest: when it exceeds 3 M€ a year, only 85% of the net financial interest is considered deductible. Interest limitation represents 5,676 k€ in 2012, 18,669 K€ in 2013 (due to an under capitalization), 6,337 K€ in 2014 (In ‘Non deductible tax operating expenses’).

Notes to the balance sheet

12. Intangible assets

Intangible assets are goodwill and other intangible assets.

According to IAS 36, existing goodwill with indefinite useful lifes are subject to an impairment test at least once a year. As is the case for impairment tests for tangible assets, the carrying amount of the CGUs is compared with the recoverable amount of the CGUs, with the recoverable amount in the NOCIBE Group being defined as the value in use based on the discounted future Cash Flows from the internal forecast. Sensitivity planning assumptions include sales growth, gross profit forecasts, and estimates of replacement investments in the store network and the ratio of personnel expenses to sales. The forecasts are based on both internal company estimates and experience values as well as external macroeconomic data.

The Nocibé Group has been built from various acquisitions. However the Group does not monitor existing goodwill at the store level. The stores are indeed not independent from each other as their operating performance is largely affected by strategic decisions managed centrally:

- Sale prices are decided at the Group level and are the same for all stores.
- Assortments to be displayed in stores are defined, along with marketing strategy and operations, at the Group level.
- Recruitment and incentives for store staff are managed centrally.
- All negotiations with suppliers including rebates and bonuses are managed centrally.

This is why the Group is considered as the one and only Cash Generating Unit for impairment testing purpose.

The value in use is then derived from an estimated projection of the Group future operating performance.

The internal forecast is built on the basis of actual past values (historical data) and takes into account expected profitability improvement.

The forecast is built for a 5- year period.

- Net sales growth rate between 2% and 3.5% p.a. The perpetual growth rate is 1.5%.

Sales volume results from the average annual growth rate over the 5-year forecast period. It is based on past performance and management's expectations of market development

- Margin increase of 0.1pt per year (reaching 49.2% in year 5 and for the terminal cash flow)

Gross margin is the average margin as a percentage of revenue over the 5-year forecast period. It is based on the current sales margin levels and sales mix, with adjustments made to reflect the expected future price rises.

- Average of the last 7 years capital expenditure
- Other operating costs are the fixed costs of the CGU. Management forecasts these costs based on the current structure of the business, adjusting for inflation (1.5% p.a.) without taking into account any future restructuring or cost saving measures. The amounts disclosed above are the average operating costs for the 5-year forecast period.
- WACC: 7.33%

No impairment has been booked for 2012, 2013 and 2014 (9 month-periods).

Sensitivity analysis

The impact of a decrease or increase in the main hypothesis (long-term growth and margin rate) on the CGU value has been measured:

- With the WACC considered suitable by Nocibé Group

- With a 0.5 % increase in WACC

The table below presents the impairment that would have been recorded considering such hypothesis (in M€)

WACC	7.33%	Margin		
		48.50%	49.20%	49.70%
Growth rate	1%	0	0	0
	1.50%	0	0	0
	2%	0	0	0

WACC	7.83%	Margin		
		48.50%	49.20%	49.70%
Growth rate	1%	36	0	0
	1.50%	10	0	0
	2%	0	0	0

Intangible assets evolution

Changes in Goodwill are related to the acquisition of 5 companies during 2012: BPC, Chabrier, Dusserre, JCE and Bujoss (representing in total 9 stores).

	01/01/2012	Changes in scope	Transfer	Acquisitions	Write off	31/12/2012
Goodwill	**419,641**	**3,094**		**7,577**	**(2,488)**	**427,824**
Software	10,686		2,734	2,747	(273)	15,894
Leasehold right	23,788	1,413		530	(506)	25,225
Intangible assets in progress	2,866		(2,734)	572	(23)	681
Gross value excluding Goodwill	**37,340**	**1,413**	**0**	**3,849**	**(802)**	**41,800**
Software	(8,262)			(2,271)	393	(10,140)
Leasehold right	(855)			(200)	506	(549)
Amortization and depreciation	**(9,117)**		**0**	**(2,471)**	**899**	**(10,689)**
Net value	**447,864**	**4,507**	**0**	**8,955**	**(2,391)**	**458,935**

	01/01/2013	Transfer	Acquisitions	Write off	31/12/2013
Goodwill	**427,824**		**630**		**428,454**
Software	15,894	1,089	1,998	(76)	18,905
Leasehold right	25,225	91	230	(648)	24,898
Intangible assets in progress	681	(1,180)	1,505		1,006
Gross value excluding Goodwill	**41,800**	**0**	**3,733**	**(724)**	**44,809**
Software	(10,140)		(2,555)	238	(12,457)
Leasehold right	(549)			549	0
Amortization and depreciation	**(10,689)**	**0**	**(2,555)**	**787**	**(12,457)**
	458,935	0	1,808	63	460,806

	01/01/2014	Transfer	Acquisitions	Write off	30/09/2014
Goodwill	**428,454**	**(2,344)**			**426,110**
Software	18,905	843	1,255	(13)	20,990
Leasehold right	24,898	(479)		(110)	24,309
Intangible assets in progress	1,006	(843)	1,123		1,286
Gross value excluding Goodwill	**44,809**	**(479)**	**2,378**	**(123)**	**46,585**
Software	(12,457)	109	(2,046)	7	(14,387)
Leasehold right	0	31	(261)		(230)
Amortization and depreciation	**(12,457)**	**140**	**(2,307)**	**7**	**(14,617)**
	460,806	**(2,683)**	**71**	**(116)**	**458,079**

Intangible assets were transferred in Assets Held for sale as at September 30, 2014 in connection with antitrust remedies (see note 19). A fraction of goodwill was thereby transferred, based on the contribution of these stores to the Group. Depreciation for intangible assets is booked in line amortization/depreciation.

13. Property, plant and equipment

	01/01/2012	Changes in scope	Transfer	Acquisitions	Write off	31/12/2012
Buildings	78,914	1,679	14	6,271	(4,653)	82,225
Machinery and equipment	7,474	326	9	226	(386)	7,649
Other assets	41,085	761	634	3,574	(6,790)	39,264
Thereof Operating equipment	*35,047*	*731*	*634*	*2,102*	*(4,119)*	*34,395*
Thereof Office and IT equipment	*5,987*	*30*		*1,448*	*(2,630)*	*4,835*
Thereof Transport equipment	*51*	*0*		*24*	*(42)*	*34*
Assets in progress	721		(657)	674		737
Gross value	**128,194**	**2,766**	**0**	**10,745**	**(11,829)**	**129,875**
Buildings	(60,433)	(1,308)		(6,117)	4,419	(63,439)
Machinery and equipment	(6,527)	(264)		(413)	348	(6,856)
Other assets	(33,415)	(506)		(3,122)	5,985	(31,058)
Thereof Operating equipment	*(28,002)*	*(496)*		*(2,664)*	*3,412*	*(27,750)*
Thereof Office and IT equipment	*(5,365)*	*(10)*		*(457)*	*2,556*	*(3,276)*
Thereof Transport equipment	*(48)*	*0*		*(2)*	*18*	*(32)*
Amortization	**(100,375)**	**(2,078)**	**0**	**(9,652)**	**10,752**	**(101,353)**
Depreciations	**(299)**				**240**	**(59)**
Net value	**27,520**	**688**	**0**	**1,093**	**(837)**	**28,463**

