Cirsa Finance International S.à r.l.

€390,000,000 4.750% Senior Secured Notes due 2025

Cirsa Finance International S.à r.l. (formerly, LHMC Finco S.à r.l.) (a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 2-4, rue Eugène Ruppert, L-2453 Luxembourg and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés du Luxembourg*) under number B224669) (the "*Issuer*"), is offering (the "*Offering*") €390,000,000 aggregate principal amount of 4.750% Senior Secured Notes due 2025 (the "*Notes*"). The proceeds from the Notes will be used to fund add-on acquisitions, for general corporate purposes and to pay fees and expenses in connection with the Offering and related transactions. See "*Use of Proceeds*." Interest on the Notes will be paid semi-annually in arrears on each June 20 and December 20, commencing on December 20, 2019. The Notes will mature on May 22, 2025 and will be redeemable at par.

The Issuer may redeem the Notes in whole or in part at any time on or after May 22, 2021 at the redemption prices set forth in this offering memorandum (the "*Offering Memorandum*"). Prior to May 22, 2021, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium, as described in this Offering Memorandum. Prior to May 22, 2021, the Issuer will also be entitled, at its option, to redeem up to 40% of the aggregate principal amount of the Notes (including additional Notes of the same series) with the net cash proceeds from certain equity offerings at a redemption price set forth in this Offering Memorandum for such series. In addition, at any time prior to May 22, 2021, the Issuer may, during each twelve month period commencing with the Issue Date (as defined below), redeem up to 10% of the aggregate principal amount of the Notes at a redemption price equal to 103% of the principal amount redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of redemption. The Issuer may also redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain events constituting a change of control or upon the occurrence of certain asset sales, the Issuer may be required to make an offer to repurchase the Notes. However, a change of control will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event.

Concurrently with the issuance of the Notes on the Issue Date, the Issuer will, on or about the Issue Date, deposit with a bank an amount equal to the gross proceeds of the Notes sold on the Issue Date into a segregated bank account controlled by the Issuer (the "*Deposit Account*"), to hold such amount pending the consummation of the New Acquisition (as defined herein). On or about the Issue Date, the Issuer will assign as security its rights, title and interest in the credit balance in the Deposit Account to the Trustee (as defined herein). The release of the funds credited to the Deposit Account and the consummation of the New Acquisition will be subject to the satisfaction of certain conditions. In the event that, (i) the completion date of the New Acquisition (the "*New Acquisition Completion Date*") does not take place on or prior to September 30, 2019 (the "*Longstop Date*"), (ii) in the good faith judgment of the Issuer, the New Acquisition will not be consummated on or prior to the Longstop Date, (iii) the New Acquisition Agreement (as defined herein) terminates at any time on or prior to the Longstop Date or (iv) certain other events occur, the Issuer will redeem the Notes at a price equal to 100% of the initial issue price of such Notes, plus accrued but unpaid interest and additional amounts, if any, from the Issue Date to (but not including) the Special Mandatory Redemption Date (as defined herein) (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). See "*Description of the Notes—Deposit of Proceeds; Special Mandatory Redemption*."

The Notes will be senior secured obligations of the Issuer and will rank *pari passu* in right of payment with all other existing and future senior debt of the Issuer, including the Revolving Credit Facility and the Existing Notes (in each case, as defined herein). Subject to the Agreed Security Principles (as defined herein), on or about the Issue Date, the Notes will be guaranteed on a senior secured basis (the "*Guarantees*" and each, a "*Guarantee*") by the Company and certain of its direct and indirect subsidiaries (the "*Subsidiary Guarantors*" and, together with the Company, the "*Guarantors*"), all of which are guarantors of our Revolving Credit Facility and Existing Notes. Pursuant to the Collateral Documents (as defined herein), and subject to the Intercreditor Agreement, the Agreed Security Principles, Permitted Liens (in each case, as defined and more fully described in this Offering Memorandum) and certain perfection requirements, within 120 days of the Issue Date, the Notes and the Guarantees will be secured on a first-priority basis by security interests granted over certain assets that also secure our obligations under the Revolving Credit Facility Agreement and the Existing Notes (in each case, as defined herein) (collectively, the "*Collateral*"). The Notes, the Guarantees and the Collateral will be subject to restrictions on enforcement and other intercreditor arrangements. See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Limitations on Validity and Enforceability of Guarantees and Security*." Under the terms of the Intercreditor Agreement (as defined herein), in the event of an enforcement of the Collateral or certain distressed disposals, the holders of the Notes and the Existing Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility, counterparties to certain hedging agreements and lenders or creditors under certain other indebtedness. The Guarantees and the security interests in the Collateral may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*," "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Notes—Security*."

There is currently no public market for the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market. There is no assurance that the Notes will be listed on the Official List of the Luxembourg Stock Exchange or be admitted to trading on the Euro MTF Market. This Offering Memorandum constitutes a prospectus ("*Listing Particulars*") for purposes of Part IV of the Luxembourg law on prospectus for securities dated July 10, 2005, as amended.

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 25.

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

The Notes will be issued in the form of global notes in registered form. See "*Book-Entry: Delivery and Form*." The Notes will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes are expected to be delivered to investors in book-entry form through Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking, S.A. ("*Clearstream*"), on or about May 22, 2019 (the "*Issue Date*").

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "*U.S. Securities Act*"), or the securities laws of any state of the United States or any other jurisdiction. Accordingly, the Notes are being offered and sold in the United States only to "qualified institutional buyers" ("*QIBS*") in accordance with Rule 144A under the U.S. Securities Act and outside the United States to persons who are not U.S. persons in offshore transactions in accordance with Regulation S under the U.S. Securities Act. Prospective purchasers of the Notes that are qualified institutional buyers are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A thereunder. For further details about eligible offerees and resale restrictions, see "*Plan of Distribution*" and "*Transfer Restrictions*."

Global Coordinators and Joint Bookrunners

Deutsche Bank **Barclays** **BBVA** **Credit Suisse** **Jefferies** **UBS Investment Bank**

The date of this Listing Particulars is May 22, 2019

Table of Contents

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be ten business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Securities 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+10"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of the Offering Memorandum or the next eight business days will be required, by virtue of the fact that the Notes initially will settle T+10, 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 advisors. See "*Plan of Distribution*."

Important information

In making an investment decision regarding the Notes offered by this Offering Memorandum, you must rely on your own examination of the Company and its subsidiaries (including the Issuer) (the "Group"), as well as the terms of this Offering and the application of the proceeds of the Offering as described in "*Use of Proceeds*" including the merits and risks involved. The Offering is being made on the basis of this Offering Memorandum only. Any decision to purchase Notes in the Offering must be based on the information contained in this Offering Memorandum. None of the Group or the Initial Purchasers have authorized anyone to provide you with additional or different information.

You are not to construe the contents of this Offering Memorandum as investment, legal or tax advice. You should consult your own counsel, accountants and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes. You are responsible for making your own examination of the Group's business and your own assessment of the merits and risks of investing in the Notes. None of the Group or the Initial Purchasers are making any representation to you regarding the legality of an investment in the Notes by you under appropriate legal investment or similar laws and 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.

The information contained in this Offering Memorandum has been furnished by us and other sources that the Group believes to be reliable. No representation or warranty, express or implied, is made by the Initial Purchasers or their respective directors, affiliates, advisors and agents as to the accuracy or completeness of any of the information set out in this Offering Memorandum, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers or their respective directors, affiliates, advisors and agents, whether as to the past or the future. By receiving this Offering Memorandum, you acknowledge that you have not relied on the Initial Purchasers or their respective directors, affiliates, advisors and agents in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

Summaries of documents contained in this Offering Memorandum may not be complete. The Group will make copies of certain actual documents available to you upon request. See "*Where You Can Find Other Information*." None of the Group or the Initial Purchasers represents that the information in this Offering Memorandum is complete. All summaries of the documents contained herein are qualified in their entirety by this reference. You agree to the foregoing by accepting this Offering Memorandum.

No person is authorized in connection with any offering made by this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any other information or representation must not be relied upon as having been authorized by any member of the Group or the Initial Purchasers. The information contained in this Offering Memorandum is accurate as at the date of the Offering Memorandum. Neither the delivery of this Offering Memorandum at any time nor any subsequent commitment to purchase the Notes shall, under any circumstances, create any implication that there has been no change in the information set forth in this Offering Memorandum or in the business of the Group since the date of the Offering Memorandum.

The Issuer and the Guarantors have made all reasonable inquiries and confirmed to the best of their knowledge, information and belief that the information contained in this Offering Memorandum is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held, and the Issuer and the Guarantors are not aware of any other facts the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect.

The Issuer reserves the right to withdraw this Offering at any time. The Issuer is making this Offering subject to the terms described in this Offering Memorandum. The Issuer and the Initial Purchasers each reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective

investor less than the full amount of the Notes sought by such investor. The Initial Purchasers and certain of their related entities may acquire, for their own accounts, a portion of the Notes.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable securities laws. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "*Plan of Distribution*" and "*Transfer Restrictions*."

The distribution of this Offering Memorandum and the offer and sale of the Notes are restricted by law in some jurisdictions. This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Each prospective offeree or purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum, and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither the Issuer nor the Initial Purchasers shall have any responsibility therefor. See "*—Notice to Prospective U.S. investors*," "*—Notice to European Economic Area investors*," "*Plan of Distribution*" and "*Transfer Restrictions*."

The Issuer and the Guarantors have prepared this Offering Memorandum solely for use in connection with the offer of the Notes and the Guarantees to QIBs under Rule 144A under the U.S. Securities Act and outside the United States to persons who are not U.S. persons under Regulation S under the U.S. Securities Act.

The information set out in the sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-entry: Delivery and Form,*" is subject to any change or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream as currently in effect. The information in such sections concerning these clearing and settlement arrangements has been obtained from sources that the Issuer believes to be reliable. This information has been accurately reproduced and as far as the Issuer is aware, and is able to ascertain from published information, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer accepts responsibility only for the correct extraction and reproduction of such information, but not for the accuracy of such information. If you wish to use the facilities of any clearing system you should confirm the applicability of the rules, regulations and procedures of the relevant clearing system. The Issuer will not be responsible or liable for any aspect of the records relating to, or payments made on account of, Book-Entry Interests (as defined herein) held through the facilities of any clearing system or for maintaining, supervising or reviewing any records, relating to such Book-Entry Interests.

The Notes will be available initially only in book-entry form. The Notes will be issued in the form of one or more global notes, which will be deposited with, or on behalf of, a common depositary for the accounts of Euroclear and/or Clearstream. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected only through, records maintained by Euroclear and/or Clearstream and their participants, as applicable. After the initial issuance of the global notes, Notes in certificated form will be issued in exchange for the global notes only as set forth in the Indenture. See "*Book-Entry: Delivery and Form*."

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Group or the Initial Purchasers shall have any responsibility therefor.

Further, no securities authority in Luxembourg has approved or disapproved of these Notes or determined whether this Offering Memorandum is truthful or complete.

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE SUPERINTENDENCY OF CAPITAL MARKETS OF PANAMA. ACCORDINGLY, (I) THE NOTES CANNOT BE PUBLICLY OFFERED OR SOLD IN PANAMA, EXCEPT IN TRANSACTIONS EXEMPT FROM REGISTRATION UNDER THE PANAMANIAN SECURITIES LAWS, (II) THE SUPERINTENDENCY OF THE CAPITAL MARKETS HAS NOT REVIEWED THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM, (III) THE NOTES AND ITS OFFER ARE NOT SUBJECT TO THE SUPERVISION OF THE PANAMANIAN SUPERINTENDENCY OF CAPITAL MARKETS, AND (IV) THE NOTES DO NOT BENEFIT FROM THE TAX INCENTIVES PROVIDED BY THE PANAMANIAN SECURITIES LAWS AND REGULATIONS.

Stabilization

IN CONNECTION WITH THE ISSUANCE OF THE NOTES, DEUTSCHE BANK AG, LONDON BRANCH (THE "*STABILIZING MANAGER*") (OR ANY PERSON 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 ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE 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 Investors

Notice to prospective U.S. investors

None of the U.S. Securities and Exchange Commission, any state securities commission or any other regulatory authority has approved or disapproved of the Notes or the Guarantees, and none of the foregoing authorities have passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary could be a criminal offense in certain jurisdictions.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and the applicable state securities laws, including pursuant to registration or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer. You are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "*Plan of Distribution*" and "*Transfer Restrictions*" for a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Memorandum.

NOTICE TO CANADIAN INVESTORS

The Notes may only be offered or sold in each of the provinces of Canada to or for the benefit of a resident of these provinces pursuant to an exemption from the requirement to file a prospectus in such province in which such offer or sale is made, and only by a registrant duly registered under the applicable securities laws of that province or by a person or company that is relying in that province on the "international dealer" exemption provided by section 8.18 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("*NI 31-103*"). Furthermore, the Notes may only be offered or sold to residents of any such province that are purchasing, or deemed to be purchasing, as principal, that are "accredited investors" as defined in National Instrument 45-106 *Prospectus Exemptions* ("*NI 45-106*") or subsection 73.3(1) of the Securities Act

(Ontario), as applicable, and that are "permitted clients" as defined in NI 31-103 and that are not individuals. Each Canadian purchaser that purchases Notes in this Offering will be deemed to have acknowledged that any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws and will be deemed to represent and warrant that it is not an individual and is purchasing as principal (or deemed principal) and it is an "accredited investor" and "permitted client" in connection with any purchase of Notes hereunder.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("*NI 33-105*"), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Upon receipt of this document, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

Notice to European Economic Area investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("*EEA*"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "*MiFID II*"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "*Insurance Mediation Directive*"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "*PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This Offering Memorandum has been prepared on the basis that any offer of the Notes in any Member State of the EEA will be made pursuant to an exemption under Directive 2003/71/EC (as amended or superseded, the "Prospectus Directive") from the requirement to publish a prospectus for offers of notes. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Directive.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "*distributor*") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

United Kingdom. In the United Kingdom, this Offering Memorandum is being distributed only to, and is directed only at, persons who are "*qualified investors*" (as defined in the Prospectus Directive (as defined herein)) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "*Order*"), or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) persons to whom it would otherwise be lawful to distribute it, all such persons together being referred to as "*Relevant Persons*." The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, Relevant Persons. This Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this Offering Memorandum or its contents. The Notes are not being offered to the public in the United Kingdom.

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

Kingdom of 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 de l'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 pursuant to article L. 411-2-II of the French *Code Monétaire et Financier* to (i) qualified investors (*investisseurs qualifiés*) or a restricted circle of investors (*cercle restreint d'investisseurs*) acting for their own account and/or (ii) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), all as defined in and in accordance with Articles L. 411-1, L. 411-2, D. 411-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code Monétaire et Financier*.

Prospective investors are informed that:

(i) this Offering Memorandum has not been and will not be submitted for clearance to the AMF;

(ii) in compliance with Articles L. 411-2, D. 411-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code Monétaire et Financier*, any qualified investors and any restricted circle of investors subscribing for the Notes may only be acting for their own account; and

(iii) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with applicable laws and regulations, in particular those relating to an offer to the public (*offre au public de titres financiers*) (which are embodied in 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*).

Federal Republic of Germany. The Offering is not a public offering in the Federal Republic of Germany. The Notes may only be offered, sold and acquired in accordance with the provisions of the Securities Prospectus

Act of the Federal Republic of Germany, as amended (the "*Securities Prospectus Act*," *Wertpapierprospektgesetz, WpPG*), the Commission Regulation (EC) No. 809/2004 of April 29, 2004, as amended, and any other applicable German law. No application has been made under German law to permit a public offer of the Notes in the Federal Republic of Germany. This Offering Memorandum has not been approved for purposes of a public offer of the Notes and accordingly the Notes may not be, and are not being, offered or advertised publicly or by public promotion in Germany. Therefore, this Offering Memorandum is strictly for private use and the offer is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. The Notes will only be available to, and this Offering Memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2, No. 6 of the Securities Prospectus Act or which are subject of another exemption in accordance with Section 3 Para. 2 of the Securities Prospectus Act. Any resale of the Notes in the Federal Republic of Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws. The Issuer has not, and does not intend to, file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("*BaFin*") or obtain a notification to the BaFin from another competent authority of a Member State of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 Para. 3 of the Securities Prospectus Act.

Republic of Italy. The Offering has not been cleared by the *Commissione Nazionale per la Società e la Borsa* ("*CONSOB*") (the Italian securities exchange commission), pursuant to Italian securities legislation. Accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Memorandum or of any other document relating to the Issuer, the Guarantors or the Notes be distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati*) as defined in Article 35, first paragraph, letter (d) of CONSOB Regulation No. 20307 of February 15, 2018, as amended ("*Regulation No. 20307*"), pursuant to Article 34-ter, first paragraph letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "*Issuer Regulation*"), implementing Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "*Financial Services Act*"); and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and the Issuer Regulation. Each Initial Purchaser has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or of any other document relating to the Notes in the Republic of Italy will be carried out in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such 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 must be: (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993, Regulation No. 20307 (in each case, as amended from time to time) and any other applicable laws and regulations; (ii) in compliance with Article 129 of the Italian Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and (iii) in compliance with any and all other applicable laws and regulations and any other condition or limitation that may be imposed by CONSOB, the Bank of Italy or any relevant Italian authorities.

Grand Duchy of Luxembourg. This Offering does not constitute a public offering of securities within the Grand Duchy of Luxembourg and accordingly this Offering Memorandum should not be construed as a prospectus in accordance with Articles 5 and 30 of the Law of July 10, 2005 on prospectuses for securities, as amended (the "*Prospectus Law*"). The Luxembourg financial sector supervisory commission (*Commission de Surveillance du Secteur Financier*) has not reviewed or approved this Offering Memorandum or any other document related to the Offering and has not recommended or endorsed the purchase of the Notes. Neither this Offering Memorandum nor any other document related to the Offering may be distributed or otherwise made available in or from, or published in, Luxembourg and the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and no steps may be taken which would constitute or result in a public offering in Luxembourg as defined in the Prospectus Law, except in circumstances which do not constitute an offer of securities to the public requiring the publication of a prospectus in accordance with the Prospectus Law. This document is intended for the confidential use of the offeree(s) it is intended for, and may not be reproduced or used for any other purpose.

The Netherlands. The Notes (including rights representing an interest in each global note that represents the Notes) which are the subject of this Offering Memorandum, have not been and shall not be offered, sold, transferred or delivered in the Netherlands other than to legal entities which are "qualified investors" within the meaning of the Prospectus Directive.

Kingdom of Spain. The offer and sale of the Notes, to the extent carried out in compliance with the offering restrictions set out in this Offering Memorandum and the undertakings by the Initial Purchaser in the purchase agreements related to the Offering, will not result in a regulated offer to the public being made in Spain as both the Notes and this Offering Memorandum have not been and will not be approved by or registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*), and, therefore, the Notes may not be offered, sold, resold or distributed in the Kingdom of Spain by any means, except in circumstances which do not qualify as a public offer of securities in the Kingdom of Spain in accordance with the Spanish Securities Market Act approved by Royal Legislative Decree 4/2015, of October 23, (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) (the "*Spanish Securities Market Act*") as amended and restated or pursuant to an exemption from registration in accordance with Royal Decree 1310/2005 of November 4 on admission to listing of securities on organized secondary market and public offers of securities and the prospectus required in connection therewith (*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1998, de 28 de Julio, del Mercado de Valores, en materia de admission a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), as amended and restated and supplemental rules enacted thereunder or in substitution thereof from time to time.

Switzerland. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to Article 652a and/or Article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes will not be listed on the SIX Swiss Exchange Ltd or on any other exchange or regulated trading facility in Switzerland, 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 or the listing rules of any other exchange or regulated trading facility in Switzerland.

Forward-looking statements

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding the Group's intentions, beliefs or current expectations concerning, among other things, its future financial conditions and performance, results of operations and liquidity; its strategy, plans, objectives, prospects, growth, goals and targets; future developments in the markets in which it participates or is seeking to participate; and anticipated regulatory changes in the industry in which it operates. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "*aim*," "*anticipate*," "*believe*," "*continue*," "*could*," "*estimate*," "*expect*," "*forecast*," "*guidance*," "*intend*," "*may*," "*plan*," "*project*," "*probability*," "*target*," "*goal*," "*objective*," "*should*" or "*will*" or, in each case, their negative, or other variations or comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. The Group cautions you that forward-looking statements are not guarantees of future performance and that the Group's actual financial condition, results of operations and cash flows, and the development of the industry in

which it operates, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if its financial condition, results of operations and cash flows, and the development of the industry in which it operates, 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. Factors that could cause such differences in actual results include:

- the impact of the effects of the economic downturn or political change in Spain and other markets in which we operate;
- risks associated with our other operations outside of Spain;
- we do not control certain of our businesses and are dependent on the actions of our counter-parties in our strategic partnerships, joint ventures and alliances;
- risks associated with the potential loss of our share in the *Sportium* joint venture and the termination of this joint venture;
- impact of individual events or betting outcomes and the failure to determine accurately the odds at which we will accept bets in relation to any particular event or any failure of our risk management processes;
- our inability to block access to our online services by players in certain jurisdictions;
- our ability to comply with the current gaming regulatory framework and to adapt to any regulatory changes and increases in the taxation of gaming;
- our ability to maintain our gaming licenses and comply with online gaming rules and regulations;
- our failure to keep up with technological developments in the online gaming market;
- our failure to comply with regulations regarding the use of personal data;
- risks associated with hacker intrusion, distributed denial of service attack, malicious viruses and other cybercrime attacks;
- our ability to manage growth in our business;
- our ability to provide secure gaming products and services and to maintain the integrity of our employees in order to attract customers;
- competition from other companies in our industry and our ability to retain our market share and business position;
- changes in consumer preferences in relation to our gaming offerings;
- our dependence on maintaining and enhancing our brand;
- risks associated with a failure to detect money laundering or fraudulent activities of our customers or third parties;
- risks associated with a disruption of operations at our manufacturing facilities;

- risks relating to taxes;
- risks associated with security issues in the countries in which we operate;
- risks associated with fluctuations in foreign currency exchange rates;
- risks associated with terrorist attacks and other acts of violence or war;
- risks associated with negative perceptions and negative publicity surrounding the industry in which we operate;
- our inability to enforce representations and warranties under the Original Acquisition Agreement;
- unknown liabilities and insufficient protection from indemnities negotiated in the Original Acquisition Agreement;
- risks and uncertainties associated with the New Acquisition;
- our inability to enforce representations, warranties and indemnities under the New Acquisition Agreement and insufficient protections against claims or liabilities that may arise in relation to them;
- risks associated with the Notes and the Guarantees discussed under "*Risks Factors—Risks Related to the Notes, the Guarantees and the Collateral*;" and
- risks related to our structure discussed under "*Risk Factors—Risks Related to our Structure*."

The foregoing factors and others described under *"Risk Factors"* should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as at the date of the Offering Memorandum.

The Group discloses important factors that could cause its actual results to differ materially from its expectations in "*Risk Factors*" and "*Operating and Financial Review and Prospects*." Other sections of this Offering Memorandum describe additional factors that could adversely affect the Group's business, financial condition or results of operations. Moreover, the Group operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for the Group to predict all such risk factors. The Group cannot assess the impact of all risk factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as at the date of the Offering Memorandum and, except as required by law or the rules and regulations of any stock exchange on which the Notes are listed, the Group undertakes no obligation 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 its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum, including those set forth under "*Risk Factors*."

Market and Industry Information

In this Offering Memorandum, reference is made to information regarding the Group's business and the markets in which it operates and competes. The market information and certain economic and industry information and forecasts used in this Offering Memorandum were obtained from publications by independent

industry sources, including H2 Gambling Capital—April 2019 ("H2") and Ernst and Young Services Corporativos, S.L. ("Parthenon-EY"), and publicly available information that we believe to be reliable. In particular, certain market information has been extracted from a report prepared by EY in connection with the Original Acquisition (the "Parthenon-EY Report"). Unless otherwise noted, statistical data relating to the Spanish gaming market cited in this Offering Memorandum has been published by the Spanish National Gaming Commission (Comisión Nacional del Juego) in their annual reports. In addition to the foregoing, certain information regarding markets, market size, market share, market position, growth rates and other industry information pertaining to us contained in this Offering Memorandum were based on estimates prepared by management based on certain assumptions and management's knowledge of the industry in which the Group operates. Industry publications and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Management and Parthenon-EY have not independently verified such data and cannot guarantee their accuracy or completeness. In particular, information extracted from the Parthenon-EY Report does not contain its conclusions and cannot in any way serve as a substitute for other enquiries and procedures that you would otherwise undertake. Parthenon-EY (including its partners, employees, agents and subcontractors) accepts no responsibility and shall have no liability in contract, tort or otherwise to you or any third party in relation to the contents which have been extracted from the Parthenon-EY Report. Any use you make of the contents which have been extracted from the Parthenon-EY Report is entirely at your own risk.

In some cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, requiring us to rely on the Group's own internally developed estimates regarding the Group's position in the industry, the Group's market share and the market shares of various industry participants based on management's experience, management's own investigation of market conditions and management's review of industry publications, including information made available to the public by the Group's competitors. None of the Group or the Initial Purchasers can assure you of the accuracy and completeness of, or take responsibility for, such data. Similarly, while management believes its internal estimates to be reasonable, these estimates have not been verified by any independent sources and none of the Group, the Initial Purchasers or Parthenon-EY can assure you as to their accuracy or the accuracy of the underlying assumptions used to estimate such data. The Group's estimates involve risks and uncertainties and are subject to change based on various factors.

Presentation of Financial Information

The Company was incorporated on November 15, 2017 for the purpose of facilitating the Original Acquisition. Prior to the completion of the Original Acquisition on July 3, 2018, it had no material assets or liabilities, and had not engaged in any material activities, other than those in preparation for the Original Acquisition and the issuance of the Existing Notes. The Company is a holding company that owns the entire share capital of the Issuer and, following the completion of the Original Acquisition, it became the owner of the entire share capital of Cirsa Group.

We started consolidating the results of our group companies at the level of the Company for our special purpose consolidated financial statements prepared as of and for the year ended December 31, 2018. For periods prior to that, we consolidated the results of our group companies at the level of Cirsa. The Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 have been prepared from Cirsa's consolidated financial statements for the six months ended June 30, 2018 and thereafter includes the effects of the acquisition by the Company of the Cirsa Group. Accordingly, in this Offering Memorandum, we include the Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 and Cirsa's consolidated financial statements as of and for the year ended December 31, 2017, in each case, prepared in accordance with International Financial Reporting Standards ("*IFRS*") as adopted by the European Union. The Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 have been audited by Ernst & Young S.L. and Cirsa's consolidated financial statements as of and for the year ended December 31, 2017 have been audited by Ernst & Young S.L. and Cortés & Pérez

Auditores y Asesores Asociados, S.L., and their auditors' reports thereon are included elsewhere in this Offering Memorandum. We present our consolidated financial statements in euro.

In connection with the Original Acquisition, the Argentina Business (as defined herein) was transferred from the Cirsa Group pursuant to the Argentina Business Transfer (as defined herein). Accordingly, the Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 treat the results of the Argentina Business as a discontinued operation. In our special purpose consolidated financial statements as of and for the year ended December 31, 2018, we have restated the comparative financial information as of and for the year ended December 31, 2017 to present it on a consistent basis with our financial information as of and for the year ended December 31, 2018. The purpose of this restatement was to (i) give effect to the treatment of the Argentina Business as a discontinued operation and (ii) consolidate our results at the level of the Company rather than at the level of Cirsa as of and for the year ended December 31, 2017. In such presentation, certain line items in the profit and loss account, balance sheet and statement of cash flows were reclassified in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations." The financial statements as of and for the year ended December 31, 2017 and the comparative financial information contained therein as of and for the year ended December 31, 2016 incorporate the results of the Argentina Business.

Under "*Summary*," we have included certain financial information for periods starting with the financial year 2005. We believe that presenting certain of Cirsa's historical consolidated financial information for longer periods than otherwise included in this Offering Memorandum will assist investors in their understanding of the Group's financial history and growth patterns that are described elsewhere in this Offering Memorandum.

Unless otherwise indicated, the financial information presented in this Offering Memorandum as of and for the years ended December 31, 2018 and December 31, 2017 has been extracted from Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018. Other than under "*Discussion of Certain 2017, 2016 and 2015 Results of Operations (Excluding Argentina)*," financial information presented in this Offering Memorandum as of and for the year ended December 31, 2016 has been extracted from Cirsa's consolidated financial statements as of and for the year ended December 31, 2017.

Under "*Discussion of Certain 2017, 2016 and 2015 Results of Operations (Excluding Argentina)*," we have included certain income statement information for the years ended December 31, 2016 and 2015 that exclude the impact of the Argentina Business for those periods. This financial information has been derived from certain unaudited special purpose consolidated income statements, or financial information prepared in connection with these special purpose consolidated income statements, for the years ended December 31, 2016 and 2015 that are included elsewhere in this Offering Memorandum. These special purpose consolidated income statements for the years ended December 31, 2016 and 2015 have been subject to limited review by Ernst & Young S.L. These special purpose consolidated income statements give effect to the Argentina Business Transfer as though it had occurred on January 1 of each period. The basis of preparation of the special purpose consolidated income statements is different to the basis of preparation of our audited consolidated income statements (which are prepared in accordance with IFRS). Accordingly, the financial information for the years ended December 31, 2016 and 2015 that are derived from the special purpose consolidated income statements and exclude the impact of the Argentina Business may not be comparable to the financial information for the years ended December 31, 2018 and 2017 that are derived from our audited special purpose consolidated financial statements for the year ended December 31, 2018 and exclude the impact of the Argentina Business.

We adopted IFRS 11 "Joint Arrangements" with effect from January 1, 2014. Prior to the adoption of IFRS 11, we used the full consolidation method for subsidiaries, the proportionate consolidation method for jointly-controlled companies and the equity method for all other companies. The introduction of IFRS 11 eliminated the use of the proportional consolidation method and required that certain joint arrangements be reclassified and accounted for using the full consolidation method or the equity method. The classification of the joint arrangement is determined by the rights and obligations of the parties arising under the arrangement rather

than the legal form of the arrangement. As a result, since the implementation of IFRS 11, we account for joint arrangements as follows:

- Full consolidation method: companies where we have the right to control the significant activities are fully consolidated (100%) in our consolidated financial statements regardless of the equity ownership.

- Equity method: significant activities are not consolidated in our consolidated financial statements regardless of the equity ownership. The net profit of such companies is recorded in the "Financial Results" line of the profit and loss account.

For the year ended December 31, 2014 and following periods, the financial information presented in this Offering Memorandum gives effect to IFRS 11. For the year ended December 31, 2013, we have derived financial information from the comparative column of the audited financial statements for the year ended December 31, 2014, which restated financial information for 2013 to give effect to changes from the implementation of IFRS 11. The financial information presented in this Offering Memorandum for the year ended December 31, 2012 and prior periods do not give effect to the adoption of IFRS 11.

We also present in this Offering Memorandum certain non-IFRS measures, including EBIT, EBITDA, Adjusted EBITDA, Pro Forma Adjusted EBITDA, EBITDA Margin, Adjusted EBITDA Margin, Pro Forma Adjusted EBITDA Margin, Capital Expenditures, Adjusted Cash and Cash Equivalents, Adjusted Total Debt, Net Debt, Adjusted Total Net Debt, Adjusted Net Interest Expense and certain leverage and coverage ratios. We present these non-IFRS measures in this Offering Memorandum because we believe that they provide useful information regarding a company's ability to service and incur indebtedness and management uses them as a measure of evaluating our performance. These non-IFRS measures are not measurements of operating performance under IFRS and should not be considered a substitute for operating income, net income, cash flows from operating activities or other profit and loss account or statement of cash flows information, or as a measure of profitability or liquidity, and do not necessarily indicate whether cash flow will be sufficient or available for cash requirements. Therefore, the non-IFRS measures presented in this Offering Memorandum should be viewed as supplementary to our consolidated financial statements included elsewhere in this Offering Memorandum and may not be indicative of our historical operating results nor are they meant to be predictive of potential future results. Because all companies do not calculate such measures identically, the presentation may not be comparable to similarly entitled measures of other companies and you are cautioned not to place undue reliance on such financial information. In addition, the Pro Forma Adjusted EBITDA metric presented in this Offering Memorandum has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act or any generally accepted accounting standards.

For a discussion of our financial information, see "*Summary—Summary Historical Consolidated and Other Information,*" "*Selected Financial and Other Information,*" "*Operating and Financial Review and Prospects*" and the financial statements included elsewhere in this Offering Memorandum.

Certain amounts and percentages included in this Offering Memorandum have been rounded. Accordingly, in certain instances, the sum of the numbers in a column of a table may not exactly equal the total figure for that column.

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

Certain definitions relating to the Group and the Transactions

"*Agents*" refers to the Paying Agent, Transfer Agent and Registrar or any of them, an "Agent."

"*Agreed Security Principles*" refers to the agreed security principles as described under "*Description of the Notes—Security—The Collateral*."

"*Argentina Business*" refers to all subsidiaries and businesses of the Group located in Argentina, which were transferred to Nortia, one of the Original Sellers on or about July 3, 2018, and the Argentina Business no longer constitutes a part of the Group's business parameter.

"*Argentina Business Transfer*" refers to the transactions that resulted in the transfer of the Argentina Business and certain other assets from the Cirsa Group to other entities, and which transactions were completed on or about July 3, 2018.

"*Blackstone*" refers to The Blackstone Group L.P. or its successors or, as the context may require, one or more funds, managed accounts or limited partnerships managed or advised by The Blackstone Group L.P. or its successors, or any of its affiliates or direct or indirect subsidiaries from time to time, including Blackstone Capital Partners (Cayman) VII L.P., Blackstone Capital Partners (Cayman) VII.2 L.P., Blackstone Family Investment Partnership (Cayman) VII-ESC L.P. and BTAS Q Holdings L.L.C.

"*Cirsa*" refers to Cirsa Gaming Corporation, S.A., a Spanish limited liability company (*sociedad anónima*) incorporated and existing under the laws of Spain, having its registered office in Terrassa (Barcelona), at Carretera de Castellar, 298, being registered at the Barcelona Commercial Registry in volume 42,002, sheet 102, page B-380.

"*Cirsa Group*" refers to Cirsa and its subsidiaries, which was the group of companies acquired by the Company on July 3, 2018 pursuant to the Original Acquisition Agreement.

"*Collateral*" refers to the security interest that will secure the obligations of the Issuer and the Guarantors under the Notes and the Guarantees, which also secure the obligations of the Issuer and the Guarantors under the Existing Notes, the Guarantees granted in respect of the Existing Notes and the Revolving Credit Facility. See "*Description of the Notes—Security—The Collateral*."

"*Collateral Documents*" refer to the agreements and other documents creating security interests over the Collateral.

"*Company*" refers to Cirsa Enterprises, S.L.U. (formerly, LHMC Bidco, S.L.U.), a limited liability company incorporated under the laws of the Kingdom of Spain, with its registered office in Madrid (Spain), at Calle Serrano 41, 4th floor, 28001 and registered in the Madrid Register of Commerce with number B87959649.

"Deposit Account" refers to the segregated bank account controlled by the Issuer into which the gross proceeds from the offering of the Notes will be deposited on the Issue Date pending the consummation of the New Acquisition.

"*Deposit Account Charge*" refers to the first ranking security interest, subject to the Agreed Security Principles, over the funds credited into the Deposit Account.

"*EU*" refers to the European Union.

"*EURIBOR*" refers to the Euro Interbank Offered Rate.

"*euro*" or "€" refers to the single currency of the participating Member States of the EU participating in the third stage of economic and monetary union pursuant to the Treaty on the Functioning of the EU, as amended or supplemented from time to time.

"Existing Indenture" refers to the indenture governing the Existing Notes dated July 2, 2018, among *inter alios*, the Issuer, the Company and the Trustee, to which the Company acceded as Guarantor on July 3, 2018 and the Subsidiary Guarantors acceded as Guarantors on October 26, 2018 pursuant to, in each case, a supplemental indenture dated the dates thereof, and as may be further amended and supplemented from time to time.

"*Existing Notes*" refers, collectively, to (i) the €663,000,000 aggregate principal amount of 6.250% senior secured notes due 2023, (ii) the €425,000,000 aggregate principal amount of floating rate senior secured notes due 2023 (the "Existing Floating Rate Notes") and (iii) the $550,000,000 aggregate principal amount of 7.875% senior secured notes due 2023, in each case, issued on July 2, 2018 pursuant to the Existing Indenture.

"*Existing Proceeds Loan*" refers to one or more loans extended under the Existing Proceeds Loan Agreements.

"*Existing Proceeds Loan Agreements*" refers to the loan agreements, in each case, dated July 2, 2018, between the Issuer and the Company, pursuant to which the Issuer loaned the proceeds of the issuance of the Existing Notes to the Company.

"*Facility Agent*" refers to Deutsche Bank AG, London Branch, the creditor representative of the lenders under the Revolving Credit Facility Agreement.

"*Group*," "*we*," "*our*," and "*us,"* unless the context requires otherwise, refers to the Company and its subsidiaries.

"*Guarantees*" refers to the senior secured guarantees by the Guarantors of the Issuer's obligations under the Indenture and the Notes.

"*Guarantors,*" refers, collectively, to (i) the Company and (ii) the Subsidiary Guarantors.

"*IFRS*" refers to the International Financial Reporting Standards, as adopted by the EU.

"Indenture" refers to the indenture to be dated on the Issue Date, among, *inter alios*, the Issuer, the Guarantors and the Trustee, as amended and/or supplemented from time to time, pursuant to which the Notes will be issued.

"*Intercompany Loan*" means a loan extended under a loan agreement between the Company, as lender, and Cirsa, as borrower, entered into on July 3, 2018, which was used to repay certain outstanding indebtedness of the Cirsa Group in connection with the completion of the Original Acquisition.

"*Initial Purchasers*" refers to Deutsche Bank AG, London Branch, Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, Credit Suisse Securities (Europe) Limited, Jefferies International Limited and UBS AG, London Branch.

"*Intercreditor Agreement*" refers to the Intercreditor Agreement dated on June 22, 2018, among the Issuer, the Company, Deutsche Bank Trust Company Americas, as Security Agent, and the other parties thereto, to which Deutsche Trustee Company Limited acceded as trustee of the Existing Notes on July 2, 2018, and to which Deutsche Trustee Company Limited will accede as trustee of the Notes on or about the Issue Date, as it may be amended from time to time.

"*Issue Date*" refers to the date on which the Notes will be issued.

"*Issuer*" refers to Cirsa Finance International S.à r.l. (formerly, LHMC Finco S.à r.l.), a limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg for the purpose of facilitating the Original Acquisition and issuing debt, with its registered office at 2-4, rue Eugène Ruppert, L-2453 Luxembourg, registered with the Luxembourg companies register under number B224669.

"*Longstop Date*" refers to September 30, 2019.

"*New Acquisition*" refers to the acquisition of the New Target Group by Cirsa pursuant to the New Acquisition Agreement.

"*New Acquisition Agreement*" refers to the share purchase agreement dated April 29, 2019 relating to the sale and purchase of the New Target's shares and entered into, among others, between Cirsa and the New Sellers thereunder (including the annexes and schedules thereto), as it may be amended from time to time.

"*New Acquisition Completion Date*" refers to the date of completion of the New Acquisition.

"*New Sellers"* refers to Giga Game System S.L.U, a Spanish limited liability company (*sociedad de responsabilidad limitada*) incorporated and existing under the laws of Spain.

"*New Target*" refers to Giga Game System Operation, S.L.U., a Spanish limited liability company (*sociedad de responsabilidad limitada*) incorporated and existing under the laws of Spain.

"*New Target Group*" refers to the New Target and certain of its subsidiaries that will form part of the transaction perimeter for the New Acquisition.

"*Notes*" refers to the €390,000,000 aggregate principal amount of 4.750% senior secured notes due 2025.

"*Offering*" refers to the offering of the Notes hereby.

"*Offering Memorandum*" means the final offering memorandum dated May 8, 2019 related to the offering of the Notes.

"*Original Acquisition*" refers to the acquisition of the Cirsa Group by the Company pursuant to the Original Acquisition Agreement.

"*Original Acquisition Agreement*" refers to the share purchase agreement dated April 27, 2018 relating to the sale and purchase of Cirsa shares and entered into among the Company and the Original Sellers thereunder (including the annexes and schedules thereto), as amended from time to time.

"*Original Completion Date*" refers to July 3, 2018, the date of completion of the Original Acquisition.

"*Original Sellers*" refers to the sellers of the Cirsa Group, including Manuel Lao Hernández and Nortia Business Corporation, S.L.

"*Proceeds Loan*" refers to one or more loans extended under the Proceeds Loan Agreement.

"*Proceeds Loan Agreement*" refers to the loan agreements to be entered into on or about the New Acquisition Completion Date between the Issuer and the Company, pursuant to which the Issuer will lend the proceeds of the issuance of the Notes to the Company upon release of such proceeds from the Deposit Account.

"*Prospectus Directive*" refers to EU Prospectus Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each Member State of the European Economic Area that has implemented the Prospectus Directive.

"*Restricted Group*" refers to the Company and its subsidiaries.

"*Revolving Credit Facility*" refers to the revolving credit facilities made available under the Revolving Credit Facility Agreement.

"*Revolving Credit Facility Agreement*" refers to the agreement providing for the Revolving Credit Facility, as entered into on June 22, 2018, and as amended on August 8, 2018, with, among others, the Issuer as original borrower and guarantor, the Company as original guarantor, the Guarantors, the Facility Agent and the Security Agent.

"*Security Agent*" refers to Deutsche Bank Trust Company Americas.

"*Spanish GAAP*" refers to generally accepted accounting principles in Spain.

"*Subsidiary Guarantors*" refers to Cirsa, Cirsa International Business Corporation, S.L.U., Gaming & Services de Panama S.A., Promociones e Inversiones de Guerrero, S.A.P.I. de C.V., Uniplay S.A.U., Global Game Machine Corporation, S.A.U., Juegomatic, S.A.U., Integración Inmobiliaria World de México, S.A. de C.V., Cirsa Interactive Corporation, S.L.U., Universal de Desarrollos Electrónicos, S.A.U., Casino Nueva Andalucía Marbella, S.A.U., Genper, S.A.U. and Comercial de Desarrollos Electrónicos, S.A.U.

"*Transactions*" refers to the issuance of the Notes and the use of proceeds thereof, the consummation of the transactions contemplated by the New Acquisition Agreement, the payment of costs, fees and expenses in connection with the foregoing transactions, including fees and expenses to be incurred in connection with the Offering, and any other transactions in connection with any of the above or incidental thereto.

"*Trustee*" refers to Deutsche Trustee Company Limited.

"*UK*" refers to the United Kingdom of Great Britain and Northern Ireland.

"*United States*," "*USA*" or "*U.S.*" refers to the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

"*U.S. dollars*" or "*$*" refers to the lawful currency of the United States.

"*U.S. Exchange Act*" refers to United States Securities Exchange Act of 1934, as amended.

"*U.S. Securities Act*" refers to United States Securities Act of 1933, as amended.

"*VLTs*" refers to Video Lottery Terminals.

Exchange rate and currency information

The following table sets forth, for the periods set forth below, the high, low, average and period-end Bloomberg Generic Composite rate expressed as U.S. dollars per €1.00. The Bloomberg Generic 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 Generic Composite rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the financial statements and other financial information appearing in this Offering Memorandum. Neither the Issuer nor the Initial Purchasers represents that the euro amounts referred to below could be or could have been converted into U.S. dollars at any particular rate indicated or any other rate.

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

The Bloomberg Generic Composite rate for U.S. dollars against the euro on May 8, 2019 was $1.1192 per €1.00.

Year	High	Low	Average	Period end
			$ per €1.00	
2014	1.3934	1.2098	1.3284	1.2098
2015	1.2002	1.0496	1.1098	1.0862
2016	1.1534	1.0388	1.1070	1.0517
2017	1.2036	1.0405	1.1300	1.2005
2018	1.2510	1.1218	1.1809	1.1467
2019 (through May 8, 2019)	1.1543	1.1132	1.1317	1.1192

Month	High	Low	Average	Period end
			$ per €1.00	
November 2018	1.1454	1.1218	1.1362	1.1317
December 2018	1.1467	1.1306	1.1376	1.1467
January 2019	1.1543	1.1304	1.1420	1.1448
February 2019	1.1456	1.1216	1.1346	1.1371
March 2019	1.1413	1.1193	1.1229	1.1218
April 2019	1.1304	1.1132	1.1233	1.1215
May 2019 (through May 8, 2019)	1.1199	1.1172	1.1191	1.1192

SUMMARY

This summary highlights selected information about the Group and about the Offering contained elsewhere in this Offering Memorandum. The following summary is not complete and does not contain all the information you should consider before investing in the Notes. The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information included elsewhere in this Offering Memorandum. Before making an investment decision, you should read this entire Offering Memorandum carefully, including the financial statements and the notes thereto and the other financial information contained in this Offering Memorandum, as well as the risks described under the heading "Risk Factors." Certain defined terms used herein are defined elsewhere in this Offering Memorandum.

Overview

We are one of the leading gaming companies in Spain and Italy, as well as in a number of countries in Latin America (with a focus on Panama, Colombia, Mexico, Peru, Costa Rica and the Dominican Republic), engaged in the operation of slot machines, casinos and bingo halls. We also manufacture slot machines for the Spanish market. While our business historically included operations in Argentina, we exclude Argentina here since July 3, 2018, the Argentina Business is no longer a part of our Group. As of December 31, 2018, we operated 76,988 gaming machines, 148 casinos, 70 bingo halls, 623 gaming tables, 2,580 betting locations and 190 arcades.

We believe that we are the leader in the Spanish private gaming market, where, as of December 31, 2018, our key activities included: the operation of slot machines, in which we believe that we are the #1 operator with 40,234 slot machines operated; the operation of four casinos; the operation of bingo halls, in which we believe that we are the #1 operator with 37 bingo halls; and the manufacture of slot machines, in which we believe that we are the #1 manufacturer, with over 20,301 slot machines and gaming kits manufactured in the year ended December 31, 2018. We believe that we are also the #1 sports betting operator, through our 50:50 *Sportium* joint venture with the Ladbrokes sport betting business of GVC Holdings Plc, which offers sport betting products through outlets and betting machines installed in 2,498 slot arcades, bingo halls, bars and casinos in Spain, as of December 31, 2018.

In Italy, we have established a strong presence in the slot machine market with the operation of 9,989 slot machines and VLTs across all our divisions situated in approximately 1,935 locations across central and northern Italy as of December 31, 2018.

In Panama, we believe that we are the #1 gaming operator with the operation of 33 casinos and a total of 18 gaming tables and 7,902 slot machines as of December 31, 2018.

In Colombia, we believe that we are the #1 gaming operator with the operation of 66 casinos and a total of 6,368 slot machines and 237 gaming tables as of December 31, 2018.

In Mexico, we believe that we are a leader in the gaming industry with our 21 bingo halls which include over 6,307 slot machines as of December 31, 2018.

In Costa Rica, we believe that we are the #1 gaming operator with eight casinos, 25 gaming tables and 838 slot machines as of December 31, 2018.

In Peru, we believe that we are a leading gaming operator following our acquisition of nine casinos in 2014 and 17 casinos in 2017. As of December 31, 2018, we operated 29 casinos in Peru with 44 gaming tables and 4,239 slot machines.

In the Dominican Republic, we believe that we are the #1 gaming operator with our six casinos with a total of 87 gaming tables and 829 slot machines as of December 31, 2018.

In Morocco, we believe that we are a leading gaming operator. We have a majority stake in Agadir's largest casino and also operate casino Le Mirage in Agadir, with a total of 28 gaming tables and 282 slot machines as of December 31, 2018.

We believe that we have a well-balanced business with strong geographical diversification. These factors, when combined with the economies of scale resulting from our size, strengthen our financial profile and provide stability in our cash flows.

For the year ended December 31, 2018, our net operating revenues and Adjusted EBITDA were €1,469.1 million and €368.8 million, respectively. On a historical basis, our net operating revenues increased by 5.2% and our Adjusted EBITDA increased by 5.1% for the year ended December 31, 2018 compared to our net operating revenues and Adjusted EBITDA for the year ended December 31, 2017. In addition to our scale, our revenues and Adjusted EBITDA are diversified by geography and by business segment, and for the year ended December 31, 2018, 96% of our EBITDA was generated in countries which currently have an investment grade rating from S&P and Moody's.

The following table shows a breakdown of our consolidated Adjusted EBITDA for the year ended December 31, 2018, by country in which we operated:

ADJUSTED EBITDA MIX BY COUNTRY

Country	For the year ended December 31, 2018
Spain	46.6%
Panama	18.8%
Colombia	13.3%
Mexico	8.9%
Italy	6.0%
Other	6.4%
	100.0%

Our Divisions

We have organized our company into four business divisions: Casinos, Slots, Bingo and Business-to-Business ("*B2B*").

Casinos. (EBITDA €183.0 million for the year ended December 31, 2018): Our Casinos Division operated 148 casinos as of December 31, 2018.

In Spain, our casinos are located in Marbella, Valencia, La Toja and Las Palmas.

In Morocco, our casinos are located in the resort town of Agadir.

In Latin America, we believe that we are the #1 gaming operator in Panama, Colombia, Costa Rica and the Dominican Republic and have achieved a leading position in Peru.

In Panama, we operated 33 casinos with a total of 18 tables and 7,902 slot machines as of December 31, 2018.

In Colombia, we operated 66 casinos with a total of 6,368 slot machines and 237 gaming tables as of December 31, 2018.

In Peru, we operated 29 casinos with 44 gaming tables and 4,239 slot machines as of December 31, 2018.

In Costa Rica, we operated eight casinos with a total of 25 gaming tables and 838 slot machines as of December 31, 2018.

In the Dominican Republic, we operated six casinos with a total of 87 gaming tables and 829 slot machines as of December 31, 2018.

Slots. (EBITDA €141.1 million for the year ended December 31, 2018): Our Slots Division owns and manages slot machines in bars, cafes, restaurants and arcades in Spain and is a network operator for slot machines and VLTs in Italy. This division also includes our *Sportium* joint venture with the Ladbrokes sport betting business of GVC Holdings Plc, a British betting operator, which operates a region-based sports betting business in Spain as well as some betting operations in Colombia and Panama.

In Spain, we believe that we are the #1 slot machine operator and the #1 sports betting operator.

In Italy, our Slots Division operated 7,426 slot machines and 2,563 VLTs in locations across central and northern Italy as of December 31, 2018.

Bingo. (EBITDA €55.7 million for the year ended December 31, 2018): Our Bingo Division operated 70 bingo halls across Spain, Mexico and Italy as of December 31, 2018.

In Spain, we believe we are the leader of the bingo market which has been modestly improving along with the Spanish economy in recent years. As of December 31, 2018, we operated a total of 37 bingo halls.

In Mexico, as of December 31, 2018, we owned and operated 21 bingo halls which provide a wide entertainment offering, including slot machines and casino-style gaming machines.

In Italy, we hold minority interests in companies (joint ventures with local partners) that owned and operated 11 bingo hall businesses as of December 31, 2018. We also operate one bingo hall business which we fully own as of December 31, 2018. Our bingo hall operations in Italy also operated 461 slot machines as of December 31, 2018.

B2B. (EBITDA €12.7 million for the year ended December 31, 2018): Our B2B Division designs, manufactures and distributes slot machines and gaming kits for the Spanish market and also develops interactive gaming systems, concentrating on ready-to-market products such as interconnected slot machines, linked bingo products and electronic online lotteries. We believe that we are the #1 manufacturer in the Spanish market, with over 20,301 slot machines and gaming kits manufactured in the year ended December 31, 2018.

Our Strengths

We believe a number of key factors give us a strong competitive advantage, including:

- ***Business and Geographic Market Diversification.*** We are a well-diversified gaming company with four distinct and complementary business divisions within the industry and operations in eight countries outside of Spain. We believe that the diversity of our revenue stream helps improve the stability of our cash flow profile by reducing our dependence on any single geographic market, economy or business segments in the gaming industry. While we focus our international expansion in markets with growth potential, we favor countries with less volatile economic and regulatory environments; for the year ended December 31, 2018, 96% of our EBITDA was generated in countries which currently have an investment grade rating from S&P and Moody's. Our expansion in Latin America since 2010 has been concentrated in Colombia, Costa Rica, Peru, the Dominican Republic and Mexico and we have made substantial investments in our Panama business. In addition, our diversified operations allow us to

identify opportunities for growth in known or adjacent markets by using our operating experience across the gaming industry in Spain, Italy and Latin America, as demonstrated by our expansion into Costa Rica and Morocco in 2015.

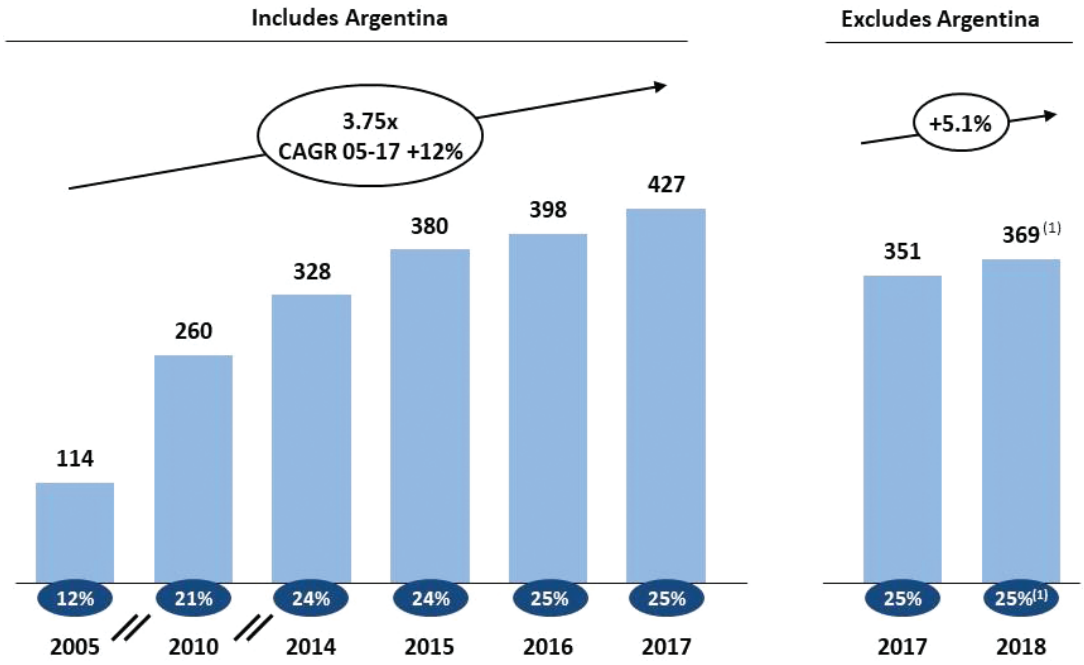
- ***Corporate Synergies.*** We are a leading integrated manufacturer, distributor and operator of slot machines in Spain. Our Slots Division provides us with information regarding evolving customer preferences and tendencies, which helps us to design and manufacture popular games in a timely manner. In the year ended December 31, 2018, we manufactured five of the top ten revenue-generating slot machine models in Spain. Our strong manufacturing capabilities, in turn, support demand for our slot machines and facilitates access to new successful games for our Slots Division. We believe that our integrated manufacturing, distribution and operating capabilities give us cost and service advantages not enjoyed by many of our competitors in Spain.