	01/01/2013	Transfer	Acquisitions	Write off	31/12/2013
Buildings	82,225	174	7,765	(6,319)	83,845
Machinery and equipment	7,649	165	446	(534)	7,726
Other assets	39,264	282	5,228	(2,833)	41,941
Thereof Operating equipment	*34,395*	*282*	*4,843*	*(2,608)*	*36,912*
Thereof Office and IT equipment	*4,835*		*385*	*(225)*	*4,995*
Thereof Transport equipment	*34*			*0*	*34*
Assets in progress	737	(621)	74		190
Gross value	**129,875**	**0**	**13,513**	**(9,686)**	**133,702**
Buildings	(63,439)		(5,887)	5,997	(63,329)
Machinery and equipment	(6,856)		(151)	495	(6,512)
Other assets	(31,058)		(3,220)	2,780	(31,498)
Thereof Operating equipment	*(27,750)*		*(2,668)*	*2,558*	*(27,859)*
Thereof Office and IT equipment	*(3,276)*		*(551)*	*222*	*(3,606)*
Thereof Transport equipment	*(32)*		*(1)*	*0*	*(34)*

	01/01/2013	Transfer	Acquisitions	Write off	31/12/2013
Amortization	(101,353)		(9,258)	9,272	(101,339)
Depreciations	(59)			57	(2)
	28,463	0	4,255	(357)	32,361

	01/01/2014	Transfer	Acquisitions	Write off	30/09/2014
Buildings	83,845	(363)	4,787	(3,921)	84,348
Machinery and equipment	7,726	(14)	639	(288)	8,063
Other assets	41,941	(0)	4,176	(1,369)	44,748
Thereof Operating equipment	*36,912*		*3,930*	*(1,353)*	*39,489*
Thereof Office and IT equipment	*4,995*		*246*	*(16)*	*5,225*
Thereof Transport equipment	*34*				*34*
Assets in progress	190	(187)	526		529
Gross value	**133,702**	**(564)**	**10,128**	**(5,577)**	**137,688**
Buildings	(63,329)		(4,202)	3,749	(63,782)
Machinery and equipment	(6,512)		(298)	223	(6,587)
Other assets	(31,498)		(2,134)	1,329	(32,302)
Thereof Operating equipment	*(27,859)*		*(1,721)*	*1,319*	*(28,261)*
Thereof Office and IT equipment	*(3,606)*		*(412)*	*10*	*(4,007)*
Thereof Transport equipment	*(34)*		*(1)*	*0*	*(34)*
Amortization	**(101,339)**		**(6,633)**	**5,301**	**(102,671)**
Depreciations	**(2)**			**2**	**(0)**
	32,361	**(564)**	**3,495**	**(274)**	**35,017**

Machinery and equipment include Cellu M6 and Credit card equipment, considered as financial leases with no significant impact on the profit and loss.

Other assets include shops furniture, office furniture, IT and logistic equipment.

Tangible assets were transferred in Assets held for sale in connection with antitrust remedies (See note 19).

14. Financial assets and trade receivables

Trade accounts receivable primarily include reimbursed marketing cost and franchisees fees. Of this amount, 189 k€ in 2014, 507 K€ in 2013 and 586 K€ in 2012) were respectively written down due to an allowance for uncollectible accounts. The write-downs on trade accounts receivable are included in other operating expenses. These receivables do not bear interest and are therefore not exposed to any interest rate risk. The carrying amount of the receivables are basically equivalent to their Fair Values. The maximum default risk corresponds to the carrying value as of the balance sheet date.

Non-current financial assets are long term security deposit to lessors

	01/01/2012	Acq.	Repayment	31/12/2012	Acq.	Repayment	31/12/2013	Transfer	Acq.	Repayment	30/09/2014
Available for sale financial assets	**477**			**477**			**477**				**477**
Lease agreement security deposit	**7,092**	374	(311)	**7,155**	162	(250)	**7,066**	(46)	19	(51)	**6,988**
Depreciation	**(163)**			**(163)**			**(163)**				**(163)**
Total	7,406	374	(311)	7,469	162	(250)	7,380	**(46)**	19	(51)	7,302

Depreciation relates to available for sale financial assets.

Current assets are mostly bonuses from suppliers.

	01/01/2012	31/12/2012	31/12/2013	30/09/2014
Bonuses	23,854	22,259	37,206	23,518
Fiscal / Social receivables	3,256	1,067	8,330	10,126
Others	566	673	3,672	261
Depreciation	(23)	(23)		
Total	**27,653**	**23,976**	**49,208**	**33,905**

"Others": In 2013, 3150 K€ of income to be received related to the DGCCRF litigation has been booked in current financial assets (see note 22. Provisions).

Maturity of financial assets and trade receivables at 30/09/2014:

	30/09/2014	< 1 year	> 1 year
Trade receivables	**19,075**	**19,075**	
Available for sale financial assets	477		477
Lease agreement security deposit	6,988		6,988
Non current financial assets	**7,465**	**0**	**7,465**
Bonuses	23,518	23,518	
Fiscal / Social receivables	10,126	10,126	
Other	261	261	
Financial assets	**33,905**	**33,905**	**0**
Maturity for trade receivables and financial assets	**60,446**	**52,981**	**7,465**

Trade receivables

	01/01/2012	31/12/2012	31/12/2013	30/09/2014
Trade accounts receivable	21,913	30,165	20,875	19,264
Depreciation	(586)	(585)	(507)	(189)
Total	**21,327**	**29,580**	**20,368**	**19,075**

Analysis of trade receivables not impaired:

			Past due	Past due	Past due
	30/09/2014	Not due	0 - 3 months	between 3 and 6 months	Up to 6 months
Trade accounts receivable	**19,075**	**16,748**	**948**	**179**	**1,200**

Past due up to 6 months receivables mostly relate to Barter receivables.

15. Deferred taxes

Deferred taxes were calculated on the differences between the IFRS carrying amount and the tax base and can be broken down to the individual balance sheet items as follows:

Deferred Tax Assets	01/01/2012	31/12/2012	31/12/2013	30/09/2014
Intangible assets	0	0	0	99
Fixed assets	8	8	6	(1)
Inventories	3,317	6,545	7,035	9,500
Others assets	0	(0)	0	0
Assets held for sale	0	0	0	708
Pensions provisions	236	365	391	654

Deferred Tax Assets	01/01/2012	31/12/2012	31/12/2013	30/09/2014
Other provisions	103	108	154	0
Other liabilities	1,008	2,004	2,130	1,648
Derivatives	1,632	2,197	653	0
Others	0	0	0	27
TOTAL DTA	**6,305**	**11,226**	**10,369**	**12,636**

Deferred Tax Liabilities	01/01/2012	31/12/2012	31/12/2013	30/09/2014
Intangible assets	0	0	0	0
Fixed assets	(420)	(691)	(559)	(729)
Inventories	0	0	0	0
Others assets	(2)	(74)	(68)	0
Assets held for sale	0	0	0	0
Pensions provisions	0	0	0	0
Other provisions	0	0	0	(301)
Financial liabilities	(1,368)	(2,847)	(2,839)	0
Compound financial instruments equity component	(3,250)	(3,108)	(2,811)	(181)
Others	0	0	0	0
TOTAL DTL	**(5,040)**	**(6,720)**	**(6,277)**	**(1,210)**
TOTAL Deferred tax	**1,265**	**4,506**	**4,091**	**11,426**

Deferred tax assets and liabilities are offset.

Nocibé Group do not consider deferred tax assets for losses carryforward in Nocibé France Distribution for 2 206 K€ (losses carryforward relate to Company Delorme, merged in 2013) and in Nocibeauté for 940 K€ as there are doubts about their recoverability and not enough deferred tax liabilities.

Deferred taxes are principally booked for fiscal temporary deduction.

Deferred taxes are booked directly in Other Comprehensive Income for Derivatives and pensions as described below:

		OCI			
	Deferred tax	Derivatives	Pensions	Income statement	Total
At 01/01/2012	**1,265**				**1,265**
Charged / credited to the income statement	4,022			4,022	4,022
Charged credited to OCI	(780)	(878)	98		(780)
At 31/12/2012	**4,506**	**(878)**	**98**	**4,022**	**4,507**
Charged / credited to the income statement	63			63	63
Charged credited to OCI	(478)	(445)	(33)		(478)
At 31/12/2013	**4,091**	**(445)**	**(33)**	**63**	**4,091**
Charged / credited to the income statement	6,744			6,744	6,744
Charged credited to OCI	591	45	546		591
At 30/09/2014	**11,426**	**45**	**546**	**6,744**	**11,426**

16. Inventories

	01/01/2012	31/12/2012	31/12/2013	30/09/2014
Gross value of inventories	92,092	93,003	98,502	105,364
Depreciation	(2,240)	(710)	(2,686)	(2,072)
Total	**89,852**	**92,293**	**95,816**	**103,292**

Inventory depreciation is included in the cost of goods sold in the Statement of Comprehensive Income.