- ***Barriers to Entry.*** We believe that there are significant barriers to entry in our principal business divisions, including regulatory, financial and technological barriers, the need for operational expertise and the need for a proven track record in order to obtain the trust and confidence of regulators, customers, partners, site owners and gaming machine and other suppliers. For our casinos in Panama, casino licenses are exclusive for a geographic area and granted for long periods. In our Slots Division, we typically enter into five-year exclusivity agreements to place our slot machines in a given location, and many of these agreements have been consistently renewed for the past twenty years. Additionally, in our Slots Division and B2B Division, we believe a new competitor would need significant financial resources, operating expertise and a qualified workforce to build profitable operations. We believe that barriers to entry in our principal business divisions help protect our leading market position and profitability by limiting the number of new competitors in our core business segments.

- ***Leading Market Position and Economies of Scale in Spain.*** We are a leader in Spanish slot machine operations and manufacturing, as well as bingo hall operations. We believe that this leadership position enables us to identify and manage trends in the private gaming industry in Spain. The Spanish slot machine operator and bingo segments are highly fragmented, and we are substantially larger than our competitors. We believe that our size allows us to benefit from economies of scale in many of our businesses. For example, in our slot machine operations, we can spread the cost of providing coin collection services and rapid response to repair calls (minimizing machine downtime) over our 40,234 slot machines, as of December 31, 2018, which helps us to realize a lower operational cost per machine and to have a more developed internal control system as compared to our competitors. We also believe that due to our size and resources, we are well-positioned to acquire attractive slot machine assets as consolidation opportunities arise in the fragmented Spanish slot machine industry.

- ***Resilient Business with Demonstrated Financial Performance.*** Our EBITDA has grown every year from 2005 to 2012, including during periods of economic and regulatory turbulence. Including the Argentina Business, our EBITDA increased from €253.7 million for the year ended December 31, 2013 to €427.0 million for the year ended December 31, 2017, an increase that has been achieved despite, in certain cases, adverse macroeconomic conditions. Excluding the Argentina Business, our EBITDA was €350.8 million for the year ended December 31, 2017 and our Adjusted EBITDA was €368.8 million for the year ended December 31, 2018, reflecting an increase of 5.1%. Our strong financial profile over time is underpinned by our well balanced business and geographical diversification and our size which provides us with economies of scale. Our capital expenditure for the year ended December 31, 2018 was €160.2 million of which only 72% was for maintenance expenditure, hence leaving us with substantial cash flow and growth expenditure flexibility. Our cash flow generation and flexibility to invest in growth capital expenditure and/or strategic acquisitions is driven by (i) our strong profitability; (ii) our relatively limited working capital investment requirements; (iii) our disciplined capital expenditure strategy; and (iv) our limited overall corporate tax outflow for our Spanish operations. The following chart illustrates the growth of our EBITDA between 2005 and 2017 (including the Argentina

Business) and our EBITDA for 2017 and Adjusted EBITDA for 2018 (excluding the Argentina Business):



(1) Represents our Adjusted EBITDA and Adjusted EBITDA margin for the year ended December 31, 2018. Our EBITDA for the year ended December 31, 2018 was €328.3 million, which includes one-time expenses of €40.5 million related to the completion of the Original Acquisition. Adjusted for this one-time expense, our Adjusted EBITDA for the year ended December 31, 2018 would have been €368.8 million. Based on EBITDA of €328.3 million, our EBITDA margin was 22.3% for the year ended December 31, 2018.

- ***Seasoned Management Team.*** We are led by an experienced and professional management team with a track record of managing complex operations, developing new products inside and outside the gaming industry and delivering upon its commitments. The key members of the senior management team, including our managing directors, chief executive officer, general manager, chief financial officer and legal director, have been in place since our core strategy was implemented in 2006. Besides their track record in managing the business during the severe economic downturn in Spain and Italy, our management team has extensive experience in the Latin American gaming industry, and has developed expertise in addressing the challenges that may arise in those markets. For example, the management team has implemented a range of marketing and efficiency programs including targeted marketing and network-oriented data collection to identify and attract specific clients and increase the operating efficiency throughout our operations. A portion of the compensation of our senior management team in the past had been based on achieving financial targets and certain senior managers have reinvested a substantial portion of their transaction bonus in connection with the Original Acquisition in the Group at a parent company level.

Our Strategies

Our strategic objective is to continue to consolidate our businesses and to achieve sustainable profitable growth through the following strategic pillars:

- ***Consolidate market leadership position in Spain.*** We intend to continue to consolidate our leadership position in Spain, where we are the market leader in the slots, bingo, sports betting and slot machine

production segments. The Spanish slots industry remains fragmented, with more than 6,800 slot machine operators, and we plan to continue to take advantage of consolidation opportunities. In our B2B business, we have maintained our leadership position in Spain in a highly competitive market and intend to leverage this position to increase sales in the slot cabinets and kits and refurbishments segments. In addition, we continuously try to increase revenues more than costs.

- ***Continue to improve performance of existing and future operations.*** We will focus on improving the performance of our existing and future casinos through our "gold mine" strategy. This strategy means that after we identify an attractive location, we seek to achieve optimum performance by increased slot machine and gaming table density and expanded hall surface area. If warranted by the hall's performance, we may then consider steps such as a further expansion to adjacent premises, a relocation to larger and better located premises and, ultimately, acquiring or constructing a new casino. Through the execution of our "gold mine" strategy, since 2010, we have increased the number of slot machines in our casinos by more than 11,000, expanded the surface area of 78 casinos and opened 94 new casinos.

- ***Enhance efficiency and productivity programs across businesses and geographies.*** We will seek to build upon the efficiency and productivity initiatives and synergies achieved in prior periods. We will continue to implement best practices across our markets to improve efficiency and productivity and seek to maintain or improve our current EBITDA margins. In our slots business, this will entail further enhancing the profitability of our slot machine portfolio, including opportunistic slot machine rotations and replacements. In Italy, we are focused on optimizing placement of slot machines and VLTs and achieving favorable terms from our gaming machine suppliers. In our Casinos Division, we intend to optimize the performance of our casinos through the expansion of our better performing halls and investment in additional gaming machines. In our Bingo Division, we have discontinued (closed or sold) 13 bingo halls in Spain since the start of 2014 and will continue to seek to close underperforming halls in order to improve profitability.

- ***Continue proactive marketing and sales approach.*** We will continue to develop and implement our proactive and customer-oriented marketing and sales approach, which has been added to our traditional product-oriented approach. Our marketing and sales strategy can be summarized as "looking for customers rather than waiting for them." Our approach, which is supported by in-house commercial IT tools and applications, includes targeted marketing and network-oriented data collection to identify, attract and retain specific clients and client profiles. Inside the gaming hall, we focus on customer value identification and management, we regularly review the gaming offer and lay-out and use a pricing strategy based on customer demand. We employ CRM customer segmentation to approach different targets, such as visits, frequency and value and use customer loyalty and retention programs to improve customer visits and customer contribution.

- ***Make selective investments and acquisitions with focus and rigor.*** Our investment program in the short- to medium-term is subject to rigorous investment criteria, strategic planning and control of capital expenditures. We have entered into the New Acquisition which is expected to improve our scale, profitability and market position in the Spanish slots market. We will continue to review and analyze investment opportunities in our core business segments with a view to executing investments on an opportunistic basis that enhance our cash flow and positively contribute to EBITDA. In our B2B Division, we will continue to focus our research and development efforts on maintaining our leadership in the Spanish slots market. We intend to continue our successful track record of acquisitions, with a particular focus on the acquisition of gaming operators in Spain and adjacent geographies both to Spain and Latin America, based on our well-defined and disciplined approach. In our acquisitions, we target established, attractive casino businesses in markets with a relatively stable economic and regulatory environment where we can enhance their operations and financial performance with our operational expertise. For example, we acquired 17 additional casinos in Peru in 2017 and in 2018 we acquired one additional casino in Morocco, one additional casino in the Dominican Republic and one additional

bingo hall in Mexico. We also consider selective acquisitions in geographic markets adjacent to our traditional Spanish and Latin American operations, such as our acquisition in 2015 of a casino in the resort town of Agadir, Morocco and our entry into the Costa Rica market (which is adjacent to Panama) in 2015 with the acquisition of seven casinos.

The Issuer

The Issuer is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg for the purpose of facilitating the Original Acquisition and issuing debt, with its registered office at 2-4, rue Eugène Ruppert, L-2453 Luxembourg. The Issuer is registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés à Luxembourg*) under number B224669).

Recent Developments

Current Trading

On a preliminary basis, for the three months ended March 31, 2019, we expect that our EBITDA will increase within a range of approximately 7.3% to 9.7% compared to our EBITDA of €84.8 million for the three months ended March 31, 2018. The increase was primarily due to generally positive performance across our geographies and to a lesser extent the acquisition of one casino in the Dominican Republic (November 2018) and one bingo hall in Mexico (June 2018), as well as improvement in our Spanish slots, bingo and casino operations. This estimate does not reflect the impact of IFRS 16, which became effective on January 1, 2019 and will apply to our results of operations for the three months ended March 31, 2019.

This information is based solely on preliminary internal information used by management. Our actual and consolidated financial results for the three months ended March 31, 2019 may differ from our preliminary estimated results and remain subject to our normal end of period closing procedures and review process. Those procedures have not been completed. Accordingly, these results may change and those changes may be material, particularly due to the impact of IFRS 16. We caution that the foregoing information has not been audited or reviewed by our independent auditors and should not be regarded as an indication, forecast or representation by us or any other person regarding or financial performance for the three months ended March 31, 2019, the six months ending June 30, 2019, the nine months ending September 30, 2019 or the full year ending December 31, 2019.

New Acquisition

On April 29, 2019, Cirsa entered into the New Acquisition Agreement pursuant to which it agreed to acquire the shares of Giga Game System Operation, S.L.U. and certain of its subsidiaries (the "*New Target Group*"). Completion of the New Acquisition will be subject to customary closing conditions, including the receipt of certain antitrust approvals.

New Target Business

The New Target Group is one of the largest gaming groups in Spain, which operates in all of our gaming segments and has operations in the Catalonia and Levante regions of Spain. The New Target Group's current business predominantly comes from operations formerly owned by the Cirsa Group. For the year ended December 31, 2018, the New Target Group's estimated consolidated net revenues were €124 million and EBITDA was approximately €45.7 million, representing an EBITDA margin of approximately 37%. In its slots segment, the New Target Group generated 66% of its EBITDA for the year ended December 31, 2018 and operated approximately 6,200 slots located in 4,100 bars. In its arcades segment, the New Target Group generated 24% of its EBITDA for the year ended December 31, 2018 and operated 51 arcades. In its bingo segment, the New Target Group generated 5% of its EBITDA for the year ended December 31, 2018 and operated eight bingo halls. In its

casino segment, the New Target Group generated 3% of its EBITDA for the year ended December 31, 2018 and operated one casino.

New Acquisition Rationale

Further reinforcing our footprint in key Spanish regions: The New Target Group is one of the largest gaming groups in Spain and one of only few gaming groups of this size in Spain. We expect that this acquisition will strengthen our position in certain key regions of Spain. These regions of Spain benefit from a favorable regulatory environment that restricts the number of new entrants, which we expect will be particularly beneficial for the growing arcades segment.

Acquisition of a high-quality point-of-sale portfolio: The New Acquisition offers us the opportunity to acquire a high quality point-of-sale portfolio with an above average revenue per slot per day and a relatively high EBITDA margin of approximately 37%.

Significant revenue and cost synergies: The New Acquisition offers us the opportunity to realize revenue and cost savings in the amount of approximately €5.7 million, including (i) in the New Target Group's slots operations, primarily as a result of a slot machines replacement program, logistics, optimization of slot operations (cash collection and technical services) and acquisition of small third party partners, (ii) in the New Target Group's arcades operations, primarily as a result of product mix improvement and update, the renewal and extension of arcades and the implementation of Cirsa's customer relationship management program and (iii) in the New Target Group's bingos and casinos operations, as a result of a slot machines replacement program, extended opening times and product offer optimization. This acquisition also offers the possibility to make further use of our tax credit in Spain, and consequently improve our cash flow profile.

Low operational risk: We believe that we have a deep knowledge of the New Target. The New Target operates in the same business segments as we do and a large part of the New Target's business was operated by the Cirsa Group in the past. We have longstanding operations and experienced managers in the regions where the New Target operates. Geoghraphical proximity of the New Target's operations to our exisitng operations also allows for a seamless intergration process.

Foreign exchange benefits: The New Target Group will generate revenues in euros, which is expected to decrease our foreign exchange exposure and balance our future growth in Latin America.

Transactions

The Transactions consist of the following:

- the issuance by the Issuer of €390 million aggregate principal amount of Notes and the use of proceeds thereof;
- the consummation of the transactions contemplated by the New Acquisition Agreement;
- the payment of costs, fees and expenses in connection with the foregoing transactions, including the fees and expenses to be incurred in connection with the Offering; and
- any other transactions in connection with any of the above or incidental thereto.

Principal Shareholder

The Issuer is a wholly owned subsidiary of the Company, a holding company which is indirectly controlled by Blackstone, which is the indirect principal shareholder of our holding company's voting stock. As of the date of the Offering Memorandum, Blackstone beneficially owned 97.2% of the equity of the Company, and 2.8% is

beneficially owned by certain members of the Group's management team. Following the Original Acquisition, Cirsa is now a wholly owned subsidiary of the Company and a sister company of the Issuer.

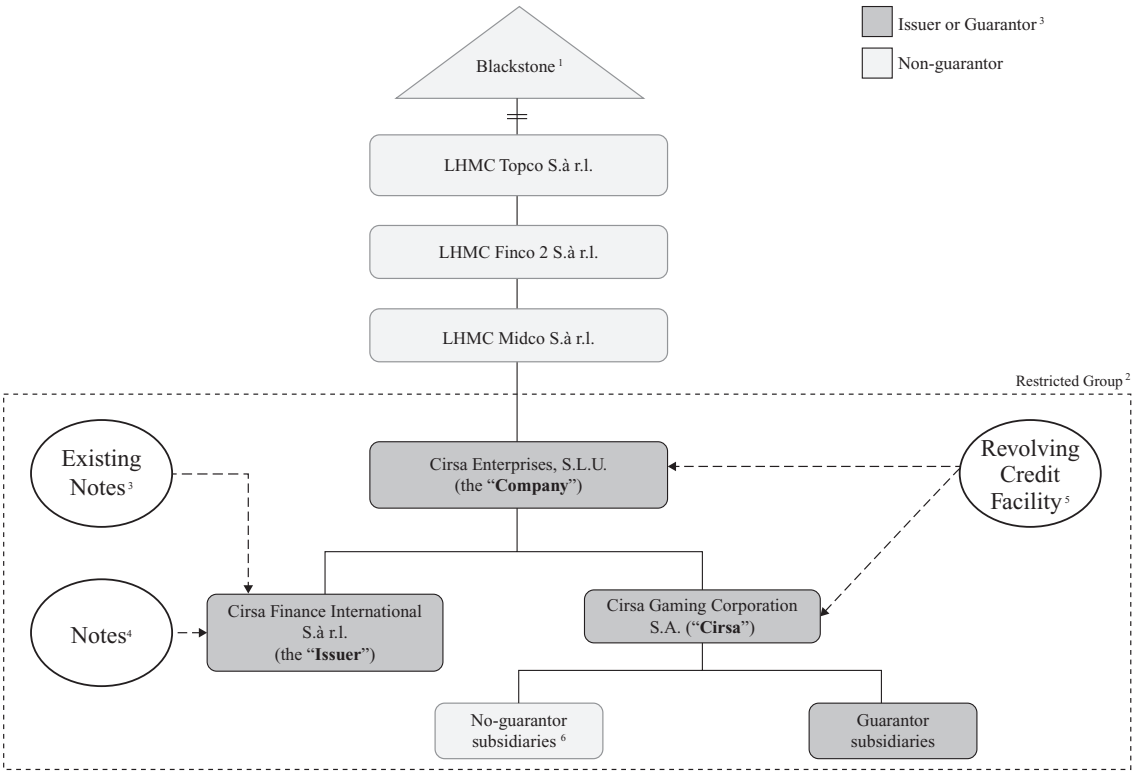
The Blackstone Group L.P. (NYSE: BX) is one of the world's leading investment firms. Blackstone's alternative asset management businesses include investment vehicles focused on private equity, real estate, public debt and equity, non-investment grade credit, real assets and secondary funds, all on a global basis.

Through its different investment businesses, as of March 31, 2019, Blackstone had total assets under management of over $511.8 billion. This is comprised of $159.0 billion in private equity funds, $140.3 billion in real estate funds, $80.2 billion in hedge fund solutions and $132.3 billion in credit businesses.

Blackstone has a strong track record in owning leading companies in the gaming sector both in online gaming and casinos, as evidenced by its investments in JOA (the French casino group) and the Cosmopolitan Hotel in Las Vegas, USA.

Summary corporate and financing structure

The diagram below illustrates, in simplified form, the Group's current corporate and financing structure after giving effect to the Transactions and the use of proceeds thereof as described in "*—Recent Developments—Transactions*." The diagram does not include all entities in the Group, nor all of the debt obligations thereof. For more details on the debt obligations identified in this diagram, see "*Capitalization*," "*Description of Other Indebtedness*" and "*Description of the Notes*."



(1) "*Blackstone*" refers to, individually or collectively, any investment fund, co-investment vehicles and/or other similar vehicles or accounts, in each case managed or advised by an affiliate of The Blackstone Group L.P., or any of their respective successors. Blackstone and certain private equity investment funds managed or advised by affiliates of Blackstone are the indirect principal shareholders of the Company. As of the date of the Offering Memorandum, Blackstone beneficially owned 97.2% of the equity of the Company, and 2.8% is beneficially owned by certain members of the Group's management team.

(2) The entities in the "Restricted Group" are subject to the covenants in the Indenture, the Existing Indenture and the Revolving Credit Facility Agreement. As of the Issue Date, all of the Company's subsidiaries are restricted subsidiaries.

(3) The Existing Notes comprise €663,000,000 aggregate principal amount of 6.250% senior secured notes due 2023, €425,000,000 aggregate principal amount of floating rate senior secured notes due 2023 and $550,000,000 aggregate principal amount of 7.875% senior secured notes due 2023, in each case, issued on July 2, 2018 pursuant to the Existing Indenture.

(4) The Notes will be senior secured obligations of the Issuer and will rank pari passu in right of payment with all other existing and future senior debt of the Issuer, including the Existing Notes and the Revolving Credit Facility. Subject to the Agreed Security Principles, on or about the Issue Date, the Notes will be guaranteed on a senior secured basis by the Company and the Subsidiary Guarantors, which are the same entities that guarantee the Existing Notes and the Revolving Credit Facility. The validity and enforceability of the Guarantees and the liability of each Guarantor will be subject to the limitations described in "*Limitations on Validity and Enforceability of Guarantees and Security*." The Guarantees may be released under certain circumstances. See "*Description of the Notes—Guarantees.*" As of and for the year ended December 31, 2018, the Guarantors represented 37.2% of the Group's revenue, 54.5% of the Group's Adjusted EBITDA (excluding the negative EBITDA of the Company and Cirsa Gaming Corporation, S.A., which are holding companies) and 29.5% of the Group's

total assets (excluding goodwill assets). Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will, on or about the Issue Date, deposit with a bank an amount equal to the gross proceeds of the Notes sold on the Issue Date into the Deposit Account, which are segregated and controlled by the Issuer to hold such amounts pending the consummation of the New Acquisition. On or about the Issue Date, the Issuer will assign as security its rights, title and interest in the credit balance in the Deposit Account to the Trustee. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The proceeds of the offering of the Notes will be placed in a Deposit Account and if the Deposit Account release conditions are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes. No third party escrow agent shall control the Deposit Account.*" In addition, within 120 days of the Issue Date, the Notes and the Guarantees will be secured, subject to the Intercreditor Agreement, the Agreed Security Principles, perfection requirements and Permitted Liens, on a first-priority basis by liens and security interests over (i) the entire issued capital stock of the Company, the Issuer, Cirsa, Cirsa International Business Corporation, S.L.U., Gaming & Services de Panama S.A., Promociones e Inversiones de Guerrero, S.A.P.I. de C.V., Uniplay S.A.U., Global Game Machine Corporation, S.A.U., Juegomatic, S.A.U. and Cirsa Italia Holding SpA, (ii) material long-term intra-group receivables of the Company and the Issuer (including receivables of the Company in respect of the Intercompany Loan and receivables of the Issuer in respect of the Existing Proceeds Loan, the Proceeds Loan and any additional proceeds loans), (iii) material operating bank accounts of the Company and the Issuer and (iv) monetary rights claims and receivables of the Company under the Original Acquisition Agreement. Under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral or certain distressed disposals, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the Revolving Credit Facility counterparties to certain hedging agreements and lenders or creditors under certain other indebtedness. The security interests in the Collateral may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral,*" "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Notes—Security*." The Notes will initially not be guaranteed, or secured by, the New Target Group.

(5) The Company entered into the Revolving Credit Facility on June 22, 2018. The Revolving Credit Facility provides for revolving commitments of up to €200 million. The Revolving Credit Facility may be used for general corporate purposes, to fund acquisitions and to fund working capital of the Group. The Company is the original borrower under the Revolving Credit Facility. The Revolving Credit Facility is guaranteed by the Guarantors and is, subject to the Intercreditor Agreement, the Agreed Security Principles, perfection requirements and Permitted Liens, secured by first-priority security interests over the Collateral (other than the receivables of the Company under the Intercompany Loan). At the Issue Date, we expect the Revolving Credit Facility to be undrawn. See "*Description of Other Indebtedness—Revolving Credit Facility*."

(6) As of December 31, 2018, after giving effect to the Transactions, the Company's subsidiaries that will not guarantee the Notes would have had €91.4 million of indebtedness outstanding.

The Offering

The following is a brief summary of certain terms of the Offering. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes and the Guarantees, including certain definitions of terms used in this summary, see "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Notes*."

Issuer:	Cirsa Finance International S.à r.l. (formerly, LHMC Finco S.à r.l.), a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg for the purpose of facilitating the Original Acquisition and issuing debt, with its registered office at 2-4, rue Eugène Ruppert, L-2453 Luxembourg. The Issuer is registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés à Luxembourg*) under number B224669.
Notes Offered:	€390,000,000 aggregate principal amount of the Issuer's 4.750% Senior Secured Notes due 2025.
Coupon:	4.750% per year.
Issue Date:	May 22, 2019.
Issue Price:	100.000% plus accrued and unpaid interest, if any, from the Issue Date.
Maturity Date:	May 22, 2025.
Interest Payment Dates:	Semi-annually in arrears on each June 20 and December 20, commencing on December 20, 2019.
Denomination:	The Issuer will issue the Notes in global form in minimum denominations of €100,000 and integral multiples of €1,000, in excess thereof maintained in book-entry form.
Ranking of the Notes:	The Notes will be senior secured obligations of the Issuer and will: • rank *pari passu* in right of payment with the Issuer's existing and future obligations that are not expressly subordinated in right of payment to the Notes, including indebtedness incurred under the Existing Notes and the Revolving Credit Facility and certain hedging obligations; • be senior in right of payment to the Issuer's existing and future obligations that are expressly subordinated in right of payment to the Notes; • be effectively subordinated to the Issuer's existing and future obligations that are secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such obligations; • be secured by the Collateral as described further under "—*Security*" below (however, under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral or certain distressed disposals, the holders of the Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility, counterparties to certain hedging agreements and lenders or creditors under certain other indebtedness);

- be guaranteed by the Guarantors, which guarantees may be subject to the guarantee limitations described herein; and
- be structurally subordinated to all existing and future obligations of the non-Guarantor subsidiaries of the Company.

Guarantees: . . . . . The Notes will be fully and unconditionally guaranteed on a senior secured basis by the Company and the Subsidiary Guarantors on or about the Issue Date, subject to the Agreed Security Principles and the limitations discussed below.

The obligations of a Guarantor under its Guarantee will be contractually limited under the applicable Guarantee to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, financial assistance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such limitations, see "*Limitations on Validity and Enforceability of Guarantees and Security*." In particular, the Guarantees of the Cirsa Group Guarantors incorporated in Spain are limited to the value of proceeds from the Existing Notes that were used to refinance the Cirsa Group's then existing indebtedness (approximately €985 million) plus the value of the Notes (and any additional Notes so long as they do not infringe Spanish financial assistance laws) and will not guarantee those obligations or liabilities which, if guaranteed, will constitute an infringement of Spanish financial assistance laws in accordance with Articles 143.2 and 150 of the Spanish Companies Act. In addition, under Spanish law, the financial assistance restrictions referred to above in relation to Cirsa Group Guarantors incorporated in Spain may also apply to the Cirsa Group Guarantors that are not incorporated in Spain. The Indenture will limit all Guarantees of the Cirsa Group Guarantors to the value of proceeds from the Existing Notes that were used to refinance the Cirsa Group's existing indebtedness plus the value of the Notes (and any additional Notes so long as they do not infringe Spanish financial assistance laws). See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Collateral may not be sufficient to secure the obligations under the Notes." and "Limitations on Validity and Enforceability of Guarantees and Security—Spain*." The Guarantees may be released under certain circumstances. See "*Description of the Notes—Guarantees*."

As of and for the year ended December 31, 2018, the Guarantors represented 37.2% of the Group's revenue, 54.5% of the Group's Adjusted EBITDA (excluding the negative EBITDA of the Company and Cirsa Gaming Corporation, S.A., which are holding companies) and 29.5% of the Group's total assets (excluding goodwill assets).

As at December 31, 2018, after giving effect to the Transactions, the Company's subsidiaries that will not guarantee the Notes would have had €91.4 million of indebtedness outstanding.

See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*."

Ranking of the Guarantees: . . . . . Each Guarantee of the Notes will be a joint and several, senior secured obligation of the respective Guarantor and will:

- rank *pari passu* in right of payment with all existing and future obligations of that Guarantor that are not expressly subordinated in

right of payment to such Guarantee, including guarantees in respect of the Existing Notes and the Revolving Credit Facility and certain hedging obligations;

- rank senior in right of payment to all existing and future obligations of such Guarantor that are expressly subordinated in right of payment to such Guarantee;
- be effectively subordinated to all existing and future obligations of such Guarantor that are secured by property or assets that do not secure such Guarantee, to the extent of the value of the property and assets securing such obligations; and
- be secured by the Collateral as described under "*—Security*" below, (however, under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral or certain distressed disposals, the holders of the Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility, counterparties to certain hedging agreements and lenders or creditors under certain other indebtedness).

Security: . . . . . Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will, on or about the Issue Date, deposit the gross proceeds of the issuance of the Notes into the Deposit Account to hold such amounts pending the consummation of the New Acquisition. On or about the Issue Date, the Issuer will assign as security its rights, title and interest in the credit balance in the Deposit Account to the Trustee. See "*Risk Factors—Risks related to the Notes, the Guarantees and the Collateral—The proceeds of the offering of the Notes will be placed in a Deposit Account and if the Deposit Account release conditions are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes. No third party escrow agent shall control the Deposit Account.*"

Pursuant to the Collateral Documents, the Company and certain of its restricted subsidiaries (as applicable) will grant in favor of the Security Agent, subject to the Intercreditor Agreement, the Agreed Security Principles, perfection requirements and any Permitted Liens, within 120 days of the Issue Date, liens and security interests on an equal and ratable first-priority basis, over those of the assets listed below:

- the entire issued capital stock of the Company, the Issuer, Cirsa, Cirsa International Business Corporation, S.L.U., Gaming & Services de Panama S.A., Promociones e Inversiones de Guerrero, S.A.P.I. de C.V., Uniplay S.A.U., Global Game Machine Corporation, S.A.U., Juegomatic, S.A.U., and Cirsa Italia Holding SpA;
- material long-term intra-group receivables of the Company and the Issuer (including receivables of the Company in respect of the Intercompany Loans and receivables of the Issuer in respect of the Existing Proceeds Loan, the Proceeds Loan and any additional proceeds loan);
- material operating bank accounts of the Company and the Issuer; and
- monetary rights, claims and receivables of the Company under the Original Acquisition Agreement,

	(together, the "*Collateral*"). Notwithstanding the foregoing, certain assets will not be pledged (or the liens not perfected) and guarantees will not be required, in accordance with the Agreed Security Principles as described under "*Description of the Notes—Security—The Collateral*." The security over 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. In particular, security over the Collateral granted by the subsidiaries of Cirsa incorporated in Spain will be limited to the value of proceeds from the Existing Notes that were used to refinance the Cirsa Group's existing indebtedness (approximately €985 million) plus the value of the Notes (and any additional Notes so long as they do not infringe Spanish financial assistance laws) and will not secure those obligations or liabilities which, if secured, will constitute an infringement of Spanish financial assistance laws in accordance with Articles 143.2 and 150 of the Spanish Companies Act. In addition, under Spanish law, the financial assistance restrictions referred to above in relation to the Collateral granted by the subsidiaries of Cirsa incorporated in Spain may also apply to subsidiaries of Cirsa not incorporated in Spain. The Indenture will limit all security over the Collateral granted by the subsidiaries of Cirsa to the value of proceeds from the Existing Notes that were used to refinance the Cirsa Group's existing indebtedness plus the value of the Notes (and any additional Notes so long as they do not infringe Spanish financial assistance laws). See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Collateral may not be sufficient to secure the obligations under the Notes*." and "*Limitations on Validity and Enforceability of Guarantees and Security—Spain*." The security over the Collateral may be released under certain circumstances. See "*Description of the Notes—Security*." Under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral or certain distressed disposals, the holders of the Notes and the Existing Notes will receive proceeds from the Collateral only after the lenders under the Revolving Credit Facility, counterparties to certain hedging agreements and lenders or creditors under certain other indebtedness. The security interests in the Collateral may be released under certain circumstances. See "*Description of Other Indebtedness—Intercreditor Agreement"* and "*Description of the Notes—Security*."
Intercreditor Agreement:	Each holder of a Note by accepting a Note will be deemed to have agreed to, and be bound by, the terms of the Intercreditor Agreement. The Indenture is subject to the terms of the Intercreditor Agreement, and the rights and benefits of the holders of the Notes will be limited accordingly and subject to the terms of the Intercreditor Agreement. See "*Description of Other Indebtedness—Intercreditor Agreement*."
Optional Redemption:	The Issuer may redeem all or a portion of the Notes at any time on or after May 22, 2021, at the applicable redemption prices as described under "*Description of the Notes—Optional Redemption*." At any time prior to May 22, 2021, the Issuer may redeem all or a portion of the Notes at a

redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, plus the relevant "make-whole" premium applicable to the Notes, as described under "*Description of the Notes—Optional Redemption*."

At any time prior to May 22, 2021, the Issuer may redeem up to 40% of the aggregate principal amount of the Notes (including additional Notes of the same series) with the net cash proceeds from certain equity offerings at a redemption price equal to 104.750% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; *provided* that:

- the redemption takes place no later than 180 days after the closing of the related equity offering; and
- not less than 50% of the principal amount of the Notes originally issued on the Issue Date (excluding the principal amount of any additional Notes) remain outstanding immediately thereafter (unless all such Notes are redeemed substantially concurrently).

At any time prior to May 22, 2021, the Issuer may on any one or more occasions redeem during each 12-month period up to 10% of the aggregate principal outstanding amount of the Notes, upon not less than 10 nor more than 60 days' notice, at a redemption price of 103% of the principal amount of the Notes so redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date occurring on or prior to, but excluding, the redemption date. See "*Description of the Notes—Optional Redemption*."

Deposit of Proceeds; Special Mandatory Redemption: . . . . . Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will, on or about the Issue Date, deposit with a bank an amount equal to the gross proceeds of the Notes sold on the Issue Date into the Deposit Account, which shall be segregated from the Issuer's other funds and will be controlled by the Issuer. On or about the Issue Date, the Issuer will assign as security its rights, title and interest in the credit balance in the Deposit Account to the Trustee. The release of the funds credited to the Deposit Account and the consummation of the New Acquisition will be subject to the satisfaction of certain conditions. In the event that, (i) the New Acquisition Completion Date does not take place on or prior to the Longstop Date (ii) in the good faith judgment of the Issuer, the New Acquisition will not be consummated on or prior to the Longstop Date, (iii) the New Acquisition Agreement terminates at any time on or prior to the Longstop Date or (iv) certain other events occur, the Issuer will redeem the Notes at a price equal to 100% of the initial issue price of such Notes, plus accrued but unpaid interest and additional amounts, if any, from the Issue Date to (but not including) the Special Mandatory Redemption Date (as defined herein) (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). See "*Risk Factors—Risks related to the Notes, the Guarantees and the Collateral—The proceeds of the offering of the Notes will be placed in a Deposit Account and if the Deposit Account release conditions are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes. No*

	third party escrow agent shall control the Deposit Account" and "*Description of the Notes—Deposit of Proceeds; Special Mandatory Redemption*." Once the Issuer determines that the conditions to the release of the proceeds from the Deposit Account will be satisfied promptly following the release of the deposited funds, the deposited funds may be released to the Issuer and utilized as described in "*Use of Proceeds*" and "*Description of the Notes—Deposit of Proceeds; Special Mandatory Redemption*" and the Deposit Account Charge will be released.
Additional Amounts:	All payments in respect of the Notes or the Guarantees will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding tax is required by law in Luxembourg, any jurisdiction from or through which payment on the Notes or the Guarantee is made or any other jurisdiction in which the Issuer or the Guarantors are incorporated or organized, resident or engaged in business for tax purposes or has a permanent establishment in (each, a "*Relevant Taxing Jurisdiction*"), subject to certain exceptions, the Issuer or the relevant Guarantor, as appropriate, will pay additional amounts so that the net amount received will equal the amounts which would have received in the absence of such withholding. See "*Description of the Notes—Withholding Taxes*."
Tax Redemption:	If certain changes in the law of any Relevant Taxing Jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes or the Guarantees, as applicable, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*."
Change of Control:	Upon the occurrence of certain events constituting a "change of control," the Issuer is required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. A "change of control" will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded as a result of such event. See "*Description of the Notes—Repurchase at the Option of Holders—Change of Control*."
Certain Covenants:	The Indenture, among other things, restricts the ability of the Company, the Issuer and the other restricted subsidiaries of the Company to: • incur or guarantee additional indebtedness and issue certain preferred stock; • pay dividends on, redeem capital stock and, in the case of restricted subsidiaries of the Company (other than the Issuer or a Guarantor) make certain investments; • make certain other restricted payments; • create or permit to exist certain liens; • sell, lease or transfer certain assets; • enter into arrangements that impose encumbrances or restrictions on the ability of the restricted subsidiaries to pay dividends or make other

	payments to the Issuer, the Company or its restricted subsidiaries that are Guarantors; • enter into certain transactions with affiliates; • merge or consolidate with other entities; and • impair the security interests for the benefit of the holders of the Notes. Each of these covenants is subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*."
Use of Proceeds:	The proceeds of the offering of the Notes sold on the Issue Date will be used by the Group to fund the acquisition of the New Target Group, for general corporate purposes and to pay fees and expenses in connection with the Transactions, as set forth in this Offering Memorandum under the caption "*Use of Proceeds*."
Transfer Restrictions:	The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transferability and resale. See "*Transfer Restrictions*." The Issuer has not agreed to, or otherwise undertaken to, register the Notes in the United States (including by way of an exchange offer).
No Prior Market:	The Notes will be new securities for which there is currently no established trading market. Accordingly, there can be no assurances as to the development or liquidity of any market for the Notes.
Listing:	Application has been made for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and to be admitted for trading on the Luxembourg Stock Exchange's Euro MTF Market in accordance with the rules and regulations of that exchange. There can be no assurances that the Notes will be listed on the Official List of the Luxembourg Stock Exchange, that such permission to deal in the Notes will be granted, that such listing will be maintained or that the Notes will be admitted to trading on the Euro MTF Market.
Governing Law for the Notes, the Guarantees and the Indenture:	New York law.
Governing Law for the Intercreditor Agreement:	English law.
Governing Law for the Security Documents:	Spain, Panama, Mexico, Italy, Luxembourg and England and Wales.
Trustee:	Deutsche Trustee Company Limited
Paying Agent:	Deutsche Bank AG, London Branch
Transfer Agent and Registrar:	Deutsche Bank Luxembourg S.A.
Security Agent:	Deutsche Bank Trust Company Americas
Listing Agent	Deutsche Bank Luxembourg S.A.
ISIN:	Regulation S: XS1990952779 and Rule 144A: XS1990952936
Common Code:	Regulation S: 199095277 and Rule 144A: 199095293

Investing in the Notes involves substantial risks. See "*Risk Factors*" for a description of certain risks you should carefully consider before investing in the Notes.

SUMMARY CONSOLIDATED HISTORICAL AND OTHER INFORMATION

The Company was incorporated on November 15, 2017 for the purpose of facilitating the Original Acquisition. Prior to the completion of the Original Acquisition on July 3, 2018, it had no material assets or liabilities, and had not engaged in any material activities, other than those in preparation for the Original Acquisition and the issuance of the Existing Notes. The Company is a holding company that owns the entire share capital of the Issuer and, following the completion of the Original Acquisition, it became the owner of the entire share capital of Cirsa Group.

We started consolidating the results of our group companies at the level of the Company for our special purpose consolidated financial statements prepared as of and for the year ended December 31, 2018. For periods prior to that, we consolidated the results of our group companies at the level of Cirsa. The Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 have been prepared from Cirsa's consolidated financial statements for the six months ended June 30, 2018 and thereafter includes the effects of the acquisition by the Company of the Cirsa Group. Accordingly, in this Offering Memorandum, we include the Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 and Cirsa's consolidated financial statements as of and for the year ended December 31, 2017, in each case, prepared in accordance with IFRS. The Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 have been audited by Ernst & Young S.L. and Cirsa's consolidated financial statements as of and for the year ended December 31, 2017 have been audited by Ernst & Young S.L. and Cortés & Pérez Auditores y Asesores Asociados, S.L., and their auditors' reports thereon are included elsewhere in this Offering Memorandum. We present our consolidated financial statements in euro.

In connection with the Original Acquisition, the Argentina Business was transferred from the Cirsa Group pursuant to the Argentina Business Transfer. Accordingly, the Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 treat the results of the Argentina Business as a discontinued operation. In our special purpose consolidated financial statements as of and for the year ended December 31, 2018, we have restated the comparative financial information as of and for the year ended December 31, 2017 to present it on a consistent basis with our financial information as of and for the year ended December 31, 2018. The purpose of this restatement was to (i) give effect to the treatment of the Argentina Business as a discontinued operation and (ii) consolidate our results at the level of the Company rather than at the level of Cirsa as of and for the year ended December 31, 2017. In such presentation, certain line items in the profit and loss account, balance sheet and statement of cash flows were reclassified in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations." The financial statements as of and for the year ended December 31, 2017 and the comparative financial information contained therein as of and for the year ended December 31, 2016 incorporate the results of the Argentina Business.

We have presented below certain financial information for periods starting with the financial year 2007. We believe that presenting certain of Cirsa's historical consolidated financial information for longer periods than otherwise included in this Offering Memorandum will assist investors in their understanding of the Group's financial history and growth patterns that are described elsewhere in this Offering Memorandum.

Unless otherwise indicated, the financial information presented below as of and for the years ended December 31, 2018 and December 31, 2017 has been extracted from Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 and the financial information presented below as of and for the year ended December 31, 2016 has been extracted from Cirsa's consolidated financial statements as of and for the year ended December 31, 2016.

We have also presented below certain non-IFRS measures. These include certain operating measures such as numbers of slots, casinos, bingo halls and tables. These also include certain financial measures such as EBIT, EBITDA, Adjusted EBITDA, Pro Forma Adjusted EBITDA, EBITDA Margin, Adjusted EBITDA Margin, Pro Forma Adjusted EBITDA Margin, Capital Expenditures, Adjusted Cash and Cash Equivalents, Net Debt, Adjusted Total Debt, Adjusted Total Net Debt, Adjusted Net Interest Expense and certain leverage and coverage ratios. We

present these non-IFRS measures in this Offering Memorandum because we believe that they provide useful information regarding a company's ability to service and incur indebtedness and management uses them as a measure of evaluating our performance. These non-IFRS measures are not measurements of operating performance under IFRS and should not be considered a substitute for operating income, net income, cash flows from operating activities or other profit and loss account or statement of cash flows information, or as a measure of profitability or liquidity, and do not necessarily indicate whether cash flow will be sufficient or available for cash requirements. Therefore, the non-IFRS measures presented below should be viewed as supplementary to our sinancial statements included elsewhere in this Offering Memorandum and may not be indicative of our historical operating results nor are they meant to be predictive of potential future results. Because all companies do not calculate such measures identically, the presentation may not be comparable to similarly entitled measures of other companies and you are cautioned not to place undue reliance on such financial information. In addition, Pro Forma Adjusted EBITDA presented in this Offering Memorandum has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act or any generally accepted accounting standards.

The summary historical consolidated financial information is qualified in its entirety by reference to, and should be read in conjunction with "*Operating and Financial Review and Prospects*" and the financial statements included elsewhere in this Offering Memorandum. See "*Presentation of Financial Information.*"

Historical Financial Information

	Includes Argentina											Excludes Argentina	
	For the year ended December 31,											For the year ended December 31,	
(in € millions)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013[1]**	**2014**	**2015**	**2016**	**2017**	**2017**	**2018**
	(audited)											(restated)	(audited)
Summary Profit and Loss Account Information:													
Operating revenues	**1,670.3**	**1,703.9**	**1,648.3**	**1,464.2**	**1,499.1**	**1,576.3**	**1,370.1**	**1,591.5**	**1,853.3**	**1,871.7**	**1,982.8**	**1,661.6**	**1,740.2**
Bingo Prizes	(420.6)	(382.8)	(335.6)	—	—	—	—	—	—	—	—	—	—
Variable rent	(212.0)	(231.5)	(212.9)	(219.7)	(241.9)	(226.3)	(209.3)	(238.1)	(253.9)	(258.9)	(266.6)	(265.6)	(271.1)
Net operating revenues	**1,037.8**	**1,089.6**	**1,099.8**	**1,244.5**	**1,257.2**	**1,350.0**	**1,160.8**	**1,353.4**	**1,599.4**	**1,612.8**	**1,716.2**	**1,395.9**	**1,469.1**
Consumption	(102.5)	(109.0)	(89.0)	(87.6)	(86.7)	(81.6)	(61.0)	(55.9)	(73.0)	(71.9)	(75.8)	(68.1)	(71.3)
Personnel	(192.9)	(200.0)	(203.1)	(228.6)	(224.8)	(242.2)	(199.8)	(246.0)	(295.9)	(291.0)	(312.6)	(228.1)	(281.9)
Gaming taxes	(386.9)	(377.2)	(383.5)	(414.9)	(410.4)	(437.7)	(423.9)	(470.3)	(561.2)	(570.6)	(604.5)	(492.2)	(511.0)
External supplies and services	(191.1)	(210.9)	(215.7)	(253.4)	(245.2)	(266.4)	(222.3)	(253.0)	(289.2)	(281.1)	(296.2)	(256.7)	(276.7)
Depreciation, amortization and impairment	(76.3)	(97.8)	(101.5)	(140.4)	(149.6)	(153.4)	(143.4)	(193.5)	(201.2)	(196.8)	(194.8)	(176.5)	(192.3)
Changes in trade provisions	—	—	—	(4.6)	(5.5)	(6.2)	(5.0)	(6.2)	(2.8)	(31.9)	(2.8)	(2.7)	(3.3)
Earnings before interest and taxes	**88.0**	**94.8**	**107.1**	**115.0**	**134.9**	**162.5**	**105.3**	**128.4**	**176.0**	**169.6**	**229.4**	**171.6**	**132.7**
Financial results	(45.8)	(50.1)	(62.5)	(82.7)	(96.8)	(90.5)	(79.0)	(88.8)	(106.3)	(92.5)	(67.7)	(64.2)	(129.6)[a]
Foreign exchange results	(16.3)	(0.4)	(0.1)	(0.5)	(6.2)	(6.3)	(1.6)	(12.8)	(3.8)	(1.5)	1.7	(1.3)	(11.5)
Results on sale of non-current assets	(9.2)	(10.9)	(16.3)	(9.4)	(5.2)	0.1	(3.0)	81.8	(9.6)	0.2	(5.0)	(5.0)	8.5
Profit before tax	**16.8**	**33.4**	**28.2**	**22.5**	**26.8**	**65.7**	**21.6**	**108.5**	**56.4**	**75.8**	**158.4**	**101.1**	**0.0**
Income tax	(18.4)	(14.8)	(31.3)	(33.1)	(43.7)	(56.1)	(20.7)	(32.0)	(44.7)	(52.3)	(61.9)	(39.1)	(28.4)
Profit after tax from discontinued operations	—	—	—	—	—	—	—	—	—	—	—	25.6	(240.4)[a]
Minority interest	(4.0)	4.8	(1.9)	(8.5)	(8.5)	(9.4)	(14.1)	(20.5)	(27.4)	(20.3)	(25.7)	(16.8)	(15.3)
Net profit	**(5.6)**	**23.5**	**(5.0)**	**(19.0)**	**(25.4)**	**0.2**	**(13.1)**	**55.9**	**(15.7)**	**3.3**	**70.8**	**70.8**	**(284.0)**

(in € millions)	Includes Argentina											Excludes Argentina	
	As of December 31,											As of December 31,	
	2007	2008	2009	2010	2011	2012	2013[1]	2014	2015	2016	2017	2017	2018
	(audited)											(restated)	(audited)
Selected Balance Sheet Information:													
Cash and cash equivalents	56.5	64.0	50.3	65.2	66.7	55.2	45.9	78.4	114.9	174.1	181.2	212.2	152.2
Total assets	1,003.2	1,149.4	1,238.7	1,349.1	1,389.6	1,340.7	1,236.4	1,714.5	1,679.7	1,639.8	1,615.5	1,615.5	2,840.8
Total debt[2]	736.4	785.9	830.7	898.2	936.7	923.5	922.7	1,084.9	1,102.6	1,138.8	1,129.9	1,097.3	1,643.1
Total net debt[3]	679.9	721.9	780.4	833.0	870.0	868.3	876.8	1,006.5	987.6	964.7	948.7	885.1	1,490.9
Total shareholders' equity	95.2	91.7	90.8	85.0	35.6	14.1	(31.6)	119.6	44.0	11.8	12.9	12.9	666.8

Non-IFRS Measures

(in € millions, unless indicated otherwise)	Includes Argentina											Excludes Argentina	
	As of and for the year ended December 31,											As of and for the year ended December 31,	
	2007	2008	2009	2010	2011	2012	2013[1]	2014	2015	2016	2017	2017	2018
	(audited)											(restated)	(audited)
Other Financial Information:													
EBITDA[4]	164.3	192.6	208.6	260.0	290.0	322.0	253.7	328.1	380.0	398.3	427.0	350.8	
Adjusted EBITDA[4]													368.8[b]
EBITDA Margin[5]	15.8%	17.7%	19.0%	20.9%	23.1%	23.9%	21.9%	24.2%	23.8%	24.7%	24.9%	25.1%	
Adjusted EBITDA Margin[5]													25.1%[b]
Capital Expenditures[6]	91.5	114.4	167.6	140.8	160.1	144.8	99.5	123.6	123.2	130.9	156.0	144.2	160.2

(a) For the year ended December 31, 2018, our financial results were impacted by the one-off charges associated with the financing of the Original Acquisition, including the early redemption of Cirsa's then outstanding senior notes. In addition, for the year ended December 31, 2018, profit after tax from discontinued operations and net profit include the negative €264.6 million impact of the transfer of the Argentina Business. See note 20 to our special purpose consolidated financial statements for the year ended December 31, 2018.

(b) Our EBITDA for the year ended December 31, 2018 was €328.3 million, which includes one-time expenses of €40.5 million related to the completion of the Original Acquisition. Adjusted for this one-time expense, our Adjusted EBITDA for the year ended December 31, 2018 was €368.8 million. Based on EBITDA of €328.3 million, our EBITDA margin was 22.3%.

	As of December 31, 2018									
	Spain	Panama	Colombia	Mexico	Italy	Costa Rica	Dominican Republic	Peru	Morocco	Total
Certain Operating Information (number of units)										
Slot machines[*]	40,234	7,902	6,368	6,307	9,989	838	829	4,239	282	**76,988**
Tables	38	18	237	146	—	25	87	44	28	**623**
Casinos	4	33	66	—	—	8	6	29	2	**148**
Bingo halls	37	—	—	21	12	—	—	—	—	**70**
Arcades	190	—	—	—	—	—	—	—	—	**190**
Betting points	2,498	5	77	—	—	—	—	—	—	**2,580**

(*) These figures include the total number of slot machines in all divisions.

(in € millions, unless indicated otherwise)	For the year ended December 31, 2018 (audited)
Other Financial Information:	
Adjusted EBITDA[4]	368.8
Pro Forma Adjusted EBITDA[4]	430.3
Adjusted EBITDA Margin[5]	25.1%
Pro Forma Adjusted EBITDA Margin[5]	27.0%
Adjusted Financial Information	
Adjusted Cash and Cash Equivalents[7]	266.7
Adjusted Total Debt[8]	2,026.1
Adjusted Total Net Debt[9]	1,759.4
Adjusted Net Interest Expense[10]	126.1
Ratio of Adjusted Total Net Debt to Pro Forma Adjusted EBITDA	4.1x
Ratio of Pro Forma Adjusted EBITDA to Adjusted Net Interest Expense	3.4x

(1) For the year ended December 31, 2013, we have derived information from the comparative column of the audited financial statements for the year ended December 31, 2014, which restated financial information for 2013 to give effect to changes from the implementation of IFRS which took effect in 2014. See "*Presentation of Financial Information*."

(2) Total debt of €1,643.1 million as of December 31, 2018 was comprised of (i) bank debt of €84.7 million recorded under "Credit institutions" as non-current liabilities and current liabilities, (ii) capital lease obligations of €1.4 million recorded under "Credit institutions" as non-current liabilities and current liabilities, (iii) tax deferrals of €8.5 million recorded under "Tax authorities" as non-current liabilities and under "Other creditors" as current liabilities, (iv) promissory notes and other loans of €23.6 million recorded under "Other creditors" as non-current liabilities and current liabilities and (v) €1,571.3 million of the Existing Notes recorded under "Bonds" as non-current liabilities and current liabilities (of which aggregate capitalized financing costs were €46.4 million).

(3) We define total net debt as total debt less cash and cash equivalents.

(4) EBITDA represents profit/(loss) before tax, profit/(loss) on the sale of non-current assets, foreign exchange results, financial results, depreciation, amortization and impairment and changes in trade provisions (where applicable). Adjusted EBITDA represents EBITDA adjusted for one-time expenses incurred in relation to the Original Acquisition. Pro Forma Adjusted EBITDA represents Adjusted EBITDA adjusted to give pro forma effect to (i) Original Completion Date cost savings, (ii) run-rate EBITDA of acquisitions and (iii) the estimated EBITDA of the New Target Group (including the impact of expected synergies) as though the New Acquisition had occurred on January 1, 2018. We believe that it is widely accepted that EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA provide useful information regarding a company's ability to service and incur indebtedness. EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA are not measurements of operating performance under IFRS, and should not be considered substitutes for operating income, net income, cash flows from operating activities or other profit and loss account information, or as measures of profitability or liquidity, and EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA do not necessarily indicate whether cash flow will be sufficient or available for cash requirements. EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA may not be indicative of our historical operating results nor are they meant to be predictive of potential future results. Because all companies do not calculate EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA identically, the presentation may not be comparable to similarly entitled measures of other companies.

The following table provides a reconciliation of our Profit/(loss) before tax to EBITDA for the financial years 2007-2018:

(in € millions)	Includes Argentina											Excludes Argentina	
	For the year ended December 31,											For the year ended December 31,	
	2007	2008	2009	2010	2011	2012	2013[1]	2014	2015	2016	2017	2017	2018
	(audited)											(restated)	(audited)
Profit before tax	16.8	33.4	28.2	22.5	26.8	65.7	21.6	108.5	56.4	75.8	158.4	101.1	0.0
Loss/(Profit) on sale of non-current assets	9.2	10.9	16.3	9.4	5.2	(0.1)	3.0	(81.8)	9.6	(0.2)	5.0	5.0	(8.5)
Foreign exchange results	16.3	0.4	0.1	0.5	6.2	6.3	1.6	12.8	3.8	1.5	(1.7)	1.3	11.5
Financial results	45.8	50.1	62.5	82.7	96.8	90.5	79.0	88.8	106.3	92.5	67.7	64.2	129.6
Depreciation, amortization and impairment	76.2	97.8	101.5	140.4	149.6	153.4	143.4	193.5	201.2	196.8	194.8	176.5	192.3
Changes in trade provisions	—	—	—	4.6	5.5	6.2	5.0	6.2	2.8	31.9	2.8	2.7	3.3
EBITDA	**164.3**	**192.6**	**208.6**	**260.0**	**290.0**	**322.0**	**253.7**	**328.1**	**380.0**	**398.3**	**427.0**	**350.8**	**328.3**

The following table provides a reconciliation of the Company's Profit before tax to EBITDA, EBITDA to Adjusted EBITDA and Adjusted EBITDA to Pro Forma Adjusted EBITDA for the year ended December 31, 2018:

(in € millions)	For the year ended December 31, 2018 (audited)
Profit before tax	0.0
Loss/(Profit) on sale of non-current assets	(8.5)
Foreign exchange results	11.5
Financial results	129.6
Depreciation, amortization and impairment	192.3
Changes in trade provisions	3.3
EBITDA	**328.3**
Original Acquisition related expenses[(i)]	40.5
Adjusted EBITDA	**368.8**
Original Completion Date cost savings[(ii)]	6.0
Run-rate of acquisitions[(iii)]	4.1
Estimated New Target Group EBITDA and synergies from the New Acquisition[(iv)]	51.4
Pro Forma Adjusted EBITDA	**430.3**

(i) Represents one-time expenses of €40.5 million related to the completion of the Original Acquisition.

(ii) Represents certain operating cost and efficiency opportunities that we implemented after completion of the Original Acquisition. For the period from July 3, 2018 to December 31, 2018, the cost savings that were realized are reflected in our EBITDA for the year ended December 31, 2018. For the period from January 1, 2018 to July 2, 2018, we have presented our estimated cost savings, which primarily relate to (A) certain wages and salaries, (B) security and other related services, (C) representation costs and allowances, (D) advertising and sponsorship costs, (E) expenses related to the Argentina Business and (F) rentals.

(iii) Represents the full-year impact of the EBITDA of a bingo hall we acquired in Mexico in June 2018 and a casino that we acquired in the Dominican Republic in November 2018, based on management estimates. For further information regarding these acquisitions, see "*Operating and Financial Review and Prospects—Key Factors Affecting Our Results of Operations—Bingo*" and "*Operating and Financial Review and Prospects—Key Factors Affecting Our Results of Operations—Casinos*."

(iv) Represents the New Target Group's EBITDA of approximately €45.7 million for the year ended December 31, 2018 and estimated synergies of €5.7 million in relation to the New Acquisition. We have estimated the New Target Group's EBITDA based on information received from the New Target. Estimated synergies represent increased revenue and certain costs savings that we expect to realize, including (i) in the New Target Group's slots operations, primarily as a result of a slot machines replacement program, logistics, optimization of slot operations (cash collection and technical services) and acquisition of small third party partners, (ii) in the New Target Group's arcades operations, primarily as a result of product mix improvement and update, the renewal and extension of arcades and the implementation of Cirsa's customer relationship management program and (iii) in the New Target Group's bingos and casinos operations, as a result of a slot machines replacement program, extended opening times and product offer optimization. We expect to incur costs of approximately €12.3 million to realize these EBITDA synergies.