17. Other assets

Other assets primarily include prepaid expenses and upfront payments to the lessors.

	01/01/2012	31/12/2012	31/12/2013	30/09/2014
Upfront payments made to lessors	3,117	2,684	2,521	2,068
Other prepaid expenses	1,426	1,199	1,245	1,004
Total	4,543	3,883	3,766	3,072

18. Cash and cash equivalents

The largest item of cash and cash equivalents is bank balances. It also includes checks and cash in hand. The Cash Flow statement provides a detailed analysis of the movement in cash and cash equivalents.

The decrease in 2014 is due to a 9-month-period which excludes the Christmas period: the change in working capital is therefore negatively impacting the net treasury position due to a lower level of payables. It's noted that seasonal trading patterns impact the inventory, working capital and liquidity levels.

Nocibé Group used monetary term deposits with immediately refunding for 81 500 K€ in 2011, 45 500 K€ in 2012, 62 000 K€ in 2013.

19. Assets held for sale

In connection with antitrust remedies consecutive to the acquisition of Nocibé by Douglas Group, the Nocibé Group is compelled to sell 7 stores. All assets and liabilities relating to these stores have been transferred in Assets held for sale. A fraction of goodwill has also been transferred, in accordance with the contribution of these stores to the Group.

The net assets transferred break down as follow:

- Intangible Assets: 2683 K€
- Equipment: 564 K€
- Financial deposit: 46 K€

These assets being measured at fair value less costs of disposal, a 1 862 k€ impairment has consequently been booked.

20. Equity

See Statement of changes in Group equity table.

Capital stock

Issued capital stock totaled 60 000 000 euros on the balance sheet date for 2012 and 2013 periods. A share capital increase was realized in June 2014 for 192 255 781 euros. Issued capital stocked totaled 252 255 781 Euros on the balance sheet at 30/09/2014. Share capital is entirely paid in.

	31/12/2012	31/12/2013	30/09/2014
Number of shares	**60,000,000**	**60,000,000**	**252,255,781**
Per value (In euros)	**1**	**1**	**1**
Share capital (In euros)	**60,000,000**	**60,000,000**	**252,255,781**

Additional paid-in capital

Additional paid-in capital includes capital contributions of Groupe Nocibé SAS shareholders in excess of subscribed capital.

Retained earnings

Thousand of euros	01/01/2012	31/12/2012	31/12/2013	30/09/2014
Other retained earnings	(10,927)	(16,717)	(20,913)	(36,635)
Reserve for pension	0	(173)	(114)	(1,005)
Reserve for the valuation of hedging instrument	(2,434)	(880)	(156)	0
Total	**(13,361)**	**(17,770)**	**(21,182)**	**(37,640)**

Profit appropriation

No dividends were distributed during the period included in the present financial statements. No payments are planned for the next fiscal year either.

21. Pension provisions

Pension provisions relate to French legal severance paid by employer to employee at retirement date.

Pension provision is a non-current liability and amounts to 687 K€ as of 1 January 2012, 1 047K€ as of 31 December 2012, 1 030 K€ as of 31 December 2013 and 1 721 K€ as of 30 September 2014.

Actuarial gain and losses are recognized in Other Comprehensive Income.

The following assumptions have been used:

	31/12/2012	31/12/2013	30/09/2014
Actualization rate	3%	3.15%	2.25%
Inflation rate	2%	2%	1%
wages increase rate	1.50%	1.50%	1.50%
social charges rate	50%	36-48 %	36-48 %
legal retirement age	65 years old	65 years old	65 years old
Mortality table	INSEE TD TV 2009-2011	INSEE TD TV 2009-2011	INSEE TD TV 2009-2011
turnover table			
16-24 years old	24%	24%	11%
24-29 years old	19%	19%	8%
30-34 years old	17%	17%	8%
35-39 years old	15%	15%	7%
40-44 years old	12%	12%	4%
45-49 years old	10%	10%	3%
50-54 years old	7%	7%	3%
55-59 years old	4%	4%	0%
+60 years old	0%	0%	0%

Reconciliation of Defined benefit obligation (unfunded obligation)

	31/12/2012	31/12/2013	30/09/2014
Thousand of Euros	12 months	12 months	9 months
DBO as the beginning of the year	**687**	**1,047**	**1,030**
Service costs	61	80	62
Interests costs	21	30	25
Benefits paid directly by employee	(20)	(38)	(45)
Actuarial (gain)/ loss	271	(94)	1,436
Entries, curtailment and changes	27	5	(786)
DBO as the end of the year	**1,047**	**1,030**	**1,721**

Nocibé Group does not use external insurance to cover its obligation when the employee leave the company.

Change in actualization rates of + 0.25 pt and – 0.25 pt do not have material impact on the provisions:

Rate Sensitivity	2.75%	3.00%	3.25%
Year 2012	1,082	1,047	1,013
Variance	**35**		**(34)**
Rate Sensitivity	2.90%	3.15%	3.40%
Year 2013	1,066	1,030	995
Variance	**36**		**(35)**
Rate Sensitivity	2.00%	2.25%	2.50%
Year 2014	1,782	1,721	1,638
Variance	**61**		**(83)**

22. Current Provisions

	01/01/2012	Increase	Decrease	31/12/2012	Utilization	Reversal
Real estate litigations	1,068	33	(593)	508	0	(593)
Tax litigations	1,210	958	(26)	2,142	0	(26)
Other litigations	5,832	1,043	(3,651)	3,224	(3,584)	(67)
Total	**8,110**	**2,034**	**(4,270)**	**5,875**	**(3,584)**	**(686)**

	01/01/2013	Increase	Decrease	31/12/2013	Utilization	Reversal
Real estate litigations	508	605	(427)	686	(310)	(117)
Tax litigations	2,142	20	(46)	2,116	(26)	(20)
Other litigations	3,224	4,805	(659)	7,370	(461)	(199)
Total	**5,875**	**5,430**	**(1,132)**	**10,172**	**(797)**	**(336)**

	01/01/2014	Increase	Decrease	30/09/2014	Utilization	Reversal
Real estate litigations	686	252	(74)	864	0	(74)
Tax litigations	2,116	0	(2,030)	87	0	(2,030)
Other litigations	7,370	553	(5,916)	2,007	(258)	(5,659)
Total	**10,172**	**805**	**(8,019)**	**2,958**	**(258)**	**(7,763)**

Tax litigation:

In 2014, the provision for tax exposures was totally reversed for 2.030 k€ following a court decision favorable to the Nocibé Group. French tax administration claimed:

- 1.072 k€ for VAT
- 958 k€ for additional income tax

According to IAS 12, all changes in provisions for income tax exposures are disclosed as Income taxes in the statement of comprehensive income.

Other litigations comprise various provisions including those for restructuring costs and more specifically those related to the DGCCRF litigation.

DGCCRF litigation:

The companies of the Nocibé Group were involved in proceedings relating to concerted practices in the determination of resale price among fine perfume suppliers and retailers and sentenced to pay a fine of 5 400K€ by the French competition authority on 13 March 2006. 5 000 K€ had been booked prior to January 1st, 2012. Following a decision of the Court of Appeal (Cour d'appel) of Paris dated 26 January 2012, the fine was reduced to 3 150 K€. The fine has been paid by the Nocibé Group and consequently the provision has been reduced to EUR 1 850K€ at the end of 2012.