(5) EBITDA Margin represents EBITDA divided by net operating revenue. Adjusted EBITDA Margin represents Adjusted EBITDA divided by net operating revenue. Pro Forma Adjusted EBITDA Margin represents Pro Forma Adjusted EBITDA divided by the sum of the consolidated net operating revenues of the Company and the estimated net revenues of the Target Group presented under "*—Recent Developments—New Acquisition*," in each case, for the year ended December 31, 2018. The sum of the consolidated net operating revenues of the Company and the estimated net revenues of the Target Group has not been audited by any independent auditors and should not be considered indicative of actual revenues that would have been achieved had the New Acquisition been completed on January 1, 2018 and does not purport to indicate our future consolidated results of operations or financial position. Our actual revenues following the completion of the New Acquisition may differ significantly from the sum of the consolidated net operating revenues of the Company and the estimated net revenues of the Target Group for a number of reasons. For example, the revenues of the New Target Group are prepared based on Spanish GAAP rather than IFRS and, accordingly, the estimated net revenues of the Target Group presented in this Offering Memorandum may differ if prepared based on IFRS. Additionally, the estimated net revenues of the Target Group presented in this Offering Memorandum are based upon unaudited management accounts of the Target Group, and certain assumptions (including in relation to variable rent), that have not been audited by any independent auditors. Moreover, the sum of the consolidated net operating revenues of the Company and the estimated net revenues of the Target Group does not reflect any intercompany eliminations or other accounting adjustments that would be taken into account during a normal consolidation process.

(6) We define capital expenditures to include the following items from our consolidated statement of cash flows: "Purchase and development of property, plant and equipment" and "Purchase and development of intangibles."

(7) Adjusted Cash and Cash Equivalents represents the Group's cash and cash equivalents as of December 31, 2018 adjusted to give effect to the Transactions. See "*Capitalization.*"

(8) Adjusted Total Debt represents the Group's total debt as of December 31, 2018 adjusted to give effect to the Transactions. See "*Capitalization*."

(9) Adjusted Total Net Debt represents Adjusted Total Debt less Adjusted Cash and Cash Equivalents.

(10) Adjusted Net Interest Expense represents the Group's interest expense for the year ended December 31, 2018 as adjusted for the offering of the Existing Notes and the use of proceeds thereof and the offering of the Notes and the use of proceeds thereof, in each case, as though it had occurred on January 1, 2018.

RISK FACTORS

An investment in the Notes involves a high degree of risk. You should carefully consider the risk factors described below and all other information contained in this Offering Memorandum. These risks and uncertainties are not the only ones we face. We also face additional risks and uncertainties that are not currently known to us or that we currently consider immaterial. The occurrence of the risks described below or such additional risks could have a material adverse impact on our business, financial condition and results of operations, including our ability to make payments on the Notes or on the trading price of such Notes. This Offering Memorandum contains "forward-looking" statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward looking statements. Factors that might cause such differences are discussed below and elsewhere in this Offering Memorandum. See "Forward-Looking Statements."

Risks Relating to the Gaming Industry and Our Business

Our business may be negatively impacted by the economic volatility and political conditions in Spain and other markets in which we operate.

For the year ended December 31, 2018, our operations in Spain accounted for 45.7% of our consolidated net operating revenues and 46.6% of our consolidated Adjusted EBITDA. While Spain's economy has been gradually improving since 2013, Spain experienced a significant economic downturn between 2008 and 2012 and was impacted by the credit crisis. The unemployment rate, while improving in relative terms, was reported to be 16.6% and 14.5% in December 2017 and 2018, respectively. The gross domestic product, which contracted in 2012 and 2013, began a modest recovery in 2014 and has been growing at a rate of 3.4% in 2015, 3.2% in 2016, 3.1% in 2017 and 2.5% in 2018. The economic downturn has had a number of negative impacts on our operations in Spain. For example, the aggregate number of visitors to our slots arcades and bingo and casino halls in Spain as well as their average visit length and amount wagered decreased commencing in 2009, and, while increasing in recent years, have not yet recovered to the pre-downturn levels. The decrease in visitors and length of visit have, in turn, adversely affected our results of operations since 2009 and have only shown signs of recovery since 2015. The economic downturn in Spain and the effects of the credit crisis also adversely impacted the availability and cost of our bank financing in Spain. While the Spanish economy has been experiencing a modest recovery in recent years, continued concerns about the political uncertainty, unemployment and the availability and cost of credit pose risks for the full recovery of the Spanish economy. In addition, political events have occurred in the Autonomous Region of Catalonia (*Comunidad Autónoma de Cataluña*) related to the ongoing independence movement in that region. Any continued uncertainty in the region may have a negative impact on the region's economy and potentially on the economy of Spain. As a result, any new significant economic downturn or change in political conditions could have a material adverse effect on our results of operations and financial condition.

Our operations in Italy accounted for 6.0% of our consolidated Adjusted EBITDA for the year ended December 31, 2018. Italy was in an economic downturn from 2011 to 2014 and recorded relatively flat GDP growth in 2015, 2016, 2017 and 2018. Following the elections in March 2018, Italy was without a government until June 1, 2018, as no political group was able to form a majority for almost three months. On June 1, 2018, a Eurosceptic government was formed, which is putting Italy's Eurozone membership in question. Depending on the actions of Italy's new government, Italy could lose access to the single European Union market, which could result, among other things, in the disruption of the free movement of goods, services and people between Italy and the European Union, undermine bilateral cooperation in key geographic areas and significantly disrupt trade between Italy and the European Union or other nations as Italy pursues independent trade relations. This could have an impact on the general and economic conditions in Italy or other European economies and could lead to lower access to European markets in general. Any fundamental shift in the macroeconomic environment in Italy or the parts of Europe in which we operate could adversely affect the accuracy of our predictions regarding the expected returns. Further, if Italy exits the monetary union, this could end the single currency within Europe, which could increase foreign currency exchange risk to which we are exposed and could impact our results. To the extent that such changes increase the costs or difficulties associated with operating in both Italy and other EU countries, they could have a material adverse effect on our business (including Spain), results of operation and financial condition.

Our results of operations are also dependent on the economic and political conditions of other markets in which we operate, including Panama, Colombia, Mexico and other parts of Latin America, some of which have experienced economic declines recently and during various periods in the past decade. Furthermore, our business is particularly sensitive to reductions in discretionary consumer spending, which may be affected by negative economic and political conditions. Economic contraction, economic and political uncertainty and the perception by our customers of weak or weakening economic conditions may cause a decline in demand for entertainment in the forms of the gaming services that we offer. In addition, changes in discretionary consumer spending or consumer preferences could be driven by factors such as an unstable job market or perceived or actual disposable consumer income and wealth. Economic downturns and economic and political volatility in the various markets in which we operate may adversely affect our results of operations and financial condition.

There are risks associated with our operations outside of Spain.

For the year ended December 31, 2018, net operating revenues and Adjusted EBITDA from our operations outside of Spain accounted for 54.3% of our consolidated net operating revenues and 53.4% of our consolidated Adjusted EBITDA, respectively. We have operations in eight countries outside of Spain, including Italy and Morocco and six countries in Latin America. Over the past ten years, we have expanded our operations into Latin America and Italy and may continue to expand selectively into new geographic markets. Pursuing this strategy has placed and may continue to place us in new markets and businesses in which the gaming industry and taxation and related regulatory environment are, in many cases, less developed than in Spain. See "*Regulation*." Taxes on slot machines or other gaming activities may be created or increased or new and more detailed regulations may be enacted. These tax increases or regulatory changes could increase our cost of regulatory or tax compliance and could have a material adverse effect on our operations. For example, effective January 1, 2019, gaming tax rates in Peru have increased from 12% to 17% and, if we are unable to effectively mitigate the impact of such tax increases, it could have a significant impact on our results of operations in Peru. As a further example, the profitability of the Italian Video Lottery Terminal ("VLT") sector has declined since 2012, after the Italian government has increased taxation on VLTs in a series of hikes of the gaming turnover tax taking it from 2% to 6%. See "*Regulation*." Our Italian slots and VLT businesses have also been adversely impacted by other tax increases and are subject to unpredictable regulatory developments. For example, starting from January 1, 2017, only authorizations for remote AWP slots (those slots with an online link which allows remote monitoring by the Italian gaming regulator) can be granted. After December 31, 2019 the release of authorizations for non-remote AWP slots (traditional coin or electric operated slot machines) will be prohibited and non-remote AWP slots must be disposed of by December 31, 2020. While we regularly work to reassess and renegotiate the terms of our slot machine and VLT service contracts with site operators in order to mitigate the impact of tax and regulatory changes on our operations, there can be no guarantee that we will be successful in fully offsetting the impact of such changes on our financial results.

In addition, in many international markets in which we operate, we invest in or enter into partnership arrangements with local gaming market operators. These investments and arrangements are subject to a number of risks.

A significant portion of our international presence, representing 46.6% of consolidated Adjusted EBITDA for the year ended December 31, 2018, is in Latin America, including Panama, Colombia, Mexico, Costa Rica, Dominican Republic and Peru. In these markets, we are often exposed to substantial political, economic and currency risks because the governments, economies and currencies of many of these countries are more volatile than the countries of the European Union. Recent developments in global commodities markets (in particular with respect to oil) and slowing Chinese demand for unfinished goods from the region has significantly impacted the local economies in Latin America. In the past, governments in Latin America have frequently intervened in the economies of their respective countries and have occasionally made significant changes in policy and regulations as a result of political changes or economic declines. For example, depending on the actions of the recently elected government in Mexico, the gaming regulatory regime in Mexico may be subject to change. Governmental actions to control inflation and other policies and regulations have often involved, among other measures, price controls,

currency devaluations, capital controls and limits on imports. Our business may be adversely affected by such actions and the economic volatility they create.

In addition, the costs and revenues of our operations outside the European Union are denominated in currencies other than the euro. Because our financial statements are denominated in euro, exchange rate movements between the euro and the other relevant currencies have in the past adversely impacted, and may continue to adversely impact, our results of operations. For example, a decline in the U.S. dollar, which is a *de facto* functional currency for certain of our Latin American operations and which strengthened against the euro throughout 2015 and 2016, and depreciated against the euro in 2017 and 2018, could adversely impact our results of operations. Our results of operations and financial position have also been materially and adversely affected by the depreciation of the Argentine peso against the euro at different times over the past five years, as well as in earlier historical periods. We expect that our results of operations and financial condition will continue to be impacted by the effect of currency fluctuations in the future, particularly as we generally do not engage in, or have immediate plans to enter into, any currency hedging transactions. Moreover, these currency fluctuations may make period-to-period comparisons of our results from operations difficult to evaluate.

We do not control certain of our joint venture businesses.

We operate a number of our businesses through strategic partnerships, joint ventures and alliances. We are party to a 50:50 joint venture with GVC Holdings Plc for sports betting and online gaming activities in Spain and we have a 50% interest in *Majestic Casino* in Panama. We are also operating a significant portion of our VLT business in Italy through a 50:50 joint venture arrangement. Although we do not hold a majority interest in the *Majestic Casino* in Panama or the VLT joint venture in Italy, due to the requirements of IFRS 11, we fully consolidate the results of operations, cash flows and balance sheets (including cash and indebtedness) of these businesses in our consolidated financial statements. The performance of all such operations in which we do not have a controlling interest will depend on the financial and strategic support of the other shareholders. Such other shareholders may make ill-informed or inadequate management decisions, or may fail to supply or be unwilling to supply the required operational, strategic and financial resources, which could materially adversely affect these operations. If any of our strategic partners were to encounter financial difficulties, change their business strategies or no longer be willing to participate in these strategic partnerships, joint ventures and alliances, our business, financial condition and results of operations could be materially adversely affected. Moreover, in a number of these businesses, we do not have the power to control the payment of dividends or other distributions, so even if the business is performing well, we may not be able to receive payment of our share of any profits. Finally, there could be circumstances in which we may wish or be required to acquire the ownership interests of our partners, and there can be no assurance that we will have access to the funds necessary to do so, on commercially reasonably terms or at all. For example, under the Spanish Capital Companies Act (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*) and pursuant to the provisions applicable to unlisted companies, unless otherwise agreed in the bylaws, from the fifth financial year following registration of a Spanish company in the Commercial Registry, a shareholder who has stated in the act of the general meeting of shareholders its objection regarding the insufficient amount of dividends to be distributed will be entitled to withdraw ownership if the general meeting of shareholders does not resolve to distribute at least 25% of legally distributable profits obtained during the prior financial year, provided that profits have been obtained in the previous three financial years and that the total dividends distributed in the previous five financial years does not equal at least 25% of the legally distributable profits of such period. This right to withdraw is also recognized to the shareholders of the parent company of a group legally required to prepare consolidated annual accounts, if the general meeting of shareholders of such parent company does not resolve to distribute at least 25% of the consolidated profits attributable to the parent company obtained during the previous financial year, provided that they can be legally distributed and that profits attributable to the parent company have been obtained during the previous three financial years. Under such circumstances, we might seek or be required to acquire the ownership interests of our partners.

There is a risk that we may lose our share in the Sportium joint venture and that our existing joint venture in relation to Sportium may terminate.

We are currently involved in arbitration proceedings with our joint venture partner in the *Sportium* joint venture relating to the change of control provision in the joint venture agreement. On December 2, 2013, Ladbrokes B&G and Cirsa entered into a joint venture agreement in connection with the provision, under the *Sportium* brand, of sports-betting, both online and through betting machines. In March 2018, GVC Holdings plc acquired the entire issued share capital of Ladbrokes Coral Group, which included Ladbrokes B&G, Cirsa's joint venture partner. In July 2018, Cirsa was acquired by Blackstone. A dispute has arisen between Cirsa and Ladbrokes B&G regarding the meaning and scope of the change of control provisions under the *Sportium* joint venture agreement and, more specifically, whether it grants the parties reciprocal rights of protection in the event that a competitor acquires one of the partners of the *Sportium* joint venture.

On July 11, 2018, Cirsa filed a request for arbitration proceedings against Ladbrokes B&G before the *Corte de Arbitraje del Ilustre Colegio de Abogados de Madrid* ("*CIMA*"), claiming, among other things, that GVC's acquisition of Ladbrokes B&G was a change of control according to the joint venture agreement and asserting Cirsa's right to acquire Ladbrokes B&G' shares in *Sportium* at fair market value due to the change of control provision. On September 10, 2018, Ladbrokes B&G filed its response and initiated a counterclaim asserting that Blackstone's acquisition of Cirsa was a change of control according to the joint venture agreement and, accordingly, Ladbrokes B&G has the right to acquire Cirsa's shares in the *Sportium* joint venture. On March 29, 2019, Cirsa filed its statement of claim, where it developed the facts and legal grounds underlying its claim against Ladbrokes B&G. Ladbrokes B&G shall submit the statement of defense and counterclaim by June 3, 2019. The arbitration proceedings are in its early stages and we are unable to provide an assessment of the possible outcome at this time. However, if the arbitration court ultimately rules that Blackstone's acquisition of Cirsa constitutes a change of control under the joint venture agreement and, accordingly, Ladbrokes B&G has the right to acquire Cirsa's share of the *Sportium* joint venture, Cirsa may be obliged to sell its shares in the *Sportium* joint venture to Ladbrokes B&G at fair value as determined by the aribtration court. If we are obliged to exit the *Sportium* joint venture, we cannot assure you that we would be able to develop an online and retail sports betting business that is as competitive, efficient or profitable as under the existing *Sportium* joint venture and there can be no guarantee that we will be successful in fully offsetting the impact of any losses arising from the termination of the *Sportium* joint venture. Consequently, a potential termination of the *Sportium* joint venture could have an adverse effect on our business, financial condition and results of operations.

We may experience significant losses with respect to individual events or betting outcomes in our Sportium joint venture with GVC Holdings Plc and the failure to determine accurately the odds at which we will accept bets in relation to any particular event or any failure of our risk management processes may adversely affect our results.

In our Casinos Division, some of our products involve betting where winnings are paid on the basis of the stake placed and the odds quoted, rather than derived from a pool of stake money received from all customers. Such products give rise to either a liability to make a certain payment to a customer, or the retention by us of the stake placed by such customer. However, as a result of significant winnings or losses event by event and day by day, the earnings in our business can be volatile and we cannot guarantee positive returns. In exceptional circumstances, the payout ratio could even exceed 100%. As a result, in the short term, there is less certainty of generating a positive result, and we may experience, and have from time to time experienced, significant losses with respect to individual events or betting outcomes. Any significant losses due to a high payout could have a material adverse effect on our cash flow and therefore an adverse effect on our business, results of operations, and financial condition.

In our *Sportium* joint venture with GVC Holdings Plc, our odds as bookmaker are determined so as to provide an average return to us over a large number of events and therefore, over the long term, to maintain payout percentage fairly constant. Notwithstanding this, there is an inherently high level of variation in payout percentage event by event and day by day. Although *Sportium* has systems and controls in place that seek to reduce the risk of daily losses occurring due to high payout, there can be no assurance that these will be effective

in reducing our exposure to this risk. There also can be no assurance that errors of judgment or other mistakes will not be made in relation to the compilation of odds or that the systems that *Sportium* has in place to limit risk will be consistently successful.

The technological solutions we have in place to block access to our online services by players in certain jurisdictions may prove inadequate, which may harm our business and expose us to liability.

Historically, the regulation of the gaming industry has been enacted and enforced at national and state levels and, currently, there is no international gaming regulatory regime. Although we seek to comply with and monitor the relevant laws and regulations, we are exposed to the risk that jurisdictions from which our advertisements may be accessed through the internet may have conflicting laws and regulations (or interpretations of such laws and regulations) with regard to the legality or appropriate regulatory compliance of our activities. Accordingly, we may be subject to the application of existing or potential laws and regulations, and fees or levies in jurisdictions in which our advertisements can be accessed through the internet. Any such laws, regulations, fees or levies may have an adverse effect on our business, financial condition and results of operations. Our exposure to this risk will increase with the expected growth of our online operations.

Although the regulatory regime for offline gaming operations is well established in many countries, the gaming laws in such countries may not necessarily have been amended to take account of the internet and the ability to offer gaming and services online. As a result, there is uncertainty as to the legality of online gaming in a number of countries. In the United States, the offer of gaming products and services online is illegal in most states. Through our *Sportium* joint venture, we have systems and controls in place seeking to ensure that we offer gaming products through the internet to residents in the countries in which we operate only and that we exclude access to our system from certain jurisdictions (such as the United States). The systems and controls include monitoring and analyzing information provided by potential customers' registered addresses methods and of customers' payment, specific registration procedures (for example, access to our online betting system is permitted only to customers who have completed a registration process and can provide a valid residence address and a fiscal code of the relevant country), as well as a geo-locator filtering technology that identifies the location of users logging onto our website. In addition, we do not currently accept bets or wagers from customers that we determine are located in the United States.

Despite the adoption of these measures, our procedures may not be effective. A court or other governmental authority in any jurisdiction could take the position that our systems and controls are inadequate, either currently or as the result of technological developments affecting the internet, or that our current or past business practices in relation to such jurisdiction violated applicable law. If any such actions were brought against us, whether successful or not, we may incur considerable legal and other costs, management's time and resources may be diverted, and any resulting dispute may damage our reputation and brand image and have an adverse effect on our business, financial condition and results of operations.

The gaming industry is subject to extensive regulation (including applicable anti-corruption and economic sanctions laws) and licensing requirements and our business may be adversely affected by our inability to comply with these extensive regulation and licensing requirements, regulatory changes and increases in the taxation of gaming, which could result in litigation.

Our operations, including our online businesses, are subject to significant regulation and oversight and require licenses from gaming authorities and other governmental or regulatory bodies. These regulations, among other things, govern payouts and wagers for slot machines, the types of gaming tables and slot machines permitted at casinos and bingo halls and permissible forms of bingo. In addition to limiting the scope of our permitted activities, these regulations may limit the number of slot machines, casinos or bingo halls we may operate. Gaming authorities, governments or other regulatory bodies may deny, revoke or suspend our licenses and impose fines or seize our assets if we are found to be in violation of any of these regulations. For example, we were involved in protracted litigation since 2007 with respect to the conduct of our Italian slot network operations with the Italian

Corte dei Conti ("*CdC*") and the *Amministrazione Autonoma Monopoli di Stato* (the Italian gaming regulator, now replaced by *Agenzia delle Dogane e dei Monopoli*) (the "*ADM*").

In 2013, we resolved the CdC litigation by paying a €37.5 million (final settlement payment of €36.0 million plus €1.5 million of interest) and the presiding court in the ADM litigation ruled in our favor rejecting the ADM claims (which ruling was appealed but upheld). In 2015, the ADM assessed additional fees of €19.8 million (which were to be collected by Cirsa and on behalf of Cirsa and certain of our operating partners) (the "*ADM Determination"*). We have paid a total of €18.2 million of this amount. There is an additional €1.6 million of the ADM Determination left to be paid, which is owed by certain of our partner operators, and the decision of the Regional Administrative Court of Lazio is pending regarding whether Cirsa has joint and several liability to pay this remaining amount. See "*Regulation."* While we take certain actions in order to attempt to mitigate the impact of additional fees when they arise, there can be no assurance that we will be successful in doing so. In addition, a number of local authorities in Italy have issued orders and enacted regulations that purport to place further restrictions on where slot machines and VLTs can be located. The 2016 Italian Stability Law directed the Italian Treasury to issue new regulations aimed at—*inter alia*—reducing by 30% the number of slot machines that were in operation on July 31, 2015 in the context of a broader process of technical improvement and modernization of the existing slot machines. We may incur additional expenses in order to comply with these new requirements which may impact the financial results of our Italian operations. See "*Regulation."*

In addition, the Argentina Business has been directly and indirectly subject to a variety of legal proceedings and other claims over the past years, some of which are significant. These proceedings and claims have included several proceedings regarding the validity of its casino license, criminal proceedings against a number of its directors and employees in Argentina relating to the importation of a riverboat casino into Argentina and potential tax claims by municipal tax authorities. Effective July 3, 2018, the Argentina Business no longer constitutes a part of the Group business parameter. Even though the Argentina Business is no longer part of the Group, claims and actions could potentially be brought against us in connection with these other and other legacy litigation matters. To the extent any claims and liabilities resulting from such legacy litigation might not be recoverable against indemnities given by the Original Sellers under the Original Acquisition Agreement, such claims and liabilities could have a material adverse effect on our results of operations, business and financial results.

We also from time to time experience delays in the renewal of our gaming licenses, which can result in our operating our businesses without valid licenses and could subject us to fines and penalties, including the temporary or final closure of our facilities. Upon the expiration of a license, a regulator could decide that in the future a given license will be available to multiple licensees, even if the previous license was exclusively granted to only one licensee. Renewing a license can be costly and time consuming, and our current license may not be renewed upon its expiration on favorable terms or at all. For example, the 2018 Italian Stability Law calls for Italy's 210 existing bingo concessions to be reviewed by the *ADM* throughout the year and to be awarded by means of a public tender process, which renewal process could adversely impact our Italian bingo hall joint venture. More generally, any failure to renew or obtain any material licenses could have a material adverse effect on our business or results of operations and financial condition. Furthermore, our licenses are subject to revocation upon the occurrence of certain events, which are different for each license. Under certain circumstances, a license could be revoked if determined to be against the public interest or, for example in Panama, upon a change of control. For example, our license may be revoked if we fail to pay the applicable fees to the regulatory authority or, in certain cases, if we fail to communicate to the regulatory authority certain changes in our corporate structure. Under several of our licenses the transfer of the ownership of the license agreement is prohibited or restricted. In addition, under our licenses we are not entitled to compensation for our initial investment or loss of anticipated profits in case of early termination as a result of a breach of terms.

Furthermore, we also face risks in relation to properties that we lease in order to operate our casinos and licenses required in relation to these leases. For example, in Colombia we operate casinos under lease agreements, and under certain lease agreements for property in Medellin we have been subject to demands by landlords to vacate premises. While we have received court rulings in our favor, landlords have appealed with respect to lease

agreements governing the leases of two casinos in Medellin. If the appeal proceedings are decided in favor of the landlords, we may have to vacate these casino premises and will be unable to open new casinos in Medellin due to local regulations which prohibit the opening of new casinos in the city. Potential premises closures or relocations could have an adverse effect on our business or results of operations and financial condition.

We have implemented policies and procedures designed to prevent and detect violations of applicable anti-corruption and sanctions laws. It is possible that allegations of corrupt conduct may arise in the future, irrespective of these policies, given that we frequently conduct business with governmental or quasigovernmental entities and work in countries and regions that have a reputation for heightened corruption risk.

Any investigation, enforcement action and/or judgment under the FCPA, Bribery Act or other anti-corruption laws or economic sanctions laws and regulations may carry high financial and reputational costs and could result in severe criminal or civil sanctions and penalties, including fines, loss of authorizations needed to conduct aspects of our international business. A violation of the laws and regulations set out above could have a material adverse effect on our cash flows, financial condition and results of operations.

In addition, changes in existing regulations, including regulations not relating to the gaming industry, such as anti-money laundering and labor laws, could impair our profitability and restrict our ability to expand our business. If we fail to comply with new anti-money laundering laws in certain jurisdictions, then we could be subject to financial penalties or prohibited from operating in such jurisdictions, which could have a material adverse effect on our business, financial condition and results of operations. Future increases in national or regional taxation of slot machines, casinos and bingo halls could also affect our profitability. See "*Regulation*."

Failure to maintain our online gaming licenses or comply with online gaming rules and regulations could adversely affect our business.

We entered the online gaming business in Spain and Italy (our Italian online gaming operations have since been terminated) during 2012, and in Mexico in 2015 (although this operation was also terminated at the end of 2016) and in Colombia during this year 2018, after obtaining the necessary permissions and licenses. Our online operations are now conducted through our *Sportium* joint venture. In 2012, one of our competitors, Codere, challenged the granting of our Spanish online gaming licenses, as well as those of thirteen other gaming operators. While Codere withdrew the action in February 2013, we cannot predict if the challenges made by Codere will be resumed at a later time, and if resumed, whether such challenge will be successful. See "*Regulation—Spain—Online Gaming.*" Failure to maintain these licenses could negatively impact our financial condition and results of operations. We are working together with third-party advisors and service providers to establish the necessary systems, controls and procedures to ensure that we are, or will be in compliance with applicable rules, laws and regulations in our Spanish operations and have technical systems and controls in place which seek to ensure that we do not offer our gaming products and services into certain restricted jurisdictions. However, the systems, controls and procedures adopted by us may not be sufficient to comply with all applicable online gaming rules, laws and regulations or we may not be able to successfully block users resident in countries which restrict or prohibit online gaming or in which we are not licensed to conduct online gaming operations, such as the United States, from accessing our online gaming sites. Failure to comply with such rules, laws and regulations or block such users could place us in breach of licenses or key contracts or result in civil, criminal or administrative proceedings, injunctions, fines and penalties and substantial litigation expenses that could strain our management resources and may adversely affect our results of operations and financial condition.

Our failure to keep up with technological developments in the online gaming market could negatively impact our business, results of operations and financial condition.

The market for online gaming products and services is characterized by rapid technological developments, frequent new product and service offerings and evolving industry standards. The emerging character of these products and services and their evolution requires us to use technologies effectively, enhance our current products and services and continue to improve the performance, features and reliability of our technology and information

systems. In addition, the widespread adoption of new internet technologies or standards could require substantial expenditure to replace, upgrade, modify or adapt our technology and systems, which could negatively impact our business, results of operations and financial condition.

There can be no assurance that the technology we are currently using through our *Sportium* joint venture will be successful, or that it will not be rendered obsolete by new technologies and more advanced systems introduced in the industry. In addition, new technology we use may contain design flaws or other defects and require modifications and/or result in a loss of confidence in our products and services by our customers. Moreover, we depend on third-party technology providers for the development and maintenance of our systems, and any failure to maintain relationships with such providers would negatively impact our business, financial condition and results of operations.

Our failure to comply with regulations regarding the use of personal customer data could subject us to lawsuits, administrative fines or result in the loss of goodwill of our customers.