On 11 June 2013, the French Cour de cassation overruled the decision of the Court of Appeal and referred the case back regarding the fine imposed on Nocibé and upheld this decision concerning all other parties involved in this matter. As a result, the provision was increased to reach 5 400K€ (the 3 150K€ payment being booked as product to be received, see note 14).

The Court of Appeal of Paris upheld the EUR 3 150K€ fine in a decision dated 10 April 2014. On 9 May 2014, Nocibé France lodged an appeal against this decision before the Cour de cassation. Nevertheless as the maximum risk now equals to the payment of 3 150K€ which occurred in 2012, the 5 400K€ provision has been released.

23. Financial liabilities

Under the LBO that allowed the acquisition of the Nocibé Group by its shareholders, three external financing were established in addition to the funds contributed by shareholders to the share capital of the Nocibé structure:

- Two convertible bonds into shares subscribed by its shareholders (Convertible bonds OCA and bonds) at Nocibé Level
- Senior Facility agreement (senior debt, New term, Second lien) with banks taken out by Groupe Nocibé France SAS and Nocibé France SAS co-borrowers
- Mezzanine debt or mezzanine facility agreement and PIK notes with Debt investors

In thousands of euros	01/01/2012	Additions	Repayment	Interests	Other movements	31/12/2012
Convertible Bonds	96,934			12,800	832	110,566
Options and warrants	22,596			1,502		24,098
Mezzanine debt	66,253			1,010		67,263
Accrued interest debt	11,387			1,740		13,127
Total compound financial instruments	**197,170**			**17,052**	**832**	**215,054**
Senior debt	272,703		(4,111)			268,592
Unicredit						
Accrued interest debt	1,854			1,358		3,212
Amortisation of borrowing costs	(3,972)				(3,915)	(7,887)
Total medium-term external debt	**270,584**		**(4,111)**	**1,358**	**(3,915)**	**263,917**
Capex line	6,484		(6,484)			
Revolver		15,000	(10,500)			4,500
Prefinancing CICE						
Bank overdrafts	3,916				(3,595)	321
Loan intercompany AI—GN						
Delorme additional price						
Leases	492		(221)			270
Others		1,000				1,000
Total other borrowings	**10,892**	**16,000**	**(17,206)**		**(3,595)**	**6,092**
Total	**478,647**	**16,000**	**(21,316)**	**18,410**	**(6,678)**	**485,063**

In thousands of euros	01/01/2013	Additions	Repayment	Interests	Other movements	31/12/2013
Convertible Bonds	110,566			14,301	1,210	126,077
Options and warrants	24,098			2,257		26,355
Mezzanine debt	67,263			2,278		69,541
Accrued interest debt	13,127			1,820		14,947
Total compound financial instruments	**215,054**			**20,656**	**1,210**	**236,920**
Senior debt	268,592		(15,234)			253,358
Unicredit						
Accrued interest debt	3,212			240		3,452
Amortisation of borrowing costs	(7,887)				416	(7,471)
Total medium-term external debt	**263,917**		**(15,234)**	**240**	**416**	**249,339**
Capex line						
Revolver	4,500		(4,500)			
Prefinancing CICE		1,772				1,772
Bank overdrafts	321				1,018	1,339
Loan intercompany AI—GN						
Delorme additional price						
Leases	270	964				1,234
Others	1,000		(1,000)			
Total other borrowings	6,092	2,736	(5,500)		1,018	4,346
Total	485,063	2,736	(20,734)	20,896	2,644	490,605

In thousands of euros	01/01/2014	Additions	Repayment	Interests	Other movements	30/09/2014
Convertible Bonds	126,077		(144,092)	20,624	6,923	9,533
Options and warrants	26,355		(29,926)	3,571		
Mezzanine debt	69,541		(74,391)	4,849		
Accrued interest debt	14,947			(14,272)		675
Total compound financial instruments	**236,920**		**(248,409)**	**14,772**	**6,923**	**10,207**
Senior debt	253,358		(259,509)	6,151		
Unicredit		275,000	(1,000)			274,000
Accrued interest debt	3,452			233		3,685
Amortisation of borrowing costs	(7,471)				(6,210)	(13,681)
Total medium-term external debt	**249,339**	**275,000**	**(260,509)**	**6,384**	**(6,210)**	**264,004**
Capex line						
Revolver		18,000	(18,000)			
Prefinancing CICE	1,772	2,859				4,631
Bank overdrafts	1,339				(856)	484
Loan intercompany AI—GN		102,001	(48,165)	78		53,914
Delorme additional price						
Leases	1,234	335				1,569
Accrued interest debt				1,436		1,436
Total other borrowings	4,346	123,195	(66,165)	1,514	(856)	62,034
Total	490,605	398,195	(575,083)	22,670	(143)	336,245

Debt issued by Groupe Nocibé, Groupe Nocibé France and Nocibé France—breakdown as follows:

		Periodicity interest	Maturity date
Groupe Nocibé			
PIK ICG	E1y+9.6%	n/a	March 13
Convertible bonds	12%	n/a	March 17
Bonds	12%	n/a	Sept 16
CICE	E1M+1.2%		
loan intercompany AI-GN	9.68%	n/a	June 24
Groupe Nocibé France			
Senior debt B1	E6M + 2.25%	Monthly	Dec 13
Senior debt add B1	E6M + 2.25%	Monthly	Dec 13
Senior debt C1	EUR1+2.625%	Monthly	Dec 14
Senior debt add C1	EUR1+2.625%	Monthly	Dec 14
New Term B1 facility	EUR1+4.5%	Monthly	Dec 15
Second lien 1	EUR1+4.5%	Monthly	Feb 15
New 2nd Lien A facility	EUR1+6.0%	Monthly	Feb 16
Mezzanine	E6M+(3+4.5)%	Six months	March 16
UNICREDIT	E6M+(4.5% and 4%)	Six months	June 20
Nocibé France			
Senior debt C2	EUR1+2.625%	Monthly	Dec 14
Senior debt add C2	EUR1+2.625%	Monthly	Dec 14
New Term B2 facility	EUR1+4.5%	Monthly	Dec 15
Second lien 2	EUR1+4.5%	Monthly	Dec 15
New 2nd Lien B facility	EUR1+6.0%	Monthly	Feb 16
UNICREDIT	E6M+(4.5% and 4%)	Six months	June 20

Convertible bonds debt had a nominal value of 101 575 K€ and was issued 06/03/2006 with a maturity date 09/03/2017: 101 575 0000 bonds at 1€ with early repayment subject to compliance with the conditions of the subordination agreement with a conversion rate of 8 bonds for 1 share at 1 €.

Bonds debt had a nominal value of 15 000 K€ and was issued 09/03/2006 with a maturity debt 09/09/2016: 150 bonds at 100 € with early repayment subject to compliance with the conditions of the subordination agreement with a conversion rate of 1 bond for 16 137 shares at 1.17 €.

These financing were set up in 2006 and refinanced in 2007 and in 2012.

All the debt/facilities (except convertible bonds) have been repaid on 24 June 2014 by the issuance of two Unicredit loans for a total of 275 M€ with 6 years maturity. Fees (13,7m€) impact the value on recognition and are amortised over the life of the loan using the effective interest rate method.

An intercompany loan was established for 53.9 M€ with AI perfume.

At 30/09/2014, the Unicredit loan has been reimbursed for 1M€ therefore actual loan as of September 30, 2014 is now 274 M€.

10 M€ of convertible bonds held by AI Perfume are still in force.

Breakdown of Convertible Bonds

The convertible bonds are recognized at fair value (see Note “Compound financial instruments”). The table below shows the two components: equity and debt.

In thousands of euros	Amount recognised in equity	Amount recognised in debt	Total
As of 1 January 2012	9,440	185,783	195,223
IFRS adjustments related to the Equity component	(832)	832	
Capitalized Interest		15,313	

In thousands of euros	Amount recognised in equity	Amount recognised in debt	Total
As of 31 December 2012	8,609	201,927	210,536
IFRS adjustments related to the Equity component	(1,210)	1,210	
Capitalized Interest		18,837	
As of 31 December 2013	7,399	221,974	229,373
IFRS adjustments related to the Equity component	(6,923)	6,923	
Capitalized Interest		28,481	
Repayment		(247,845)	
As of 30 September 2014	476	9,533	10,009

Derivatives financial liabilities

Nocibé Group used to cover rate volatility with Swaps. The deviating accounting treatment (Cash flow hedge accounting) is applied by Nocibé Group. In cash flow hedge accounting, the hedging instrument is measured at fair value, with the effective portion of changes in its fair value recognized in OCI and presented within equity. The ineffective portion of the gain or loss on the hedging is recognized immediately in profit or loss.

In 2012 and 2013 Derivatives have been considered as trading derivatives. The Fair value of derivatives eligible to Cash Flow Hedge accounting was recorded in Other Comprehensive Income at the transition date. As the hedge no longer met the criteria for hedge accounting after the transition date, the cumulative loss recognized in Other Comprehensive Income at the transition date is subsequently recycled as the cash-flows from the underlying liability impacts the income statement.

Sensitivity analysis

A change of 25 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below.

31/12/2013

	Profit or loss	
in K€	25 bp increase	25 bp decrease
Intrest rate swaps	301	-213
Variable rate debt	-373	373

31/12/2012

	Profit or loss	
in K€	25 bp increase	25 bp decrease
Intrest rate swaps	933	-1,006
Collars	195	-201
Variable rate debt	-249	249

Maturity for loans

	< 1 year	1 to 5 years	> 5 years	Total
Shareholder loan			137,683	**137,683**
Convertible bonds		13,638		**13,638**
Unicredit loan	12,155	49,587	288,337	**350,079**
Prefinancing CICE	4,631			**4,631**
Bank overdraft	484			**484**

For the ‘shareholder loan’, the principal 53 914 K€ as of September 30, 2014 has to be repaid at once at the end of the loan period (June 24). Interests are capitalized once a year. The rate is 9.68%.

For the ‘convertible bonds’, the principal 10 009 K€ as of September 30, 2014 has to be repaid at once at the end of the loan period (March 17). Interests are capitalized once a year. The rate is 12%.

‘Unicredit loan’ interests are paid every 6 months. The principal 274 000 K€ as of September 30, 2014 has to be repaid at the end of the loan period (June 20). The rate is a 6 months euribor + Margin (4% at 30/09/2014). The margin is linked to the level of Douglas Group leverage.

‘Prefinancing CICE’ has been repaid by anticipation in October 2014.

Fair value of Financial Instruments

Financial instruments (except for coumpound financial liabilities) are booked at amortized cost.

Fair values 30/09/2014	Carrying amount	Amortized cost	Fair value through profit or loss	Fair value through equity	Fair value
Loans and receivables					
Trade accounts receivable	19,075	19,075			19,075
Other financial assets	40,893	40,893			40,893
Financial assets available for sale	477	477			477
Equity and liabilities					
Trade account payable	120,060	120,060			120,060
Financial liabilities	269,119	269,119			279,627
Coumpound financial instruments	10,207	10,207			10,207
Other liabilities	56,918	56,918			56,918

The following table presents the Group’s assets and liabilities that are measured at fair value at each closing date :

As of 01/01/2012	**Level 1**	**Level 2**	**Level 3**
Available for sale financial assets			477
Derivatives		4,741	
Compound financial instruments		197,170	
As of 31/12/2012	**Level 1**	**Level 2**	**Level 3**
Available for sale financial assets			477
Derivatives		6,087	
Compound financial instruments		215,054	
As of 31/12/2013	**Level 1**	**Level 2**	**Level 3**
Available for sale financial assets			477
Derivatives		1,718	
Compound financial instruments		236,920	
As of 30/09/2014	**Level 1**	**Level 2**	**Level 3**
Available for sale financial assets			477
Compound financial instruments		10,207	

24. Other explanatory notes

Average number of employees (Full Time Equivalent)

The average number of persons employed was:

	31/12/2012	31/12/2013	30/09/2014
Executives	546	536	538
Non-executives	2,262	2,284	2,178
Total	2,808	2,820	2,716

Expenses for auditor's fees

The fees of the auditors are as follows:

	Audit review	
Thousand of euros	Auditors	Amount
	PWC	97
	Constantin associés(*)	94
2012	**Total**	**191**
	PWC	100
	Constantin associés(*)	93
2013	**Total**	**193**
	PWC	113
	Constantin associés(*)	125
	SINANIAN	14
2014	**Total**	**252**

	Other services	
Thousand of euros	Auditors	Amount
	PWC	148
	Constantin associés(*)	138
2013	**Total**	**286**

(*) Constantin Associés a member of Deloitte Touche Tohmatsu Limited

Other financial commitments

Nocibé Group has the commitments below:

Pledge of 7,422,872 shares on 24/06/2014 by the deed of pledge "Securities Account Pledge Agreement" between GROUPE NOCIBE FRANCE as Grantor, UnitCredit Bank AG London branch as a security agent and NOCIBE FRANCE as contents securities account.

Pledge Agreement dated 24 June 2014 between Nocibé France and UnitCredit Bank AG London branch on KISS WILD No.000349498 CTM BEAUTY RELEASED No. 012001343, No. 012353462 THE BELLISTA THE BELLISTA NOCIBE No.012549986.

Pledge of international brands NOCIBE No. 682885, NOCIBE No. 1,064,380, No. 1,101,802 NOCIBE, the trademark NOCIBE No. 1,066,020. To date, the registration was denied by WIPO to irregularities in the registration of the pledge deed.

To Fragrance SAS as part of the Delorme Business combination:

Additional price of 600 K€ payable no later than 31/10/2016 under conditions;

Additional price depending on the use of transferred losses carryforward

Related companies and related persons

The total remuneration for key executives amounted to 1947 K€ in 2012, 1 938 K€ in 2013, 1 689 K€ in 2014 (9 months).

	2012	2013	2014
Wages and salaries	1,361	1,323	1,039
Bonuses	554	581	628
Others	32	34	22
Total	**1,947**	**1,938**	**1,689**

At 30/09/2014, Nocibé Group provides Marketing assistance, goods delivery for Douglas France and Douglas Monaco.

~~Related companies Comprehensive Income as of 30/09/2014~~	~~Douglas France~~	~~Douglas Monaco~~	~~AI perfume~~
Other operating Income	1,359		35
Other income	26		
Cost of good sold	7,479	113	
Other operating expenses			(316)
Financial result			(1,365)
Total	**8,864**	**113**	**(1,646)**

~~Related companies Balance Sheet as of 30/09/2014~~

~~AI perfume~~	~~Assets~~	~~Liabilities~~
Financial liabilities		55,349
Trade receivables	327	
Other assets	51	
Other liabilities		42
~~**Douglas France**~~	~~**Assets**~~	~~**Liabilities**~~
Trade receivables	10	
Financial assets	3,078	
Trade payables		7,337
Other liabilities		238
~~**Douglas Monaco**~~	~~**Assets**~~	~~**Liabilities**~~
Financial assets	87	
Trade payables		222

25. Subsequent Events

On 17 December 2014, Douglas France and Nocibé France Distribution agreed with Parfumerie Athénais Espace Beauté SAS the terms and conditions of the sale of 13 owned stores out of the 38 stores covered by the remedies for a price of EUR 3,313,494 (excluding the price for inventories), subject to certain adjustments. 7 stores out of these 13 stores belonged to Nocibé France Distribution. This transaction was completed on 18 February 2015.