We process sensitive personal customer data (including name, address, age, bank details and betting and gaming history), particularly as part of our *Sportium* joint venture with GVC Holdings Plc, and therefore must comply with strict data protection and privacy laws in all jurisdictions in which we operate. Such laws restrict our ability to collect and use personal information relating to players and potential players including the marketing use of that information. We also rely on third party contractors to maintain our databases and we seek to ensure that procedures are in place to ensure compliance with the relevant data protection regulations. Notwithstanding such efforts, we are exposed to the risk that 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 of the third party business service providers on which we rely fail to transmit customer information online 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. Breach of data protection regulations could also result in the loss of the goodwill of our existing customers and deter new customers from using our services which would have a material adverse effect on our business, financial condition and results of operations.

Our companies that are subject to European data protection laws are subject to Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("*General Data Protection Regulation*" and "*GDPR*"). We are also subject to any national laws implementing the General Data Protection Regulation and to any national data protection and privacy laws applicable in non-EU member states. The General Data Protection Regulation contains, among other things, high accountability standards that we must comply with such as, among others, strict requirements for providing information notices to individuals, on international data transfers and outsourcing, compulsory data protection impact assessments of certain processing operations, maintaining an internal data processing register, restrictions on the collection and use of sensitive personal data and mandatory notification of data security breaches. The General Data Protection Regulation imposes administrative fines for data protection compliance violations of up to a maximum of €20 million or 4% of the company's global annual turnover.

Our systems may be vulnerable to hacker intrusion, distributed denial of service attack, malicious viruses and other cybercrime attacks.

As with all gaming companies, we may be vulnerable to cybercrime attacks which could adversely affect our business. Examples include distributed denial of service attacks (attacks designed to cause a network to be unavailable to its intended users) and other forms of cybercrime, such as attempts by computer hackers to gain access to our systems and databases for the purposes of manipulating results, which may cause systems failure, business disruption and have a materially adverse effect on our financial condition. While we will employ prevention measures, such attacks are by their nature technologically sophisticated and may be difficult or impossible to detect and defend. If our prevention measures should fail or be circumvented, our reputation may be harmed, which in turn could have a material adverse effect on our financial condition.

We may be materially and adversely affected by breaches of security and systems intrusion conducted for the purpose of stealing personal information of our customers. Any such activity would harm our reputation and deter current or potential customers from using our services, which could have a material adverse effect on our financial condition.

We may not be able to manage growth in our business.

We intend to continue to make selective investments and acquisitions in the gaming industry in Spain, Latin America and adjacent markets as a part of our business plan and may expand our existing businesses on a selective basis into new gaming products and new geographic markets. We expanded our business into online gaming in Spain and Italy (our Italian online gaming operations have since been terminated) during 2012. Growth can place significant strain on our management resources and financial and accounting control systems as it requires that management identify and execute upon appropriate investments and subsequently integrate, train and manage increased numbers of employees. Unprofitable investments or expansions or an inability to integrate or manage new investments or expansions could adversely affect our operating results. In the past, we have made investments in our online gaming platform which we have since sold to our *Sportium* joint venture with GVC Holdings Plc and in which we have yet to generate positive EBITDA. In 2015, we completed the purchase of a majority stake in one casino in Morocco for approximately €22.0 million and in 2017, we acquired additional casinos in Peru for $26 million. We may be unable to recoup our investment or achieve positive EBITDA within the expected timeframe or at all. We may experience cost overruns, delays and operational difficulties with respect to these and other future projects, which could have an adverse effect on our business and results of operation. Likewise, any future acquisitions, investments or expansion also will involve risks regarding the potential inability to raise the required capital, difficulties in obtaining regulatory approvals and the lack of the necessary experience to enter new markets. We may not successfully overcome problems encountered in connection with potential acquisitions, completed acquisitions or other expansion or investments, and such problems could have a material adverse effect on our operating results.

We are dependent upon our ability to provide secure gaming products and maintain the integrity of our employees in order to attract customers, and any event damaging our reputation could adversely affect our business.

The real and perceived integrity and security of a gaming operation is critical to attracting gaming customers. We strive to set exacting standards of personal integrity for our employees and security for the gaming systems and devices that we provide to our customers, and our reputation in this regard is an important factor in our business dealings with customers and governmental authorities. For this reason, an allegation or a finding of improper conduct on our part, or on the part of one or more of our employees, or an actual or alleged system security defect or failure, could materially adversely affect our business and financial condition.

We are in a competitive business environment and, as a result, our market share and business position may be adversely affected by factors beyond our control.

Each of our divisions faces intense competition from other industry participants.

Slots Division. Due to the fragmentation of the slot machine segment in Spain, we compete with a large number of regional and, generally, much smaller slot machine operators. There are, however, several significant competitors, including Egasa, Codere and Orenes. As the market for slot machines is consolidating, we may compete with these companies to acquire new or existing slot machine sites. This competition is based on providing site operators with the best service and most attractive revenue sharing arrangements, and could adversely impact our strategy for optimizing our slot machine operations in Spain and reduce our future profit margins. In Italy, we compete with a number of other slot and VLT operators, some of which are substantially larger than us.

Casinos Division. Although casino owners have had limited direct competition from other casinos due to the relatively limited number of licensed casinos in Spain and Latin American markets and adjacent geographic areas, we may face competition from other forms of gaming, such as bingo halls, lotteries and online gaming. In

Spain and other markets, the number of casino licenses issued may increase and, as a result, there may be an increase in direct competition between casinos. The principal competitive factors in the industry include the quality and location of the facility, the nature and quality of the amenities offered and the implementation of successful marketing programs. We cannot assure you that new licenses will not be issued to competitors, thus increasing our competition in that area.

Bingo Division. Although the domestic market in Spain is characterized by a few large companies, we compete with a large number of regional bingo hall operators. Our principal competitors, each of which is substantially smaller than us, are Grupo Bingo Reunidos, Grupo Ballesteros, Grupo Rank and Grupo Orenes Franco. In addition, we estimate that independent owners operate several hundred bingo halls throughout the country. In Mexico, we compete with other licensed and unlicensed bingo hall operators. Operators of bingo halls also face competition from other forms of gaming.

B2B Division. In the manufacturing of slot machines for Spain, there is a high level of competition between a small number of manufacturers. We believe that the Spanish slot machine market is a separate market from the international slot machine market due to consumer preferences and Spanish regulations which impose, among other matters, specific design requirements on slot machines that are not placed in casinos. In slot machine manufacturing, our main competitors in Spain are Recreativos Franco and Novomatic.

Manufacturers of slot machines can be expected to continue to improve the design and performance of their slot machines and to introduce new popular games with greater revenue producing potential and more competitive prices. From time to time, one or more of our new games may prove unsuccessful, which may erode our market share and decrease our profitability. Although we have been successful in introducing popular new games in the past, we cannot assure you that we will continue to produce popular new games in the future.

Technological Change. Constant innovation is particularly important in the manufacture of slot machines, because they have a short commercial life. For instance, we believe that the average commercial life of an installed slot machine (before a replacement or refurbishment is made) is approximately four to five years in Spain. In addition, because of a possible novelty effect whereby customers are initially more attracted to new slot machines, initial results from these machines may be higher than expected, but may not be sustained throughout the life of the machine. Moreover, existing technology (such as online gaming), as well as proposed or as yet undeveloped technologies may become more popular in the future and render our products less profitable or even obsolete. We cannot assure you that the technology we currently possess and the technology we may develop in the future will allow us to continue to innovate and compete effectively.

Other Factors. We believe that operators in each of the principal Spanish gaming markets (slot machine operators, casinos and bingo halls) are consolidating into larger diversified gaming companies and that this could lead to increased competition at the national and international levels. Some competitors, particularly potential foreign competitors, have greater financial and other resources than we do, especially with respect to a particular region or gaming activity, and we may not be able to compete successfully with them.

We compete to a limited extent with lotteries (the public gaming market), which comprise national (*Lotería Nacional*), regional (*Entitat Autònoma de Jocs i Apostes* which operates only in Catalonia) and charitable lotteries (ONCE).

Changes in consumer preferences could also harm our business.

Our business is dependent on the appeal of our gaming offering to our customers. Our gaming offerings compete with various other forms of gaming venues and opportunities. For example, the rapid expansion of online gaming may render our products obsolete or oblige us to incur significant capital expenditures to meet customer demand. Changes in consumer preferences and any inability on our part to anticipate and react to such changes could result in reduced demand for our offerings and erosion of our competitive and financial position. Gaming competes with other leisure activities as a form of consumer entertainment, and may lose popularity as new leisure

activities arise or as other leisure activities become more popular. The popularity and acceptance of gaming is also influenced by the prevailing social mores, and changes in social mores could result in reduced acceptance of gaming as a leisure activity. To the extent that the popularity of gaming in traditional gaming establishments declines as a result of either of these factors, the demand for our gaming offerings may decline and our business may be adversely affected.

Our success is dependent on maintaining and enhancing our brand.

Our success is dependent in part on the strength of our brand. We believe that we have a long-established, trusted, and widely recognized brand and reputation in the markets in which we operate and that our brand represents a competitive advantage in the development of our activities. We also believe that, as the gaming industry becomes increasingly competitive, our success will be dependent on maintaining and enhancing our brand strength.

There is no assurance that any of our other marketing initiatives will be successful. If we are unable to maintain and enhance the strength of our brand, then our ability to retain and expand our customer base may be impaired, and our business, results of operations, and financial condition may be adversely affected. Additionally, to the extent we get associated with, in the press or otherwise, criminal or civil allegations or charges made against persons we have conducted business with in the past, our reputation in that jurisdiction and globally may be adversely affected, despite the fact that we do not bear responsibility or liability for the alleged behavior or actions. If we fail to maintain and enhance our brand successfully, our business, results of operations, and financial condition may be adversely affected.

We may fail to detect money laundering or fraudulent activities of our customers or third parties.

We are exposed to the risk of money laundering and fraudulent activities by our customers and third parties, including collusion between online customers and the use of sophisticated computer programs that play poker and other skill games automatically in our online gaming platform. In connection with our online betting activities, we have implemented internal control systems that monitor unusual transaction volumes or unusual transaction patterns and screen the personal details of the customer, in order to minimize opportunities for money laundering and fraud, but may not always be successful in protecting ourselves and our customers from such activities. In addition, we could be targeted by third parties, including criminal organizations, for fraudulent activities, such as attempts to compromise our system that processes and collects payment information or attempts to use our betting services to engage in money laundering.

Our distribution network partners are required to abide by applicable laws, including by identifying customers placing bets. Though we have controls in place, we may fail to detect non-compliance with applicable laws or with our policies by our distribution network partners. To the extent we are not successful in protecting ourselves or our customers from money laundering and fraud activities, we could be subject to criminal sanctions and administrative fines and could directly suffer loss or lose the confidence of our customer base, which could have a material adverse effect on our business, results of operations, and financial condition. Failure by us to comply with such provisions could result in the imposition of criminal sanctions on our directors and/or administrative and civil fines on us, penalties, revocation of concessions and licenses and operational bans, and therefore have a material adverse effect on our financial condition and results of operations.

Furthermore, illegal gaming may drain significant portions of gaming volumes away from the regulated industry and adversely affect our business. A significant threat for the entire gaming industry arises from illegal activities such as illegal slot machines and, more generally, all forms of gaming that circumvent public regulation, including offshore gaming. Such illegal activities drain gaming volumes away from the regulated industry. The loss of such volumes could have an adverse effect on our business, results of operations and financial condition.

Our results of operations could be adversely affected by a disruption of operations at our manufacturing facilities.

We conduct all of our slot machine manufacturing operations at facilities in Terrassa, Spain. Operations at these facilities are subject to a variety of risks, including:

- equipment failure;
- failure to comply with applicable regulations, including environmental regulations, and to maintain necessary permits and approvals;
- labor force shortages or work stoppages; and
- natural disasters.

Besides the revenues that we generate from selling the slot machines that we produce for third parties, our Slots Division purchases many of its products from our B2B Division. A disruption of operations at our manufacturing facilities could consequently adversely impact the results of operations of the Slots Division. Any significant disruptions in operations resulting from such events or other events may adversely affect our results of operations.

We are exposed to the risk of strikes, work stoppages and other industrial actions. Our employees are not under any obligation to report their membership with a trade union. Based on a rough estimate, we believe that approximately 15% of our employees are members of labor unions. Nevertheless, in the future we may experience lengthy consultations with labor unions or strikes, work stoppages or other industrial actions. We are subject to different national and regional industry-wide collective bargaining agreements in each of the respective sectors in which we operate, except for our casinos in Marbella, Valencia, and La Toja, whose employees are party to collective bargaining agreements directly with us. In addition, we are a party to a collective bargaining agreement with the employees of Universal de Desarrollos Electronicos, S.A., a slot machine manufacturing subsidiary, concerning hours of employment. Although we believe that we have good relations with our employees, strikes called by employees or unions could disrupt our operations. Strikes and other industrial actions, as well as the negotiation of new collective bargaining agreements or salary increases in the future, could disrupt our operations and make it more costly to operate our facilities, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We are subject to taxation which is complex and often requires us to make subjective determinations.

We are subject to many different forms of taxation including but not limited to income tax, gaming taxes, value added tax, social security and other payroll related taxes. Tax law and administration is complex and often requires us to make subjective determinations. The tax authorities may not agree with the determinations that are made by us with respect to the application of tax law. Such disagreements could result in lengthy legal disputes and, ultimately, in the payment of substantial amounts for tax, interest and penalties, which could have a material adverse effect on our results of operations.

Certain countries in which we operate have been subject to significant security issues in the past several years, and if such issues continue or worsen, our operations could be materially adversely affected.

Certain countries in which we operate have been subject to significant security issues in the past several years, and if such issues continue or worsen, our operations and proposed expansion plans in such countries could be materially adversely affected. For example, in the past several years, Mexico has experienced increased criminal violence, primarily due to the activities of organized crime. High crime rates and violence resulting from organized crime are particularly acute in several areas of Mexico in which we operate. The gaming hall of an illegal bingo hall operator in Monterrey, Mexico, was the subject of organized-crime-related arson. This event negatively affected our operations in Mexico through reduced attendance at our gaming halls as well as through the

temporary closure of certain other halls as a result of widespread government inspections. In response to the surge in criminal activity, the Mexican government has implemented various security measures and strengthened its military and police forces. Despite these efforts, crime rates remain high. In 2015, we acquired one casino in the resort town of Agadir, Morocco. There is a significant terrorism threat in Morocco and there have been terrorist attacks in other parts of Morocco (and in neighboring countries such as Algeria) in the recent past, which may have an impact on tourism and hence reduce the attendance of tourists in our casino in Agadir. Any increase in violence in the countries in which we operate could have a material adverse effect on our operations.

Our results of operations are impacted by fluctuations in foreign currency exchange rates

We record our financial results in euro, however, our operations in Latin America are conducted in the functional regional currencies of their operating locations. Consequently, our revenues and expenses, as recorded in euro, will fluctuate as a result of currency exchange rate fluctuations between these regional currencies and the euro. For example, the recent depreciation of local currencies against the euro had a negative effect on our financial performance. A continuing depreciation of local currencies or a depreciation of local currencies relative to the euro would have negative effects on our results of operations. We can provide no assurance that the functional regional currencies of our operations outside of Europe will not fluctuate relative to the euro.

Terrorist attacks and other acts of violence or war may affect our business and results of operations.

Terrorist attacks and other acts of violence or war may negatively affect our business and results of operations. In 2015, we acquired a casino in the resort town of Agadir, Morocco. There is a significant terrorism threat in Morocco and there have been terrorist attacks in other parts of Morocco in the recent past. There can be no assurance that there will not be terrorist attacks or armed conflicts that may directly impact us, our customers or partners. Any of these occurrences could cause a significant disruption in our business and could adversely affect our results of operations.

Negative perceptions and negative publicity surrounding the gaming industry could damage our reputation or lead to increased regulation or taxation, which could adversely affect our business.

The gaming industry is exposed to negative publicity and attention generated by a variety of sources, including citizens' groups, non-governmental organizations, media sources, local authorities, and other groups and institutions. In particular, in recent years, public attention has been drawn to findings or allegations of underground betting and gaming, participation or alleged participation in gaming activities by minors, the location and concentration of gaming machines, the features of certain types of gaming machines (such as fixed odds betting terminals), risks related to social ills such as addiction to gaming and risks related to data protection and payment security in connection with online gaming. In addition, publicity regarding social issues related to the gaming industry, even if not directly connected to us and our businesses, could adversely impact our business, financial condition and results of operations. If the perception develops that the gaming industry is failing to address such concerns adequately, the resulting political pressure may result in the gaming industry becoming subject to increased regulation or taxation. Future increases in regulation or taxation could adversely impact our reputation, business, results of operations and financial condition.

Pro Forma Adjusted EBITDA included in this Offering Memorandum is presented for illustrative purposes only and our actual results of operations following the Transactions may differ.

We have presented in this Offering Memorandum a Pro Forma Adjusted EBITDA metric. Pro Forma Adjusted EBITDA is based upon available information and assumptions that we believe are reasonable in the circumstances. Pro forma adjustments reflect only those adjustments that are factually determinable and do not include the impact of contingencies which will not be known until resolution of any such contingency. Pro Forma Adjusted EBITDA has been prepared for illustrative purposes only and has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act or any generally accepted accounting standards.

Pro Forma Adjusted EBITDA has not been audited by any independent auditors and should not be considered indicative of actual results that would have been achieved had the New Acquisition, and the other events for which we have made adjustments, been completed on the dates indicated and does not purport to indicate our future consolidated results of operations or financial position. The actual results may differ significantly from those reflected in our Pro Forma Adjusted EBITDA for a number of reasons, including, but not limited to, differences in assumptions used to prepare the Pro Forma Adjusted EBITDA. For example, the financial information of the New Target Group is prepared based on Spanish GAAP rather than IFRS and, accordingly, the estimated EBITDA of the Target Group presented in this Offering Memorandum may differ if prepared based on IFRS. Additionally, the estimated EBITDA of the Target Group presented in this Offering Memorandum is based upon unaudited management accounts of the Target Group that have not been audited by any independent auditors.

Pro Forma Adjusted EBITDA does not reflect future events that may occur after the Transactions, including the potential non-realization of revenue synergies, cost savings, expense reductions and contribution from acquisitions described in the presentation of Pro Forma Adjusted EBITDA under see "*Summary—Summary Historical Consolidated and Other Information"* and the incurrence of implementation and investment costs related to the realization of such revenue synergies, cost savings, expense reductions and contribution from acquisitions. This pro forma financial information also does not consider potential negative impacts of market conditions on revenue or expenses. Such actual events may have a material adverse effect on our business, results of operations, financial condition and prospects.

Risks Related to the Original Acquisition

The Company may not be able to enforce claims with respect to the representations and warranties that the Sellers have provided to it under the Original Acquisition Agreement.

In connection with the Original Acquisition, the Original Sellers gave certain customary representations and warranties related to the shares of Cirsa and its subsidiaries and the business and operations of Cirsa and its subsidiaries under the Original Acquisition Agreement. There can be no assurance that the Company will be able to enforce any claims against the Original Sellers relating to breaches of such representations and warranties. The liability of the Original Sellers with respect to breaches of their representations and warranties under the Original Acquisition Agreement is very limited. Moreover, even if the Company ultimately succeeds in recovering any amounts from the Original Sellers or their insurance providers, the Company may be required to temporarily bear these losses, which could have an adverse effect on the results of operations and financial condition of the Group.

Cirsa and its subsidiaries may have liabilities that were not known to the Company prior to the Original Acquisition, and the indemnities negotiated in the Original Acquisition Agreement may not adequately protect us.

Cirsa and its subsidiaries have been acquired with certain liabilities, including certain pension liabilities and certain tax liabilities. There may be liabilities that were not discovered in the course of the due diligence investigations into Cirsa and its subsidiaries that were performed by Blackstone and its representatives in connection with the Original Acquisition. Any such undiscovered liabilities, individually or in the aggregate, could have a material adverse effect on the business, financial condition and results of operations of the Group. In addition, such liabilities may not be recoverable, in full or at all, against the representations, warranties and indemnities given by the Original Sellers under the Original Acquisition Agreement. We may discover additional information about Cirsa and its subsidiaries that adversely affects the Group, such as unknown or contingent liabilities and issues relating to compliance with applicable laws, which could have an adverse effect on the results of operations and financial condition of the Group.

Risks Related to the New Acquisition

The New Acquisition is subject to significant uncertainties and risks.

The completion of the New Acquisition pursuant to the New Acquisition Agreement is subject to certain conditions being satisfied or waived. For example, the New Acquisition is subject to closing conditions, including the receipt of certain antitrust approvals. Any such conditions or remedies may make the New Acquisition less attractive or impossible to close and may therefore be unacceptable to us, or may delay the closing of the New Acquisition. Should the New Acquisition pursuant to the New Acquisition Agreement not close as expected, the Notes would be redeemed as described under "*Description of the Notes—Deposit of Proceeds; Special Mandatory Redemption*."

The representations and warranties and the indemnities that the New Sellers have provided to us under the New Acquisition Agreement may not be adequate to cover us against any claims or liabilities that may arise in relation to them.

In connection with the New Acquisition, the New Sellers have given certain customary representations and warranties and provided certain indemnities under the New Acquisition Agreement. There can be no assurance that we will be able to enforce any claims against the New Sellers relating to breaches of such representations and warranties or pursuant to such indemnities and even if we ultimately succeed in recovering any amounts from the New Sellers, we may be required to temporarily bear losses arising from any such claims. Moreover, the New Target Group and its subsidiaries will be acquired with certain liabilities, including potential tax liabilities, and there may be additional liabilities that we have not become aware of in connection with the New Acquisition. If there is an adverse determination against the New Target Group in relation to any of these matters, the New Target Group could be liable for them, which could have a material adverse effect on our business, financial condition and results of operations following the completion of the New Acquisition. Inability to enforce contractual claims against the New Sellers or undiscovered liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations following the completion of the New Acquisition.

Risks Related to the Notes, the Guarantees and the Collateral

The proceeds of the offering of the Notes will be placed in a Deposit Account and if the Deposit Account release conditions are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes. No third party escrow agent shall control the Deposit Account.

Prior to the satisfaction of the Deposit Account release conditions, the gross proceeds of the offering of the Notes will be held in the Deposit Account, which shall be segregated and controlled by the Issuer. If the Deposit Account release conditions, as described in "*Description of the Notes—Deposit of Proceeds; Special Mandatory Redemption*" are not satisfied by or prior to the Longstop Date or in the event of certain other events, the Notes will be subject to a special mandatory redemption and you may not obtain the return you expect to receive on such Notes. The Indenture will require the Issuer to consummate the New Acquisition promptly upon release of the proceeds from the Deposit Account. The gross proceeds of the offering of the Notes will be limited and will not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the initial issue price of the applicable series of Notes plus accrued and unpaid interest from the Issue Date to the date of the special mandatory redemption and additional amounts, if any. To the extent not available in the Deposit Account, we will be required to fund any accrued and unpaid interest (including any negative interest payable on the Deposit Account) and additional amounts owing to holders of the Notes. However, there can be no assurance that we will have sufficient funds to make these payments, and the Issuer may not have access to the funds necessary to allow it to pay the full amount of the required redemption price in the event of a special mandatory redemption.

Furthermore, the Deposit Account proceeds will be deposited in segregated accounts that are controlled by the Issuer. There will be no independent third party such as an escrow agent controlling the use and release of

the Deposit Account proceeds, and therefore, despite certain requirements around how and when the funds may be used and released, there can be no guarantee that the same protections of the funds that are expected in a customary escrow arrangement will be realized here. The Trustee will also have no responsibility or obligation to monitor the use and release of the Deposit Account proceeds or ensure compliance with any restrictions or covenants, if any, related to its use and release. See "*Description of the Notes—Deposit of Proceeds; Special Mandatory Redemption*."

The Issuer may not be able to recover any amounts under its Proceeds Loan because its rights to receive payments under such Proceeds Loan is subordinated to all third party liabilities of the Company.

Under Spanish Act 22/2003 of July 9, 2003 on Insolvency Proceedings (*Ley 22/2003, de 9 de julio, Concursal*) (the "*Spanish Insolvency Act*"), the Proceeds Loan between the Issuer and the Company will be classified as subordinated claims of the Company, meaning that in an insolvency proceeding they would be subordinated to the preferential and ordinary claims of the Company. The Intercompany Loan between the Company and Cirsa and the Existing Proceeds Loan between the Issuer and the Company are likewise classified as subordinated claims of Cirsa.

The Issuer is a wholly owned finance subsidiary that has no revenue generating operations of its own and depends on cash from operating companies to be able to make payments on the Notes.

The Issuer is a wholly owned finance subsidiary of the Company and has no business operations or significant assets other than receivables under the Proceeds Loan and the Existing Proceeds Loan. The Issuer is dependent upon the cash flow from the Group's operating companies to meet its obligations under the Notes. The Group's operating companies intend to provide funds to the Issuer in order for the Issuer to meet its obligations under the Notes principally through payments under the Proceeds Loan. The Group's operating companies expect to provide funds to the Issuer to service the interest payments under the Proceeds Loan principally through the provision of intercompany loans and dividends and other distributions. If the subsidiaries within the Group do not fulfil their obligations under any such intercompany loans and do not otherwise distribute cash to the Company, and in turn to the Issuer, in order for the Issuer to make scheduled payments on the Notes, the Issuer will not have any other source of funds that would allow it to make payments to the holders of the Notes. The amount of cash available to the Issuer will depend on the profitability and cash flows of the operating companies in the Group and the ability of those companies to transfer funds under applicable law. The operating companies in the Group, however, may not be able to, or may not be permitted under applicable law to, make distributions or advance loans, directly or indirectly, to the Issuer in order for the Issuer to make payments in respect of the Notes. Various agreements, including agreements governing the Group's debt, may restrict, and in some cases, may prevent the ability of the members of the Group to transfer funds within the Group. Applicable tax laws may also subject such payments to further taxation. In addition, the members of the Group that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

The debt under our Existing Floating Rate Notes and Revolving Credit Facility Agreement will bear interest at a floating rate that could rise significantly, increasing our interest cost and debt and reducing our cash flow.

The Existing Floating Rate Notes bear interest at floating rates of interest per annum equal to EURIBOR, adjusted quarterly, plus an agreed margin. Loans under the Revolving Credit Facility bear interest at rates per annum equal to EURIBOR, for loans denominated in euro, or for loans denominated in a currency other than euro, LIBOR plus an agreed margin. EURIBOR or LIBOR could rise significantly in the future. Although we may enter into and maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurances that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. To the extent interest rates were to rise significantly, our interest expense associated with the Existing Floating Rate Notes and the Revolving Credit Facility would correspondingly increase, thus reducing cash flow.

The manner of calculating EURIBOR has been under review by European regulators and others. There can be no assurance that EURIBOR will continue to be calculated as it has historically, if at all. In particular, certain interest rates and indices which are deemed to be "benchmarks" (including EURIBOR) have been the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. Any such reforms may cause such "benchmarks" to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the value or liquidity of, and return on, the Notes. Regulation (EU) No. 2016/1011 (the "*Benchmarks Regulation*") was published in the Official Journal of the EU on 29th June, 2016 and applies from January 1, 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorized or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognized or endorsed) and (ii) prevents certain uses by EU supervised entities of "benchmarks" of administrators that are not authorized or registered (or, if non-EU based, not deemed equivalent or recognized or endorsed). The Benchmarks Regulation could have a material impact on the Existing Floating Rate Notes, in particular, if the methodology or other terms of EURIBOR are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of EURIBOR. More broadly, any of the international or national reforms (including those announced in relation to EURIBOR), or the general increased regulatory scrutiny of "benchmarks," could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark"; or (iii) lead to the disappearance of the "benchmark." Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Existing Floating Rate Notes.

EURIBOR is provided by the European Money Markets Institute which is not included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("*ESMA*") pursuant to Article 36 of the Benchmarks Regulation and, as far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the European Money Markets Institute is not currently required to obtain authorization or registration.

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on the Existing Floating Rate Notes will be determined for the relevant period by the fallback provisions applicable to the Existing Floating Rate Notes. This may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the EURIBOR benchmark which, depending on market circumstances, may not be available at the relevant time, (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when EURIBOR was available or (iii) permit the Issuer to replace EURIBOR with any alternative rate which has replaced EURIBOR in customary market usage for purposes of determining floating rates of interest in respect of euro-denominated securities, as identified by the Issuer in consultation with an independent financial advisor. Any of the foregoing could have an adverse effect on the interest expense associated with the Existing Floating Rate Notes and debt under our Revolving Credit Facility Agreement, and correspondingly on our cash flow and liquidity.

Creditors under the Revolving Credit Facility and certain hedging obligations are entitled to be repaid with the proceeds of the Collateral sold in any enforcement procedure in priority to the Notes. Holders of the Notes will not control decisions regarding the Collateral in certain circumstances.

The obligations of the Issuer under the Existing Notes are, and the obligations of the Issuer under the Notes will be, secured on a first-priority basis by liens over the Collateral. The Collateral also secures our obligations under the Revolving Credit Facility Agreement. In addition, while we currently have not entered into any hedging arrangements, the Collateral may secure certain hedging obligations which we may enter into. The

Existing Indenture also permits, and the Indenture will permit, the Collateral to be pledged to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement.

Pursuant to the Intercreditor Agreement, any credit facility that ranks "super senior," including the Revolving Credit Facility Agreement, and certain hedging obligations will be entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale or from certain distressed disposals in priority to the Notes. As such, in the event of a foreclosure of the Collateral or certain distressed disposals, holders of the Notes may not be able to recover on the Collateral if the then outstanding claims under any "super priority" credit facility, including the Revolving Credit Facility Agreement, and certain hedging obligations, are greater than the proceeds realized. Any proceeds from an enforcement action over the Collateral will, after all obligations under any "super priority" credit facility, including the Revolving Credit Facility Agreement and certain hedging obligations have been discharged from such recoveries, be applied pro rata in repayment of the Notes and any other obligations secured by the Collateral that are permitted to rank *pari passu* and are secured on a *pari passu* basis with the Notes, including the Existing Notes. In addition, in the event a claim (including a guarantee, if any) under any such "super priority" credit facility or such hedging obligations is limited or deemed to be invalid, including by reason of corporate benefit limitations or other legal reasons, any such "super priority" credit facility or such hedging obligations would still be paid in full prior to any repayment of the Notes and such other *pari passu* obligations, including the Existing Notes, even though the total amount of secured claims against the Collateral may be reduced. As a result, proceeds from the sale of Collateral in connection with any enforcement action or disposal may be insufficient to pay claims under the Notes.

The Intercreditor Agreement provides that a common Security Agent, who serves as the security agent for the lenders under the Revolving Credit Facility Agreement, certain hedging obligations, the Existing Notes and will serve as security agent for the Notes and any additional debt secured by the Collateral permitted to be incurred by the Existing Indenture or the Indenture, will act only as provided for in the Intercreditor Agreement. The Intercreditor Agreement will regulate the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action. The Security Agent will not be required to take enforcement action unless instructed to do so by an Instructing Group (as defined in "*Description of Other Indebtedness—Intercreditor Agreement* ") that comprises (i) creditors holding more than 66⅔% of the indebtedness and commitments under the Revolving Credit Facility Agreement and the priority hedging obligations (the "*Majority Super Senior Creditors*") or (ii) the holders of the required principal amount of the then outstanding Notes as set out in the Indenture (or if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Notes) and the holders of the required principal amount of the then outstanding indebtedness ranking *pari passu* with the Notes, including the Existing Notes, as set out in the relevant documents governing such debt ranking *pari passu* with the Notes, including the Existing Indenture (or if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding amount of such indebtedness) whose principal amount outstanding under the Notes and such indebtedness ranking *pari passu* with the Notes (the "*Senior Secured Credit Participations"*) at that time aggregate more than 66⅔% of the total Senior Secured Credit Participations at that time (the "*Majority Senior Secured Creditors*") (in each case acting through their respective creditor representative). If, before the super senior discharge date, the Security Agent has received conflicting enforcement instructions from the relevant creditor representatives, then the Security Agent will comply with the instructions from the Majority Senior Secured Creditors (to the extent given), *provided* that if (i) the super senior liabilities have not been fully discharged within six months of the date on which the first such enforcement instructions were first issued, (ii) no steps have been taken in relation to the commencement of enforcement action within three months of the date on which the first such enforcement instructions were first issued or (iii) certain insolvency proceedings have occurred without steps having been taken in relation to the commencement of any enforcement actions, then the instructions of the Majority Super Senior Creditors will prevail. To the extent we incur additional indebtedness that is secured by the Collateral on a *pari passu* basis with the Notes, your voting interest in an instructing group will be diluted commensurate with the amount of indebtedness we incur.

The lenders under the Revolving Credit Facility Agreement, creditors in respect of certain hedging arrangements and holders of the Existing Notes may have interests that are different from the interests of holders

of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the documents relating to the Collateral at a time when it would be disadvantageous for the holders of the Notes to do so.

In addition, if the Security Agent proceeds against the Collateral in accordance with the Intercreditor Agreement, claims under the Notes, any guarantees by any future subsidiaries and the liens over any other assets of such entities securing such Guarantees may be released. See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens*."

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

The Existing Notes are, and the Notes will be, secured by first-priority security interests in the Collateral described in this Offering Memorandum, which Collateral also secures the Revolving Credit Facility Agreement and certain hedging arrangements. The Collateral may secure additional debt ranking *pari passu* with the Notes to the extent permitted by the terms of the Existing Indenture, the Indenture, the Revolving Credit Facility and the Intercreditor Agreement. The rights of the holders of the Notes to the Collateral may therefore be diluted by any increase in the debt secured by first-priority liens on the Collateral. See also "*—Creditors under the Revolving Credit Facility and certain hedging obligations are entitled to be repaid with the proceeds of the Collateral sold in any enforcement procedure in priority to the Notes. Holders of the Notes will not control decisions regarding the Collateral in certain circumstances.*"

There is no guarantee that the value of the Collateral will be sufficient to enable the Issuer to satisfy its obligations under the Notes. No appraisals have been prepared by or on our behalf in connection with the issuance of the Notes. The fair market value of the Collateral and the amount able to be realized upon an enforcement of such Collateral and certain distressed disposals will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, general economic conditions, the availability of buyers, whether or not our business is sold as a going concern, the jurisdiction in which the enforcement action or disposal is completed, the ability to readily liquidate the Collateral and the fair market value and condition of the Collateral. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that there will be a market for the sale of the Collateral or, if such a market exists, that there will not be a substantial delay in our liquidation. In addition, the share pledges or charges of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. The proceeds of any sale of the Collateral following an event of default with respect to the Notes may not be sufficient to satisfy, and may be substantially less than, amounts due on the Notes.

To the extent that security interests and other rights granted to other parties encumber assets owned by us, those parties have or may exercise rights and remedies with respect to the property subject to their security interests or other rights that could materially adversely affect the value of that Collateral and the ability of the Security Agent, the Trustee or holders of the Notes to realize proceeds upon an enforcement of the Collateral or certain distressed disposals. If the proceeds of any enforcement upon Collateral or disposal are not sufficient to repay all amounts due on the Notes, investors (to the extent not repaid from the proceeds of any enforcement upon the Collateral or disposal) would have only an unsecured claim against our remaining assets. Each of these factors or any challenge to the validity of the Collateral or the Intercreditor Agreement could reduce the proceeds realized upon an enforcement of the Collateral or certain distressed disposals.

In particular, security over the Collateral granted by the subsidiaries of Cirsa incorporated in Spain will be limited to the value of proceeds from the Existing Notes that were used to refinance the Cirsa Group's existing indebtedness (approximately €985 million) plus the value of the Notes (and any additional Notes so long as they do not infringe Spanish financial assistance laws) and will not secure those obligations or liabilities which, if secured, will constitute an infringement of Spanish financial assistance laws in accordance with Articles 143.2 and 150 of the Spanish Companies Act. In addition, under Spanish law, the financial assistance restrictions referred to above in relation to the Collateral granted by the subsidiaries of Cirsa incorporated in Spain may also apply to

subsidiaries of Cirsa not incorporated in Spain. The Indenture will limit all security over the Collateral granted by the subsidiaries of Cirsa to the value of proceeds from the Existing Notes that that were used to refinance the Cirsa Group's existing indebtedness plus the value of the Notes (and any additional Notes so long as they do not infringe Spanish financial assistance laws). See "*Limitations on Validity and Enforceability of Guarantees and Security—Spain*."

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

The Collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture, the Existing Indenture, the Revolving Credit Facility, and the Intercreditor Agreement and accepted by other creditors that have the benefit of security interests in the Collateral from time to time. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could materially 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 effectiveness or first-priority ranking of security interests with respect to the Notes can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or preferential claims or characterization under the laws of certain jurisdictions.

The security interests in favor of the Security Agent may also be subject to practical problems generally associated with the realization of security interests in the Collateral. Further, the enforcement of ownership interests and pledges may be subject to certain specific requirements, and the Security Agent may need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such 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 significantly decrease. Furthermore, the security interests may be subject to certain limitations on enforcement or may be limited by applicable law or may be subject to certain defenses that may limit its validity or enforceability. For example, security over the Collateral granted by the subsidiaries of Cirsa incorporated in Spain will be limited to the value of proceeds from the Existing Notes that were used to refinance the Cirsa Group's existing indebtedness (approximately €985 million) plus the value of the Notes (and any additional Notes so long as they do not infringe Spanish financial assistance laws) and will not secure those obligations or liabilities which, if secured, will constitute an infringement of Spanish financial assistance laws in accordance with Articles 143.2 and 150 of the Spanish Companies Act. In addition, under Spanish law, the financial assistance restrictions referred to above in relation to the Collateral granted by the subsidiaries of Cirsa incorporated in Spain may also apply to subsidiaries of Cirsa not incorporated in Spain. The Indenture will limit all security over the Collateral granted by the subsidiaries of Cirsa to the value of proceeds from the Existing Notes that were used to refinance the Cirsa Group's existing indebtedness plus the value of the Notes (and any additional Notes so long as they do not infringe Spanish financial assistance laws). See "*Limitations on Validity and Enforceability of Guarantees and Security—Spain*." Also, under Spanish law, any guarantee, pledge or mortgage must guarantee or secure another obligation to which it is ancillary, which must be clearly identified in the relevant guarantee or security agreement. Therefore, guarantee or security interests follow the underlying obligation in such a way that nullity of the underlying obligation entails nullity of the guarantee or security and termination of the underlying obligation entails termination of the guarantee or security. In the event that the security providers incorporated in Spain are able to prove that there are no existing and valid guaranteed or secured obligations, Spanish courts may consider that the security providers' obligations under the relevant guarantees or in respect of the relevant security provided are not enforceable. Further, any enforcement of the share pledge over the shares of the Subsidiary Guarantor incorporated in Mexico will be subject to the approval of the Ministry of Interior in Mexico. See "*Limitations on Validity and Enforceability of Guarantees and Security—Mexico*."

In addition, the Spanish Insolvency Act (as defined herein) imposes a moratorium on the enforcement of secured creditor's rights (*in rem* security) in the event of insolvency. The moratorium would take effect following the declaration of insolvency until the earlier of (i) one year from the declaration of the insolvency if the insolvent company has not been placed in liquidation or (ii) the date the creditors reach an agreement that does not affect

the exercise of the rights granted by the security interest, with the limitations explained above. This moratorium only affects those assets that are considered as necessary for the debtor's activity. For additional information relating to limitations on enforceability of security interests granted over Collateral and enforcement proceedings generally, see "*Limitations on Validity and Enforceability of Guarantees and Security*."

While we have control over the Collateral securing the Notes, the sale of particular assets could reduce the value of the Collateral.

The documents relating to the Collateral will allow us to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral. So long as no default or event of default under the Indenture would result therefrom, we may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness.

In addition, the value of our assets serving as Collateral, may be materially adversely affected by depreciation or because of certain events that may cause damage to these assets. Although the Indenture will contain a covenant restricting impairment of security interests, we will not be required to improve the Collateral.

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

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent, which will hold the Collateral for the benefit of the holders of the Notes. The Indenture will provide (consistent with the Intercreditor Agreement) that only the Security Agent has the right to enforce the documents relating to the Collateral. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the Collateral. Notwithstanding the foregoing, if enforcement of any security interest in Spain was to be carried out by the Security Agent, it may be necessary (i) that each of the secured parties benefiting from such Collateral proves its title to the secured obligations, ratifies such Collateral and accepts the benefit of the security interest in its respective names and (ii) to prove that the Security Agent is duly and expressly empowered by means of duly notarized powers of attorney granted in favor of the Security Agent by each of the actual or future creditors, if necessary, with the Apostille of The Hague Convention dated October 5, 1961. Therefore, there could be a delay in the enforcement of the Collateral in Spain while the Security Agent obtains such powers and the relevant public deeds are granted. In the absence of the notarized and apostilled powers of attorney, the Security Agent may not be able to enforce the relevant Collateral or security interests in Spain on behalf of the holders of the Notes, and there is a risk that the Security Agent would only be able to enforce the security interest against the debt that it individually holds, and not for the full amount owed to creditors for whom it may be acting as Security Agent. Further, those beneficial holders of the security who have not accepted the security or duly empowered (by means of notarial and apostilled powers of attorney) the Security Agent to do so may be treated, from a Spanish law perspective including without limitation in an insolvency scenario, as unsecured creditors. Further, there is a risk that the relevant court or notary public before whom any Spanish security interest may eventually be enforced might request both the notarization of the documents from which the relevant obligations arise, and the notarization of each and every one of the transfer certificates regarding each and every transfer of the Notes.

The appointment of a foreign security agent will be recognized under Luxembourg law, (i) to the extent that the designation is valid under the law governing such appointment and (ii) subject to possible restrictions depending on the type of the collateral provided. Generally, pursuant to article 2(4) of the Luxembourg Act dated August 5, 2005, as amended, concerning financial collateral arrangement (the "Financial Collateral Law 2005"), collateral may be provided in favor of a person acting on behalf of the collateral taker, a fiduciary or a trustee in order to secure the claims of third-party beneficiaries, whether present or future, *provided* that these third-party

beneficiaries are determined or determinable. Without prejudice to their duties towards the third-party beneficiaries of the financial collateral arrangements, the persons acting on behalf of the beneficiaries of the financial collateral, the fiduciary or the trustee enjoy the same rights as those granted to direct beneficiaries of the financial collateral referred to under said law.

In addition, security interests granted by a security provider other than the Issuer will only secure the guarantee obligation of such security provider and its own obligations under the relevant secured debt documents and will not secure the obligations of the Issuer under the Notes nor the guarantee obligations of any other guarantor of the Notes. Therefore, such security interests are indirectly limited through the customary provisions included in the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement which limit the enforceability of the respective security interests in order to ensure compliance with certain legal requirements under relevant local law. The security interests granted by a security provider over 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. See "*—The Collateral may not be sufficient to secure the obligations under the Notes,*" and "*—Laws relating to fraudulent preference, fraudulent conveyance and corporate benefit may adversely affect the validity and enforceability of the Guarantees or security interests" and "Limitations on Validity and Enforceability of Guarantees and Security.*"

With respect to certain jurisdictions, including Italy (including, without limitation, with respect to accessory security such as pledges over shares, partnership interests, receivables or bank accounts), due to certain legal requirements governing the creation and perfection of security interests and enforceability of such security interests, the Collateral secures a so-called "parallel debt" obligation created under the Intercreditor Agreement in favor of the Security Agent rather than secure the obligations of the Issuer under the Notes or, as applicable, the obligations of a Guarantor under its Guarantee directly. The parallel debt is in the same amount and payable at the same time as the obligations of the Issuer under the Notes or, as applicable, the relevant Guarantor under its Guarantee (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 under the Intercreditor Agreement, a claim against the Issuer and the Guarantors for the full amount payable on the Notes or, as applicable, the relevant Guarantee, the parallel debt construct has not yet been tested in court in these jurisdictions, and we cannot assure you that it will eliminate or mitigate the risk of invalidity and unenforceability of the security interest. If any challenge to the validity of such security interest or the parallel debt structure were successful, holders of the Notes might not be able to recover any amounts in respect of such security interests.

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

In addition, the ability of the Security Agent to enforce the security interests in the Collateral is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken. For example, the laws of certain jurisdictions may not allow for an appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in a security document will be validly secured.

Finally, the provision of Guarantees and execution of the Collateral are subject to certain Agreed Security Principles that could relieve certain Guarantors or security providers of the obligation to provide guarantees and/or grant security interests in assets otherwise expected to form part of the Collateral, which could have a material adverse impact on the credit support available to you in connection with your investment in the Notes.

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes may be released automatically.

Under the Indenture, the Collateral securing the Notes may be released automatically under certain circumstances as discussed under "*Description of the Notes—Security—Release of Liens*."

Even though the holders of the Notes will share in the Collateral securing the Notes ratably with holders of the Existing Notes, lenders under the Revolving Credit Facility Agreement and certain hedge counterparties when the hedging arrangements are entered into, under certain circumstances, lenders under the Revolving Credit Facility Agreement or counterparties to certain hedging obligations may control enforcement actions with respect to the Collateral through the Security Agent, whether or not the holders of the Notes agree or disagree with those actions. See "*Description of Other Indebtedness—Intercreditor Agreement*."

Under applicable law, security may automatically be released upon a transfer or other dealing with the relevant Collateral. See "*Limitations on Validity and Enforceability of Guarantees and Security*."

In addition, under various circumstances, any guarantees of the Notes by a future restricted subsidiary may be released. See "*Description of the Notes—Certain Covenants—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries and Additional Guarantees*."

The granting of the security interests in the Collateral may create or restart hardening periods.

The granting of security interests to secure the Notes may create hardening periods for such security interests. The granting of security interests to secure future indebtedness that is permitted to be secured by the Collateral may restart or reopen such hardening periods, in particular as the Indenture will permit the release and retaking of security granted in favor of the Notes in certain circumstances, including in connection with the incurrence of other future indebtedness. The applicable hardening period for these new security interests can run from the moment each new security interest has been granted, perfected or recreated. At each time, if the security interest granted, perfected or recreated were to be enforced before the end of the respective hardening period, it may be declared void or ineffective and it may not be possible to enforce it in an insolvency scenario of the relevant security provider. If the grantor of such security interest were to become subject to a bankruptcy, insolvency or winding up proceeding after the Issue Date, any security interest in the Collateral delivered after the Issue Date would face a greater risk than security interests in place on the Issue Date of being avoided by the grantor or by its trustee, receiver, liquidator, administrator or similar authority, or otherwise set aside by a court, as a preference under insolvency law, in each case depending on the relevant length of the applicable hardening period. To the extent that the grant of any security interest is voided, holders of the Notes would lose the benefit of the security interest.

The same rights and risks will also apply with respect to future security interests granted in connection with the accession of any potential future subsidiaries as guarantors in respect of the Notes (as defined in "*Description of the Notes—Certain Definitions*") and/or the granting of security interests over their relevant assets and ownership interests for the benefit of the holders of the Notes. See "*Description of the Notes—Security*."

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

Under certain applicable law, a security interest in certain tangible and intangible assets can be properly perfected, and its priority retained, only through certain actions undertaken by the secured party and/or the grantor of the security. The security interests in the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these security interests. Neither the Security Agent nor the Trustee shall be under any obligation to perfect the Collateral. In addition, certain applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at or promptly following the time such property and rights are acquired and

identified. Absent perfection, the Security Agent, on behalf of the holders of the Notes, may have difficulty enforcing or be entirely unable to enforce rights in the Collateral in competition with third parties, including a trustee in bankruptcy and other creditors that claim a security interest in the same Collateral. See "*Limitations on Validity and Enforceability of Guarantees and Security*."

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

The Notes will be denominated 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 any such other currency because of economic, political and other factors over which we have no control. Depreciation of the euro against any such other currency could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into any such other currency. Investments in the Notes by U.S. investors may also have important tax consequences as a result of foreign exchange gains or losses, if any. See "*Tax Considerations—Certain United States federal income tax considerations*."

Enforcement across multiple jurisdictions may be difficult and the laws of certain jurisdictions may provide you with less protection than U.S. bankruptcy law.

The rights of holders under the Notes, the Guarantees and the Collateral may be subject to the insolvency and administrative laws of several jurisdictions, and you may not be able to effectively enforce your rights in such complex, multiple bankruptcy or insolvency proceedings. The Notes will be issued by the Issuer, which is incorporated under the laws of Luxembourg. The Luxembourg law of August 10, 1915 on commercial companies, as amended (the "*Luxembourg Companies Law*"), differs in material aspects from the laws generally applicable to U.S. corporations and security holders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, security holder lawsuits and indemnification of directors or managers. Under Luxembourg law, the duties of directors or managers of a company are generally owed to the company only. Creditors of Luxembourg companies generally do not have rights to take action against directors of the company, except in limited circumstances. Directors or managers of a Luxembourg company must, in exercising their powers and performing their duties, act in good faith and in the interests of the company as a whole and must exercise due care, skill and diligence in the performance of their duties. Directors or managers have a duty not to put themselves in a position in which their duties to the company and their personal interests may conflict and also are under a duty to disclose any direct or indirect, personal financial interest in any contract or arrangement with the company or any of its subsidiaries. If a director or manager of a Luxembourg company is found to have breached his or her duties to such company, he or she may be held personally liable to the company in respect of that breach of duty. A director or manager may be jointly and severally liable with other directors or managers implicated in the same breach of duty.

The Notes will be guaranteed and secured by entities organized or incorporated in Spain, Panama, Mexico and Luxembourg. Security documents will be governed by the laws of Spain, Panama, Mexico, Italy, Luxembourg and England and Wales. In the event of a bankruptcy or insolvency event, proceedings could be initiated in one or more jurisdictions in which the Guarantors or security providers are domiciled or have a presence. Such multi-jurisdictional proceedings are likely to be complex and costly and otherwise may result in greater uncertainty and delay regarding the enforcement of the rights of holders of the Notes. The bankruptcy laws of these jurisdictions may be less favorable to your interests as a creditor than the bankruptcy laws of the United States or any other jurisdiction you may be familiar with, including in respect of priority of creditors, the ability to obtain post-petition interest and the ability to influence proceedings and the duration thereof, and this may limit your ability to receive payments due on the Notes. In the event that any one or more of the Issuer, the Guarantors, any future guarantors of the Notes, if any, any current or future security providers or any other of our subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. The insolvency and other laws of different jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer and certain

other transactions, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce the rights of holders of the Notes under the Guarantees or the rights of holders of the Notes under the relevant Collateral for the Notes in these jurisdictions and limit any amounts that you may receive. In addition, in actions brought in countries outside of the United States, courts may choose to apply their own law rather than the law of the State of New York, which governs the Indenture, the Notes and the Guarantee. The application of the provisions of articles 470-1 to 470-19 of the Luxembourg Companies Law shall be excluded in relation to the Notes.

In various jurisdictions in which the Guarantors or security providers are domiciled or have a presence, enforcement may also be limited by fraudulent transfer, reorganization, moratorium and other similar laws affecting creditors' rights generally, or by principles of equity, including without limitation concepts of materiality, reasonableness, public policy, good faith and fair dealings (regardless of whether considered in a proceeding in equity or at law), and claims may become barred under applicable statutes of limitation or may be or become subject to defenses of set-off, counterclaim or other similar defenses. See *"—Laws relating to fraudulent preference, fraudulent conveyance and corporate benefit may adversely affect the validity and enforceability of the Guarantees or security interests."*

For further information on how the application of foreign law may limit your ability to enforce your rights under the Notes, the Guarantees and the Collateral, see "*Limitations on Validity and Enforceability of Guarantees and Security*."

Laws relating to fraudulent preference, fraudulent conveyance and corporate benefit may adversely affect the validity and enforceability of the Guarantees or security interests.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee of the Notes or the security interests granted by it or the relevant security provider, (ii) direct that the holders of the Notes return any amounts paid under the relevant Guarantee to the relevant Guarantor or to a fund for the benefit of the relevant Guarantor's creditors or turnover enforcement proceeds from an enforcement of the Collateral to the relevant security provider and/or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Guarantee was incurred or the relevant security interest granted with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, when the granting of the Guarantee or the security interest has the effect of giving a creditor a preference or when the recipient was aware that the Guarantor was insolvent when it granted the relevant Guarantee or the relevant security interest, or was rendered insolvent as a result of granting the relevant Guarantee or security interest;

- the Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond the Group's ability to pay at maturity;

- the granting of the relevant Guarantee or security interest was held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or

- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future guarantee or security granted by any of the Group's subsidiaries pursuant to the Indenture.

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

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

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

For example, the Guarantee granted by the Mexican Subsidiary Guarantor may not be enforceable in the event of a bankruptcy or judicial reorganization (*concurso mercantil*) of such Subsidiary Guarantor. While Mexican law does not prevent the Guarantee granted by the Mexican Subsidiary Guarantor from being valid, binding and enforceable against it, in the event the Mexican Subsidiary Guarantor is declared bankrupt or becomes subject to a judicial reorganization (*concurso mercantil*), the Guarantee granted by such Mexican Subsidiary Guarantor may be deemed to have been a fraudulent conveyance and declared void, mainly if it is determined that such Mexican Subsidiary Guarantor granted such Guarantee within a 270-day statutory look-back period, prior to the declaration of bankruptcy or reorganization, which may be extended by the court, unless such Mexican Subsidiary Guarantor proves that it acted in good faith and received fair consideration in exchange for such Guarantee, among others. A legal challenge of the Mexican Subsidiary Guarantor's obligations under a Guarantee on fraudulent conveyance grounds could focus on the benefits, if any, realized by the Mexican Subsidiary Guarantor as a result of the issuance of the Notes. To the extent a Guarantee is voided as a fraudulent conveyance or held unenforceable for any other reason, the holders of the Notes would not have any claim against the Mexican Subsidiary Guarantor.

For more information on the foreign laws relating to fraudulent preference, fraudulent conveyance and corporate benefit see "*Limitations on Validity and Enforceability of Guarantees and Security*."

We have not prepared, and we do not intend to prepare, financial information in accordance with U.S. GAAP or separate Guarantor financial information.

We have prepared our financial statements in accordance with IFRS, which varies significantly from U.S. GAAP and results in significant differences in reported operating results and financial condition from those under U.S. GAAP. Moreover, the Indenture will not require us to reconcile future financial statements to U.S. GAAP. We also have not presented separate financial statements or summary financial information for the guarantors of the Notes in this Offering Memorandum, and are not required to do so in the future under the Indenture or the Existing Indenture.

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

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with Spain, Panama, Mexico, Italy, and Luxembourg. There is, therefore, doubt as to the enforceability in Spain, Panama, Mexico, Italy and Luxembourg of U.S. securities laws in an action to enforce a U.S. judgment in such jurisdictions. In addition, the enforcement in Spain, Panama, Mexico, Italy and Luxembourg, of any judgment obtained in a U.S. court, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a court in Spain, Panama, Mexico, Italy and Luxembourg would have the requisite power or authority to grant remedies sought in an original action brought in such jurisdictions on the basis of U.S. securities laws violations. See "*Enforcement of Civil Liabilities*."

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

The Indenture will contain provisions relating to certain events constituting a "change of control." Upon the occurrence of a change of control, we will be required to offer to repurchase all outstanding Notes at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. Subject to certain exceptions, similar events may result in a change of control under the Existing Indenture, which will require us to offer to repurchase all outstanding Existing Notes at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. If a change of control were to occur under the Indenture or the Existing Indenture, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes and/or the Existing Notes or that the restrictions in our Revolving Credit Facility Agreement, the Indenture, the Existing Indenture, the Intercreditor Agreement or our other then-existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default, or acceleration of, or an obligation to mandatorily prepay the Revolving Credit Facility Agreement and other indebtedness. The repurchase of the Notes or the Existing Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from its subsidiaries to allow it to pay cash to the holders of the Notes or the Existing Notes, as the case may be, following the occurrence of a change of control, may be limited by our then existing financial resources.