On 23 December 2014, the Douglas Group entered into a framework agreement with Clin d'Oeil SAS ("Clin d'Oeil"), the most important franchisee of the Douglas Group in France, for the transfer of 43 stores operated in France under the "Douglas" banner to Nocibé France Distribution by means of an asset deal for a total consideration of 18 376 K€ (excluding the price for inventories), subject to certain adjustment. Completion of the acquisition of the last Clin d'Oeil store occurred on 25 February 2015.

7 of the 43 stores purchased from Clin d'Oeil SAS are included in the antitrust remedies and will have to be resold to third parties.

Moreover, on 12 November 2014, Société Financière Atlantic—Sofia SA ("Sofia") (the parent company of Clin d'Oeil) and the Douglas Group entered into a share purchase agreement regarding the transfer of Sofia's minority shareholding in Douglas Expansion SA ("Douglas Expansion") to the Douglas Group, for a consideration of 3 000 K€. Completion of this transaction occurred on 25 February 2015 as Nocibé France Distribution acquired those shares.

To the President of Groupe Nocibé,

In our capacity as statutory auditors of GROUPE NOCIBE and at your request in the context of securities offering of Douglas perfumeries, we have audited the accompanying consolidated financial statements of Groupe Nocibé as of December 31, 2012, December 31, 2013 and for the two years then ended and as of September 30, 2014 and for the nine-month then ended. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These consolidated financial statements were prepared under your responsibility. Our role is to express an opinion on these consolidated financial statements based on our audit.

Groupe Nocibé

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements presents fairly, in all material respects, the financial position and the assets and liabilities of the group constituted by the persons or entities included in the consolidation as of December 31, 2012, December 31, 2013 and September 30, 2014 and of the results of its operations for the twelve-month periods ended December 31, 2012 and December 31, 2013 and the nine-month period ended September 30, 2014 in accordance with IFRS as adopted by the European Union.

This report is governed by, and construed in accordance with, French law. The Courts of France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

Neuilly-sur-Seine, the March 26th, 2015

The Statutory Auditors

PricewaterhouseCoopers Audit	Constantin Associés Member of Deloitte Touche Tohmatsu Limited
Philippe Aerts	Jean Paul Séguret

PRO FORMA CONSOLIDATED INCOME STATEMENT OF BEAUTY HOLDING ZERO GMBH FOR THE PERIOD FROM OCTOBER 1, 2013 TO SEPTEMBER 30, 2014

1. Introduction

The purpose of the pro forma consolidated income statement is to show the material effects that the acquisition of Nocibé Group, Villeneuve d'Ascq, Frankreich, („Nocibé Group") would have had on the historical consolidated income statement of the company if Beauty Holding Zero GmbH, Düsseldorf am Main, („BHZ") had already existed in the structure created by the acquisition as of June 24, 2014 with respect to the pro forma consolidated income statement.

Since the acquisition is expected to have a material impact on the net assets, financial position and results of operations of BHZ, the following pro forma consolidated income statement was prepared for the period from October 1, 2013 to September 30, 2014.

The presentation of the pro forma consolidated income statement is based on certain pro forma assumptions and is intended for illustrative purposes only. The pro forma consolidated income statement assumes that the acquisition of Nocibé Group had taken place on October 1, 2013.

Therefore, the pro forma consolidated income statement describes only a hypothetical situation and thus, due to its nature, the presentation does not reflect the actual results of net assets, financial position and results of operations of BHZ after completion of the acquisition. In addition, the pro forma consolidated income statement does not represent a forecast of the net assets, financial position and results of operations of BHZ at a future time. Furthermore, the pro forma consolidated income statement is only meaningful in conjunction with the consolidated financial statements of BHZ as of September 30, 2014.

2. Historical financial information

The pro forma consolidated income statement for the period from October 1, 2013 to September 30, 2014 is based on the following historical financial information:

- The audited and published consolidated financial statement of BHZ as of and for the financial year ended September 30, 2014, prepared on the basis of the International Financial Reporting Standards, as adopted by the EU ("IFRS"), and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB).
- The audited and published consolidated financial income statement of Nocibé Group for the period from January 1, 2013 to December 31, 2013, prepared on the basis of French-GAAP.
- The reviewed consolidated financial income statement of Nocibé Group for the period from January 1, 2013 to September 30, 2013, prepared on the basis of French-GAAP.
- The audited consolidated financial income statement of Nocibé Group for the short financial year from January 1, 2014 to September 30, 2014, prepared on the basis of IFRS.
- The audited consolidated financial income statement of Nocibé Group for the period from January 1, 2013 to December 31, 2013, prepared on the basis of the IFRS.
- The reviewed reporting package of Nocibé Group, as prepared for group reporting purposes of BHZ, for the period from July 1, 2014 to September 30, 2014, prepared on the basis of IFRS.

The historical financial information of the pro forma consolidated income statement was prepared on the basis of IFRS and the accounting policies consistently applied by BHZ as described in the notes to its IFRS consolidated financial statements as of and for the financial year ended September 30, 2014. There were no further presentation or accounting and valuation adjustments necessary in order to align the historical financial information.

3. Basis of preparation

3.1 Preparation principles

The pro forma consolidated income statement was prepared on the basis of the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) (IDW Rechnungslegungshinweis: Erstellung von Pro-Forma-Finanzinformationen (IDW RH HFA 1.004)), as promulgated by the Institute of Public Auditors in Germany (IDW, Institut der Wirtschaftsprüfer in Deutschland e.V.).

The pro forma adjustments made for purposes of the pro forma consolidated income statement are based on information available and on estimates, as well as certain pro forma assumptions of BHZ as described in these pro forma notes. The pro forma consolidated income statement neither contains any potential synergies or cost savings nor any normalization of any restructuring or any additional future expenses that could result from the acquisition. Furthermore, the pro forma consolidated income statement does not contain any potential or future effects resulting from the remedies imposed on BHZ to obtain merger clearance and to comply with national and EU competition law.

The figures in tables of the pro forma consolidated income statement were rounded according to established commercial principles. Additions of the figures can thus lead to amounts that deviate from those shown in the tables.

3.2 Acquisition of Nocibé Group

AI Perfume France SAS, Villeneuve d'Ascq, Frankreich, („AIP") a fully consolidated entity of BHZ, acquired 100 percent of the shares of Nocibé Group by way of a share deal on June 24, 2014.

The consideration for the acquisition was 165.2 million EUR and was fully paid in cash.

The closing of the acquisition was subject to a sale of thirteen retail stores in France which was required by the cartel authority. Nocibé Group is fully consolidated as of July 1, 2014.

3. 3 Pro forma assumptions

3.3.1 Assumptions related to the acquisition of Nocibé Group

Assumption: Date of acquisition

For purposes of the pro forma consolidated income statement, it is assumed that closing of the acquisition occurred as of October 1, 2013.

Assumption: Acquisition-related costs

In connection with the acquisition of Nocibé Group, total legal, consulting and notary fees amounting to 18.6 million EUR were incurred in the period from October 1, 2012 to September 30, 2013.

3.3.2 Assumptions relating to the financing of Nocibé Group

Assumption: Date of financing

In connection with the financing of Nocibé Group, the beginning of the new financing was assumed to be as of October 1, 2013.

Further on, the financing for the acquisition of Nocibé Group by AIP was also assumed to begin as of October 1, 2013.

Assumption: Elimination of previous financing of Nocibé Group

Interest expense and transaction costs for the previous financing of Nocibé Group were eliminated for the period October 1, 2013 to September 30, 2014.

Assumption: Composition of financing

It is assumed that the financing carried out by Nocibé Group began as of October 1, 2013 with an amount of 275 million EUR.

The financing of AIP began as of October 1, 2013 with an amount of 255 million EUR.

Assumption: Transaction cost for the financing

It is assumed that transaction cost for the Nocibé Group loan were accrued and released over the term of the loan. The yearly release of transaction cost is 2.4 million EUR and is presented in financial expense. Furthermore it is assumed that the directly attributable transaction cost are entirely tax-deductable, resulting in an income tax benefit (taking into account Nocibe Group's statutory tax rate of 34.43%).

3.3.3 Other Assumptions

Assumption: IFRS 5 impairment caused by the requirement of the cartel authority to sell thirteen stores

With respect to the impairment caused by the IFRS 5 classification due to the requirement of the cartel authority to sell thirteen stores, it was assumed that the impairment was incurred prior to the transaction due to the fact that it was a pre- condition of the transaction.

3.4 Pro forma presentation

3.4.1. Pro forma presentation of the acquisition of Nocibé Group

Accounting for the acquisition

The acquisition of Nocibé Group is accounted for as a business combination in accordance with IFRS 3. According to IFRS 3 the actual initial consolidation of a business combination takes place at the time of acquisition, i.e. the time at which the acquiring company takes control of the acquired company or acquired business operation. For purposes of the pro forma consolidated income statement, the pro forma initial consolidation of Nocibé Group was performed as of October 1, 2013.

Purchase price allocation

Due to the accounting for the acquisition of Nocibé Group as a business combination in accordance with IFRS 3, the identifiable assets acquired and the liabilities assumed of Nocibé Group are required to be measured at their acquisition date fair values in accordance with IFRS. For purposes of the pro forma consolidated income statement, the purchase price allocation of Nocibé Group was undertaken on the basis of a valuation of the acquired net assets at fair value as of June 24, 2014.

The most current available financial information of Nocibé Group as of June 24, 2014 was used. The income effects from the development of the purchase price allocation were taken into account in the pro forma consolidated income statement for the period from October 1, 2013 to September 30, 2014.

Acquisition-related cost

Legal, consulting and notary fees in connection with the acquisition of Nocibé Group, on the level of AIP, were classified as acquisition-related costs in accordance with IFRS 3.53 and consequently accounted for as expenses. Additionally, acquisition-related costs on level of Nocibé Group were presented within acquisition-related cost. Further on, the IFRS 5 impairment adjustment was also presented within acquisition-related costs.

Value of total consideration

The purchase price amounted to 165.2 million EUR and was fully paid in cash.

Goodwill

Taking into account the pro forma assumptions outlined in this section, the total consideration transferred in accordance with IFRS amounted to 165.2 million EUR. Compared with the net fair value amount of identifiable assets acquired and liabilities assumed amounting to (112.4) million EUR, the total consideration transferred in accordance with IFRS resulted in a pro forma goodwill of 277.6 million EUR, recognized in the consolidated statement of financial position as summarized in the following table:

	Recognized values before acquisition	Recognised values on acquisition
Acquiree's net assets at the acquisition date:		**€ m**
Brand, Customer base and similar rights	30.8	189.5
Other intangible assets	460.1	1.9
Property, plant and equipment	32.6	32.6
Inventories	104.2	136.5
Cash and cash equivalents	17.9	17.9
Trade receivables	33.5	33.3
Other assets	2.8	2.8
Deferred tax asset	11.2	4.5
Provisions	(23.8)	(23.8)
Tax liability	(3.0)	(3.0)
Other Liability	(443.6)	(443.6)
Deferred tax liabilty	0.0	(61.0)
Net identifiable assets and liabilities	**222.7**	**(112.4)**
Goodwill at the acquisition date		**€ m**
Consideration transferred		165.2
Fair value of identifiable net assets		(112.4)
Goodwill		**277.6**

3.4.2. Pro forma presentation of the financing of the acquisition

Financing of the acquisition by AIP and of Nocibé Group

Since the financing of the acquisition as well as the refinancing of the Nocibé Group debt was directly related to the acquisition, they were considered for purposes of the Pro Forma Consolidated Income Statement.

The financing fees related to the financing of Nocibé Group have been assumed to be incurred prior to the transaction.

3.5 Deviation of historical financial information of Nocibé Group

Due to different financial years in the past the historical financial information of Nocibé Group is not comparable to the financial year period of BHZ from October 1, 2013 to September 30, 2014, a comparable financial history of Nocibé Group was derived by applying the following steps:

A The 3-month period from October 1, 2013 to December 31, 2013, prepared on the basis of French-GAAP, was derived as the difference of the audited consolidated income statement of Nocibe Group, prepared on the basis of French-GAAP, for the period from January 1, to December 31, 2013 and the reviewed consolidated income statement of Nocibé Group, prepared on the basis of French-GAAP, for the period from January 1, 2013 to September 30, 2013.

The 3-month period, prepared on the basis of French-GAAP, was adjusted by applying the IFRS-Adjustments derived from the audited consolidated financial income statement of Nocibé Group, prepared on the basis of IFRS, for the period from January 1, to December 31, 2013, appropriately.

B The 6-month period from January 1, 2014 to June 30, 2014, was derived as the difference of the audited consolidated income statement of Nocibé Group, prepared on the basis of IFRS, for the short financial year from January 1, 2014 to September 30, 2014 and the reviewed reporting package of Nocibé Group, as reported to BHZ since the acquisition, for the 3-month period from July 1, 2014 to September 30, 2014.

C The 9-month period of Nocibé Group, from September 30, 2013 to June 30, 2014, prepared on the basis of IFRS, was derived by adding the 3- month period of step A to the 6-month period of step B.

Pro forma consolidated income statement for the period from October 1, 2013 to September 30, 2014.

4.1 Presentation of the pro forma consolidated income statement for the period from October 1, 2013 to September 30, 2014.

Pro Forma Consolidated Income Statement of Beauty Holding Zero GmbH

	Historical Financial Information					
October 1, 2013 to September 30, 2014	Group consolidated income statement Beauty Holding Zero	Proportional group income statement Nocibé	Total	Pro forma note	Pro forma adjustments	Pro forma consolidated income statement
in EUR m	1.10.2013 - 30.09.2014	1.10.2013 - 30.06.2014				
1. **Sales**	**2,093.3**	**401.0**	**2,494.3**			**2,494.3**
2. Cost of raw materials, consumables and supplies and merchandise	(1,075.4)	(223.9)	(1,299.3)	(a)	(24.3)	(1,323.6)
3. **Gross profit from retail business**	**1,017.9**	**177.1**	**1,195.0**		**(24.3)**	**1,170.7**
4. Other operating income	183.8	24.5	208.3			208.3
5. Personnel expenses	(470.7)	(67.7)	(538.4)			(538.4)
6. Other operating expenses	(606.5)	(79.0)	(685.5)	(c)	18.6	(666.9)
7. Income from other investments	0.1	0.0	0.1			0.1
8. **EBITDA**	**124.6**	**54.9**	**179.5**		**(5.7)**	**173.8**
9. Amortization/depreciation	(74.1)	(10.9)	(85.0)	(a)	(0.3)	(85.3)
10. EBIT	**50.5**	**44.0**	**94.5**		**(6.0)**	**88.5**
11. Financial income	8.2	3.8	12.0			12.0
12. Financial expenses	(120.5)	(49.7)	(170.2)	(b)	5.3	(164.9)
13. Financial result	(112.3)	(45.9)	(158.2)		5.3	(152.9)
14. Earnings before taxes (EBT)	**(61.8)**	**(1.9)**	**(63.7)**		**(0.7)**	**(64.4)**
15. Income taxes	(7.1)	(1.4)	(8.5)	(a)(b)(c)	4.6	(3.9)
16. Earnings from continued operations	**(68.9)**	**(3.3)**	**(72.2)**		**3.9**	**(68.3)**
17. Earnings from discontinued operations	(19.9)	0.0	(19.9)			(19.9)
18. Net Profit for the year	(88.8)	(3.3)	(92.1)			(88.2)
19 Profit attributable to the	**(89.1**	**(3.3)**	**(92.4)**		**0.0**	**(88.5)**

October 1, 2013 to September 30, 2014	Historical Financial Information					
	Group consolidated income statement Beauty Holding Zero	Proportional group income statement Nocibé	Total	Pro forma note	Pro forma adjustments	Pro forma consolidated income statement
in EUR m	1.10.2013 - 30.09.2014	1.10.2013 - 30.06.2014				
. **Group shareholders**	)					
20. Profit attributable to non-controlling interests	0.3	0.0	0.3			0.3

4.2 Explanation of the pro forma adjustments to the pro forma consolidated income statement of BHZ for the period from October 1, 2013 to September 30, 2014.

October 1, 2013 to September 30, 2014				
in EUR m	PPA	Financing	Acquisition related cost	Total pro forma adjustment for the period October 1, 2013 to September 30, 2014
Pro forma explanation	(a)	(b)	(c)	
1. Sales				
2. Cost of raw materials, consumables and supplies and merchandise	(24.3)			(24.3)
3. Gross profit from retail business	**(24.3)**	**0.0**	**0.0**	**(24.3)**
4 Other operating income				
5. Personnel expenses				0.0
6 Other operating expenses			18.6	18.6
7. Income from other investments				
8. EBITDA	**(24.3)**	**0.0**	**18.6**	**(5.7)**
9. Amortization/depreciation	(2.9)		2.6	(0.3)
10. EBIT	**(27.2)**	**0.0**	**21.2**	**(6.0)**
11. Financial income				
12. Financial expenses		5.3		5.3
13. Financial result		5.3		5.3
14. Earnings before taxes (EBT)	**(27.2)**	**5.3**	**21.2**	**(0.7)**
15. Income taxes	9.4	(1.8)	(3.0)	4.6
16. Earnings from continued operations	**(17.8)**	**3.5**	**18.2**	**3.9**
17. Earnings from discontinued operations				0.0
18. Net Profit for the year	(17.8)	3.5	18.2	3.9
19. Profit attributable to the Group shareholders				**0.0**
20. Profit attributable to non-controlling interests				0.0

Pro forma adjustments with a continuing effect

The following pro forma adjustments to the pro forma consolidated income statement for the period from October 1, 2013 to September 30, 2014 with a continuing effect on the result of operation of BHZ arose from the acquisition of Nocibé Group:

Adjustment (a): Purchase price allocation

The fair value adjustments for intangible assets made as a result of the purchase price allocation resulted in additional straight line amortization for identified customer base (2.6 million EUR based on a useful life of five years) as well as additional straight-line amortization for beneficial tenancy agreements ("droits au bail") (0.3 million EUR based on a remaining useful life of four years) for the period from October 1, 2013 to September 30, 2014.

The fair value adjustment for inventories made as a result of the purchase price allocation resulted in additional cost of merchandise in the amount of 24.3 million EUR. This amount plus the 8.1 million EUR[1] already recognized in Q4 2013/2014 add up to the total purchase price allocation adjustment of 32.4 million EUR.

The total additional net amortization expense recognized as a result of the purchase price allocation amounted to 27.2 million EUR for the period from October 1, 2013 to September 30, 2014. As a result of this pro forma adjustment, income tax benefits in the amount of 9.4 million EUR were recognized in the pro forma consolidated income statement for the period from October 1, 2013 to September 30, 2014, estimated based on the statutory tax rate of Nocibé Group of 34,43%.

Adjustment (b): Financing

The new financing of Nocibé Group was assumed to begin as of October 1, 2013 which resulted in an additional interest expense adjustment of 11 million EUR.

The interest rate of the new loan is based on the six-month EURIBOR for the first six month and on the three-month EURIBOR for each of the remaining two quarters. The margin for the first six month period was 4% p.a., after the six month interest period a margin step down was assumed with a margin of 3.75% p.a. for the remaining two quarters. The margin step-down results from an improved leverage margin which leads to a lower margin as agreed in the loan agreement.

Interest expense from the previous financing of Nocibé Group was eliminated for the period October 1, 2013 to September 30, 2014 amounting to 31.4 million EUR.

The financing of the acquisition via AIP was financed with a shareholder loan of 255 million EUR. The interest rate of the loan is 9.68%. The acquisition related financing was assumed to begin as of October 1, 2013, which resulted in an additional interest expense adjustment of 17.8 million EUR.

Related income taxes of 0.9 million EUR, based on the statutory tax rate of **AIP** and **Nocibé Group** of 34.43%, were eliminated.

Pro forma adjustments with a one-off effect

The following pro forma adjustments to the pro forma consolidated income statement for the period from October 1, 2013 to September 30, 2014 with a one-off effect on the results of operations of BHZ arose from the acquisition of Nocibé Group.

Adjustment (a): Acquisition-related cost

As a result, acquisition-related costs of 15.8 million EUR within other operating expenses, which were already reflected in the historical income statement of BHZ[2] for the period ended September 30, 2014, were eliminated for purposes of the pro forma consolidated income statement as they were assumed to be incurred in the period from October 1, 2012 to September 30, 2013. Additionally, 2.8 million EUR[3] acquisition-related costs in the historical income statement of Nocibé Group for the period ended September 30, 2014 were eliminated for purposes of the pro forma consolidated income statement as they were assumed to be incurred in the period from October 1, 2012 to September 30, 2013.

[1] This amount was part of the EBITDA adjustment presented in the BHZ segment reporting

Thirteen stores have been impaired by 2.6 million EUR as a result of the classification as assets held for sale in connection with the requirement of the cartel authority to dispose these assets. The amount is classified as acquisition related costs and eliminated because the amount is assumed to be incurred prior to the reporting period.

Furthermore, related income taxes of 3.0 million EUR, calculated based on the statutory tax rate of AIP and Nocibé Group of 34.43% and based on the assumption that 20% of the eliminated acquisition-related costs on level of AIP and 100% on level of Nocibé Group were tax-deductible, were eliminated.

Adjustment (b): Financing

Financing related fees of 2.7 million EUR, resulting from the redemption of the previous financing as well as the new financing, were eliminated for purposes of the pro forma consolidated income statement as they were assumed to be incurred in the period from October 1, 2012 to September 30, 2013.

Related income taxes of 0.9 million EUR, based on the statutory tax rate of **Nocibé Group** of 34.43%, were eliminated.

[2] This amount was part of the EBITDA adjustment presented in the BHZ segment reporting

[3] This amount was not part of the EBITDA adjustment presented in the BHZ segment reporting

Auditor's Report

To Beauty Holding Zero GmbH, Düsseldorf.

We have audited whether the pro forma financial information for the period from 1 October 2013 to 30 September 2014 of Beauty Holding Zero GmbH, Düsseldorf, has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. The pro forma financial information comprises a pro forma income Statement for the period from 1 October 2013 to 30 September 2014, as well as pro forma notes.

The purpose of the pro forma financial information is to present the material effects the transaction described in the pro forma notes would have had on the historical financial Statements if the group had existed in the structure created by the transaction throughout the entire reporting period. As pro forma financial information reflects a hypothetical situation it is not entirely consistent with the presentation that would have resulted had the relevant events actually occurred at the beginning of the reporting period.

The compilation of pro forma financial information is the responsibility of the company's management.

Our responsibility is to express an opinion, based on our audit, whether the pro forma financial information has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. The subject matter of this engagement does neither include an audit of the basic figures including their adjustment to the accounting policies of the company, nor of the pro forma assumptions stated in the pro forma notes.

We have planned and performed our audit in accordance with the IDW Auditing Practice Statement: Audit of Pro Forma Financial Information (IDWAuPS 9.960.1) promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) in such a way that material errors in the compilation of the pro forma financial information on the basis stated in the pro forma notes and in the compilation of this basis consistent with the accounting policies of the Company are detected with reasonable assurance.

In our opinion, the pro forma financial information has been properly compiled on the basis stated in the pro forma notes. This basis is consistent with the accounting policies of the Company.

Hamburg, April 20, 2015

RBS RoeverBroennerSusat GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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Douglas

€300,000,000 6.25% Senior Secured Notes due 2022

€335,000,000 8.75% Senior Notes due 2023

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June 26, 2015