The change of control provision contained in the Indenture may not necessarily afford you protection in certain circumstances.

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

In addition, the occurrence of certain events that might otherwise constitute a change of control will be deemed not to be a change of control if at the time our consolidated net leverage ratio is less than a certain specified level. In the event the Group is sold to a new investor, whether or not such sale does constitute a change of control under the Indenture, no assurance can be given that any such investor will continue to implement our current business and financial strategy. See "*Description of the Notes—Repurchase at the Option of Holders—Change of Control*" and "Description of the Notes—Certain Definitions—Specified Change of Control Event."

The definition of "Change of Control" in the Indenture will include a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition

of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the Issuer's assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Upon an IPO Pushdown, certain Guarantees and Collateral may be released, and any retaken Collateral may be subject to hardening periods.

Under certain circumstances, we may undertake an IPO Pushdown. See "*Description of the Notes—IPO Pushdown*." Upon consummation of the IPO Pushdown, references to the Company and Restricted Subsidiaries (and all related provisions) in the Indenture shall apply only to the IPO Entity (as defined in "*Description of the Notes*") and its Restricted Subsidiaries from time to time. Upon such substitution, each Holding Company (as defined in "*Description of the Notes*") of the IPO Entity will be irrevocably and unconditionally released from all obligations under the Indenture, the Existing Indenture, the Revolving Credit Facility, and the Intercreditor Agreement and any security granted by such Holding Company in respect of the Indenture and the Notes will be released. In such a case, new security documents in respect of collateral to be retaken and that will remain in place following an IPO Pushdown may need to be executed and be subject to new hardening periods.

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.

The Notes will be issued in fully registered form. The Regulation S Global Notes and the Rule 144A Global Notes will be deposited, on the closing date, with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary.

Ownership of beneficial interests in the Global Notes (the "*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and/or Clearstream, as applicable, and their participants. Owners of beneficial interests in the Global Notes will not be entitled to receive definitive notes in registered form, except under the limited circumstances described in "*Book-Entry: Delivery and Form—Definitive Registered Notes.*" So long as the Notes are held in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Global Notes. The common depositary for Euroclear and/or Clearstream, or its nominee, as applicable, will be considered the sole holders of Global Notes.

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts, if any) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary or its nominee for Euroclear and/or Clearstream, as applicable. The common depositary or its nominees, will in turn distribute such payments to participants in accordance with its procedures. After payment to the common depositary or its nominee for Euroclear and/or Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the holders of Book-Entry Interests. Accordingly, if you hold a Book-Entry Interest, you must rely on the procedures of Euroclear and Clearstream, as applicable, and, if you are not a participant Euroclear and/or Clearstream, as applicable, on the procedures of the participant through which you hold your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Unlike the holders of the Notes themselves, holders of Book-Entry Interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you hold a Book-Entry Interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream, as applicable. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until Definitive Registered Notes are issued in respect of all Book-Entry Interests, if you hold a Book-Entry Interest, you will be restricted to acting through Euroclear or Clearstream, as applicable. The procedures to be implemented through Euroclear or Clearstream, as applicable, may not be adequate to ensure the timely exercise of rights under the Notes.

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

We cannot assure you as to the liquidity of any market in the Notes, your ability to sell your Notes or the prices at which you would be able to sell your Notes.

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

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

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

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.

We expect the Notes to be publicly rated by two recognized international rating agencies. 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 assurances 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 financings and could materially adversely affect the value and trading of such Notes.

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

The Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or any other jurisdiction. The Notes are not being offered for sale in the United States except to "qualified institutional buyers" in accordance with Rule 144A. We

have not agreed to or otherwise undertaken to register the Notes with the U.S. Securities and Exchange Commission (including by way of an exchange offer). See "*Transfer Restrictions.*" It is the obligation of holders of the Notes to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

The interests of holders of additional notes under the Indenture may be inconsistent with the holders of the Notes.

Subject to certain restrictions, further series of additional notes may be issued under the Indenture which have different terms in respect of currency, interest rate and certain other matters. Such additional notes will generally vote as a single class with other series of notes issued under the Indenture but may have interests that differ from the holders of other series of notes issued under the Indenture, including the Notes.

Risks Related to our Structure

The interests of Blackstone may conflict with your interests as a holder of the Notes.

The interests of the Group's controlling shareholder, Blackstone or the other Blackstone entities may conflict with yours as a holder of the Notes, particularly if the Group encounters financial difficulties or is unable to pay the Group's debts when due. Blackstone has (directly or indirectly) the power to, among other things, affect the Group's legal and capital structure and its day to day operations and may have an incentive to increase the value of its investments or cause the Group to distribute funds at the expense of the Group's financial condition. In addition, Blackstone has the power to determine the Group's board of directors and appoint new officers and management and, therefore, effectively controls many other major decisions regarding the Group's operations. Blackstone may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, will enhance their equity investments, although such transactions might involve risks to you as a holder of Notes. For example, Blackstone could vote to cause us to incur additional indebtedness, to sell certain material assets or pay dividends, in each case so long as the Indenture so permits. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate sales, each of which could adversely affect you as a holder of Notes. In addition, Blackstone may own businesses that directly compete with ours or do business with us. The Group cannot assure you that the interests of Blackstone will not conflict with your interests as a holder of the Notes. The purchase agreement between the Issuer and the Initial Purchasers will not restrict the ability of the funds and the affiliates of Blackstone to buy or sell the Notes in the future, and as a result, Blackstone may buy or sell Notes in open market transactions at any time following the consummation of the Offering.

The Notes and each of the Guarantees will be structurally subordinated to the liabilities of non-Guarantor members of the Group.

Some, but not all, of the members of the Group will guarantee the Notes. As of and for the year ended December 31, 2018, the Guarantors represented 37.2% of the Group's revenue, 54.5% of the Group's Adjusted EBITDA (excluding the negative EBITDA of the Company and Cirsa Gaming Corporation, S.A., which are holding companies) and 29.5% of the Group's total assets (excluding goodwill assets). As at December 31, 2018, after giving effect to the Transactions, the Company's subsidiaries that will not guarantee the Notes would have had €91.4 million of indebtedness outstanding. Unless a member of the Group is a Guarantor, such member will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, non-guarantor companies, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such non-guarantor companies before these assets are made available for distribution to any guarantor, as a direct or indirect shareholder.

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

- the creditors of the Issuer (including the holders of the Notes) and the Guarantors will have no right to proceed against the assets of such company; and

- creditors of such non-guarantor company, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such company before any Guarantor, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

As such, the Notes and each Guarantee will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our non-guarantor subsidiaries.

The Group's significant leverage and debt service obligations could materially adversely affect its business and prevent it from fulfilling its obligations with respect to the Notes and the Guarantees.

The Group currently has, and after the completion of this Offering will continue to have, a significant amount of outstanding debt and debt service requirements. As of December 31, 2018, and as adjusted to give effect to the Transactions, the Group's total debt would have been €2,026.1 million, which reflects the Notes and other borrowings. See "*Capitalization*."

The Group's significant leverage could have important consequences for its business and for holders of the Notes, including, but not limited to:

- making it difficult to satisfy its obligations with respect to the Notes and other debts and liabilities;

- increasing vulnerability to, and reducing its flexibility to respond to, general adverse economic and industry conditions;

- requiring the dedication of a substantial portion of its 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 (including the development of the Group's renewables businesses), acquisitions, joint ventures, product research and development or other general corporate purposes;

- limiting its flexibility in planning for, or reacting to, changes in its business and the competitive environment and the industry in which the Group operates;

- placing the Group at a disadvantage to its competitors, to the extent that they are not as highly leveraged;

- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities; and

- limiting its ability to borrow additional funds and increasing the cost of any such borrowing.

Any of the foregoing or other consequences or events could have a material adverse effect on the Group's ability to satisfy its debt obligations, including the Notes. The Group's ability to make payments on and refinance its debt and to fund acquisitions, working capital, capital expenditures and other expenses will depend on its future operating performance and ability to generate cash from operations. The Group's ability to generate cash from operations is subject, in large part, to general economic, competitive, legislative, regulatory factors and other factors that are beyond its control. Therefore, the Group may not be able to generate sufficient cash flow from operations or obtain enough capital to service its debt, or to fund its working capital needs, or capital expenditure.

For a discussion of our cash flows and liquidity, see "*Operating and Financial Review and Prospects—Liquidity and Capital Resources Historical Cash Flows*."

We are subject to restrictive covenants under our Revolving Credit Facility Agreement and the Existing Indenture, and will be subject to restrictive covenants under the Indenture, which could impair our ability to run our business.

Restrictive covenants under the Revolving Credit Facility Agreement, the Indenture and the Existing Indenture may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our control, could result in an event of default that could materially adversely affect our financial condition and results of operations.

The Revolving Credit Facility Agreement and the Existing Indenture contain, and the Indenture will contain, negative covenants restricting, among other things, our ability to:

- make certain loans or investments;
- incur indebtedness or issue guarantees;
- sell, lease, transfer or dispose of assets and subsidiary stock;
- merge or consolidate with other companies;
- transfer all or substantially all of our assets;
- pay dividends and make other restricted payments;
- create or incur liens;
- agree to limitations on the ability of our subsidiaries to pay dividends or make other distributions; and
- enter into transactions with affiliates.

The restrictions contained in the Revolving Credit Facility Agreement, the Indenture and the Existing Indenture could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Revolving Credit Facility Agreement, the Indenture or the Existing Indenture.

If there were an event of default under any of our debt instruments that is not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately, which in turn could result in cross defaults under our other debt instruments, including the Notes. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay our obligations under the Notes in such an event.

USE OF PROCEEDS

Concurrently with the issuance of the Notes on the Issue Date, the Issuer will, on or about the Issue Date, deposit the gross proceeds of the issuance of the Notes into the Deposit Account to hold such amounts pending the consummation of the New Acquisition.

After the proceeds of the Offering are released from the Deposit Account, they will be used by the Group to fund the acquisition of the New Target Group, for general corporate purposes and to pay fees and expenses in connection with the Transactions.

The following table sets forth the estimated sources and uses of the funds necessary to consummate the New Acquisition and the other Transactions. Such amounts are subject to adjustments and may differ from the actual amounts depending on several factors, including the actual Issue Date and the New Acquisition Completion Date, purchase price adjustments and differences from the Group's estimated fees and expenses.

Sources	Amount	Uses	Amount
	(€ million)		(€ million)
Notes[(1)]	390.0	New Acquisition consideration and general corporate purposes[(2)]	383.0
		Estimated Transaction fees and expenses[(3)]	7.0
Total sources	**390.0**	**Total uses**	**390.0**

(1) Represents the gross proceeds of the Notes.

(2) Represents (i) the estimated New Acquisition consideration payable at completion of the New Acquisition and (ii) cash to be retained on balance sheet for general corporate purposes including, among other things, funding for future add-on acquisitions.

(3) Represents estimated fees and expenses associated with the Transactions, including underwriting fees of the Initial Purchasers, and other costs and professional fees relating to the Transactions.

CAPITALIZATION

The following table sets forth the consolidated cash and cash equivalents and the capitalization of the Company:

- on a historical basis, derived from the Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018; and
- adjusted to give effect to the Transactions as described in *"Use of Proceeds"* as if they had occurred on December 31, 2018.

This table should be read in conjunction with "*Use of Proceeds*," "*Operating and Financial Review and Prospects*," "*Description of Other Indebtedness*" and the financial statements included elsewhere in this Offering Memorandum.

	Actual	Adjusted
(in € millions)	**As of December 31, 2018**	**As of December 31, 2018**
	(audited)	
Cash and cash equivalents[1]	**152.2**	**266.7**
Indebtedness:		
Revolving Credit Facility[2]	—	—
Existing Notes[3]	1,571.3	1,571.3
Notes	—	390.0
Capitalized financing costs[4]	(46.4)	(53.4)
Other third-party indebtedness[5]	118.2	118.2
Total Financial Indebtedness	**1,643.1**	**2,026.1**
Equity[6]	666.8	666.8
Total capitalization	**2,309.9**	**2,692.9**

(1) Actual cash and cash equivalents as of December 31, 2018 does not reflect €12 million of cash received in 2019 from the Original Sellers in connection with purchase price adjustments relating to the Original Acquisition. The adjustment to cash and cash equivalents relates to proceeds from the Offering retained as cash on balance sheet for general corporate purposes. See "*Use of Proceeds*."

(2) The Group entered into the Revolving Credit Facility Agreement on June 22, 2018, which includes the Revolving Credit Facility. The Revolving Credit Facility provides for revolving commitments of up to €200 million. The Revolving Credit Facility may be used for general corporate purposes, to fund acquisitions and to fund working capital of the Group. The Company is the original borrower under the Revolving Credit Facility. The Revolving Credit Facility is guaranteed by the Issuer and the Guarantors and is, subject to the Intercreditor Agreement and the Agreed Security Principles, secured by first-priority security interests over the Collateral. At the Issue Date, we expect the Revolving Credit Facility to be undrawn. See "*Description of Other Indebtedness—Revolving Credit Facility*."

(3) Represents the aggregate outstanding principal amount of the Existing Notes as of December 31, 2018, including accrued but unpaid interest. As of December 31, 2018, the aggregate outstanding principal amount of the euro-denominated Existing Notes was €1,088 million and of the dollar-denominated Existing Notes was $550.0 million (€480.3 million equivalent).

(4) The historical amount represents debt issuance costs in relation to the Existing Notes and the adjusted amount includes the debt issuance costs in relation to the Transactions. The Company expects to incur approximately €7 million in fees and expenses associated with the Transactions, including underwriting fees of the Initial Purchasers, and other costs and professional fees relating to the Transactions, which we will amortize over time. See "*Use of Proceeds*."

(5) The historical amount represents (i) bank debt of €84.7 million recorded under "Credit institutions" as non-current liabilities and current liabilities, (ii) capital lease obligations of €1.4 million recorded under "Credit institutions" as non-current liabilities and current liabilities, (iii) tax deferrals of €8.5 million recorded under "Tax authorities" as non-current liabilities and under "Other creditors" as current liabilities and (iv) promissory notes and other loans of €23.6 million recorded under "Other creditors" as non-current liabilities and current liabilities.

(6) The adjusted equity amount does not reflect the impact of the New Acquisition.

SELECTED FINANCIAL AND OTHER INFORMATION

The Company was incorporated on November 15, 2017 for the purpose of facilitating the Original Acquisition. Prior to the completion of the Original Acquisition on July 3, 2018, it had no material assets or liabilities, and had not engaged in any material activities, other than those in preparation for the Original Acquisition and the issuance of the Existing Notes. The Company is a holding company that owns the entire share capital of the Issuer and, following the completion of the Original Acquisition, it became the owner of the entire share capital of Cirsa Group.

We started consolidating the results of our group companies at the level of the Company for our special purpose consolidated financial statements prepared as of and for the year ended December 31, 2018. For periods prior to that, we consolidated the results of our group companies at the level of Cirsa. The Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 have been prepared from Cirsa's consolidated financial statements for the six months ended June 30, 2018 and thereafter includes the effects of the acquisition by the Company of the Cirsa Group. Accordingly, in this Offering Memorandum, we include the Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 and Cirsa's consolidated financial statements as of and for the year ended December 31, 2017, in each case, prepared in accordance with IFRS. The Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 have been audited by Ernst & Young S.L. and Cirsa's consolidated financial statements as of and for the year ended December 31, 2017 have been audited by Ernst & Young S.L. and Cortés & Pérez Auditores y Asesores Asociados, S.L., and their auditors' reports thereon are included elsewhere in this Offering Memorandum. We present our consolidated financial statements in euro.

In connection with the Original Acquisition, the Argentina Business was transferred from the Cirsa Group pursuant to the Argentina Business Transfer. Accordingly, the Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 treat the results of the Argentina Business as a discontinued operation. In our consolidated financial statements as of and for the year ended December 31, 2018, we have restated the comparative financial information as of and for the year ended December 31, 2017 to present it on a consistent basis with our financial information as of and for the year ended December 31, 2018. The purpose of this restatement was to (i) give effect to the treatment of the Argentina Business as a discontinued operation and (ii) consolidate our results at the level of the Company rather than at the level of Cirsa as of and for the year ended December 31, 2017. In such presentation, certain line items in the profit and loss account, balance sheet and statement of cash flows were reclassified in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations." The financial statements as of and for the year ended December 31, 2017 and the comparative financial information contained therein as of and for the year ended December 31, 2016 incorporate the results of the Argentina Business.

Accordingly, the financial information presented below as of and for the years ended December 31, 2018 and December 31, 2017 (excluding Argentina) has been extracted from Company's consolidated financial statements as of and for the year ended December 31, 2018 and the financial information presented below as of and for the years ended December 31, 2017 and December 31, 2016 (including Argentina) has been extracted from Cirsa's consolidated financial statements as of and for the year ended December 31, 2017.

The selected historical consolidated financial information is qualified in its entirety by reference to, and should be read in conjunction with "*Presentation of Financial Information,*" "*Summary Consolidated Historical and*

other Information," "*Operating and Financial Review and Prospects*" and the financial statements included elsewhere in this Offering Memorandum.

(in € millions)	Includes Argentina For the year ended December 31, 2016 (audited)	Includes Argentina For the year ended December 31, 2017 (audited)	Excludes Argentina For the year ended December 31, 2017 (restated)	Excludes Argentina For the year ended December 31, 2018 (audited)
Selected Profit and Loss Account Information:				
Operating revenues	1,871.7	1,982.8	1,661.6	1,740.2
Variable rent	(258.9)	(266.6)	(265.6)	(271.1)
Net operating revenues	**1,612.8**	**1,716.2**	**1,395.9**	**1,469.1**
Consumption	(71.9)	(75.8)	(68.1)	(71.3)
Personnel	(291.0)	(312.6)	(228.1)	(281.9)
Gaming taxes	(570.6)	(604.5)	(492.2)	(511.0)
External supplies and services	(281.1)	(296.2)	(256.7)	(276.7)
Depreciation, amortization and impairment	(196.8)	(194.8)	(176.5)	(192.3)
Changes in trade provisions	(31.9)	(2.8)	(2.7)	(3.3)
Earnings before interest and taxes	**169.6**	**229.4**	**171.6**	**132.7**
Financial results	(92.5)	(67.7)	(64.2)	(129.6)
Foreign exchange results	(1.5)	1.7	(1.3)	(11.5)
Results on sale of non-current assets	0.2	(5.0)	(5.0)	8.5
Profit before tax	**75.8**	**158.4**	**101.1**	**0.0**
Income tax	(52.3)	(61.9)	(39.1)	(28.4)
Profit after tax from discontinued operations	—	—	25.6	(240.4)
Minority interest	(20.3)	(25.7)	(16.8)	(15.3)
Net profit	**3.3**	**70.8**	**70.8**	**(284.0)**

(in € millions)	Includes Argentina For the year ended December 31, 2016 (audited)	Includes Argentina For the year ended December 31, 2017 (audited)	Excludes Argentina For the year ended December 31, 2017 (restated)	Excludes Argentina For the year ended December 31, 2018 (audited)
Selected Balance Sheet Information:				
Cash and cash equivalents	174.1	181.2	212.2	152.2
Total assets	1,639.8	1,615.5	1,615.5	2,840.8
Total debt	1,138.8	1,129.9	1,097.3	1,643.1
Total net debt	964.7	948.7	885.1	1,490.9
Total shareholders' equity	11.8	12.9	12.9	666.8

(in € millions)	Includes Argentina For the year ended December 31, 2016 (audited)	Includes Argentina For the year ended December 31, 2017 (audited)	Excludes Argentina For the year ended December 31, 2017 (restated)	Excludes Argentina For the year ended December 31, 2018 (audited)
Consolidated statement of cash flows:				
Net cash flows from operating activities	335.1	330.9	335.9	345.8
Net cash flows used in investing activities	(154.9)	(198.0)	(198.0)	(227.0)
Net cash flows used in financing activities	(119.6)	(121.5)	(121.5)	(175.3)
Cash and cash equivalents at January 1	114.9	174.1	200.0	212.2
Cash and cash equivalents at December 31	174.0	181.3	212.2	152.2

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The Company was incorporated on November 15, 2017 for the purpose of facilitating the Original Acquisition. Prior to the completion of the Original Acquisition on July 3, 2018, it had no material assets or liabilities, and had not engaged in any material activities, other than those in preparation for the Original Acquisition and the issuance of the Existing Notes. The Company is a holding company that owns the entire share capital of the Issuer and, following the completion of the Original Acquisition, it owns the entire share capital of Cirsa Group.

We started consolidating the results of our group companies at the level of the Company for our consolidated financial statements prepared as of and for the year ended December 31, 2018. For periods prior to that, we consolidated the results of our group companies at the level of Cirsa. The Company's consolidated financial statements as of and for the year ended December 31, 2018 have been prepared from Cirsa's consolidated financial statements for the six months ended June 30, 2018 and thereafter includes the effects of the acquisition by the Company of the Cirsa Group. Accordingly, in this Offering Memorandum, we include the Company's consolidated financial statements as of and for the year ended December 31, 2018 and Cirsa's consolidated financial statements as of and for the year ended December 31, 2017, in each case, prepared in accordance with IFRS. The Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 have been audited by Ernst & Young S.L. and Cirsa's consolidated financial statements as of and for the year ended December 31, 2017 have been audited by Ernst & Young S.L. and Cortés & Pérez Auditores y Asesores Asociados, S.L., and their auditors' reports thereon are included elsewhere in this Offering Memorandum. We present our financial statements in euro.

In connection with the Original Acquisition, the Argentina Business was transferred from the Cirsa Group pursuant to the Argentina Business Transfer. Accordingly, the Company's consolidated financial statements as of and for the year ended December 31, 2018 treat the results of the Argentina Business as a discontinued operation. In our consolidated financial statements as of and for the year ended December 31, 2018, we have restated the comparative financial information as of and for the year ended December 31, 2017 to present it on a consistent basis with our financial information as of and for the year ended December 31, 2018. The purpose of this restatement was to (i) give effect to the treatment of the Argentina Business as a discontinued operation and (ii) consolidate our results at the level of the Company rather than at the level of Cirsa as of and for the year ended December 31, 2017. In such presentation, certain line items in the profit and loss account, balance sheet and statement of cash flows were reclassified in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations." The financial statements as of and for the year ended December 31, 2017 and the comparative financial information contained therein as of and for the year ended December 31, 2016 incorporate the results of the Argentina Business.

In the discussion and analysis below, where we discuss the results of operations, cash flows and working capital requirements for the year ended December 31, 2018 compared to the year ended December 31, 2017, we have derived the financial information for these periods from the Company's consolidated financial statements as of and for the year ended December 31, 2018 (which treats the Argentina Business as a discontinued operation). In the discussion and analysis below, where we discuss the results of operations, cash flows and working capital for the year ended December 31, 2017 compared to the year ended December 31, 2016, we have derived the financial information requirements for these periods from Cirsa's consolidated financial statements as of and for the year ended December 31, 2017 (which includes the Argentina Business).

You should read the following discussion together with the sections entitled "Forward-Looking Statements," "Summary—Summary Consolidated Historical and Other Information," "Risk Factors" and "Presentation of Financial Information."

Overview

We believe we are one of the leading gaming companies in Spain, Italy, as well as in several countries in Latin America (with a focus on Panama, Colombia, Mexico, Costa Rica and Peru), engaged in the operation of slot machines, casinos and bingo halls. We also manufacture slot machines for the Spanish market. As of

December 31, 2018, we operated 76,988 gaming machines, 148 casinos, 70 bingo halls, 623 gaming tables, 2,580 betting locations and 190 arcades.

The Original Acquisition

On April 27, 2018, the Company entered into the Original Acquisition Agreement with Manuel Lao Hernández and Nortia pursuant to which the Company agreed to acquire 100% of the Cirsa Group for €2.2 billion. The purchase price was adjusted on October 30, 2018 to take account of actual net debt, working capital and intercompany receivables between Nortia and the Cirsa Group as at completion of the Original Acquisition. Prior to the completion of the Original Acquisition, the Sellers transferred all real estate wholly owned by the Cirsa Group to Nortia (or to a third party). The transfer of real estate partly owned by the Cirsa Group to Nortia (or a third party) is due to be completed by July 2019. In addition, for a period of one year from the date of completion of the Original Acquisition, the Sellers agreed to endeavor to arrange the sale of any remaining real estate assets partly owned by the Cirsa Group (the "Partly Owned Real Estate Assets") on the basis that the Sellers would be paid the Cirsa Group's share of any consideration for such sale. If any of these Partly Owned Real Estate Assets continue to be owned by the Group after the date falling one year from the date of completion of the Original Acquisition (the "Remaining Real Estate Assets"), the Company will pay an additional payment to the Original Sellers in an amount equal to its share of the fair market value of such Remaining Real Estate Assets. The Original Acquisition Agreement also provides that Nortia shall enter into lease agreements with the Company (or the Group) with respect to certain of the real estate transferred by the Cirsa Group to Nortia (or Nortia will use its best efforts to cause any third party transferee of real estate to enter into lease agreements with the Company (or the Group)).

Argentina Business Transfer

The Argentina Business was transferred from the Cirsa Group pursuant to the Argentina Business Transfer on or about July 3, 2018. As of this date, the Argentina Business mainly consisted of two riverboat casinos in the city of Buenos Aires with 120 gaming tables and 1,596 slot machines, one casino located in Rosario with 50 gaming tables and 3,285 slot machines, and four casinos in the Province of Mendoza, which operated 1,148 casino-style slot machines.

The historical consolidated financial statements of the Company for the year ended December 31, 2018 (and the comparative period for the year ended December 31, 2017) treat the results of operations of the Argentina Business as a discontinued operation. In such presentation, certain line items in the profit and loss account and balance sheet were reclassified in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations." The historical financial information of the Group presented in the discussion for the year ended December 31, 2018 under the caption "*—Historical Results of Operations—Year ended December 31, 2018 compared to the year ended December 31, 2017*" treat the results of the Argentina Business as a discontinued operation. See note 20 to our special purpose consolidated financial statements for the year ended December 31, 2018.

Segment Reporting

We are presently organized into four business divisions: Slots, Casinos, Bingo and B2B. Our primary basis of segment reporting is by business division, which reflects the management structure of our business, our system of internal financial reporting and what we believe to be the predominant source of the risks and returns in our business. We report net operating revenues, EBIT, EBITDA and profit/(loss) after tax for each of our business divisions.

Our secondary basis of segment reporting is geographic, and we report operating revenues and total assets for Spain (which includes our Moroccan operations), Latin America and Italy. See note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2018.

In this operating and financial review, one of the key measures that we utilize to assess and analyze our performance and the performance of our divisions is EBITDA, which on a consolidated basis we define as profit before tax, depreciation, amortization and impairment, financial results, foreign exchange results and loss on sale of non-current assets. We view EBITDA as providing a more useful tool to assess and analyze the performance of the Group and our business divisions and our overall liquidity than operating profit or net result.

Results of Operations Attributable to Joint Arrangements

Based on the application of IFRS 11 and in accordance with the equity method of accounting, financial results of arrangements where the Group does not have a right to control the significant activities of a company are not consolidated in the financial statements regardless of equity ownership.

The following table sets forth the EBITDA attributable to equity method joint arrangements (after giving effect to the Argentina Business Transfer (not including any intercompany eliminations.)). This table does not account for EBITDA attributable to minority interests that exist within the Group.

	Year ended December 31		
(in € millions)	**2016**	**2017**	**2018**
EBITDA	323.5	350.8	328.3[1]
EBITDA of Equity Method Joint Arrangements:			
Sportium	6.6	7.0	9.0
AOG	2.5	2.3	1.5
Montecarlo Andalucia	1.0	1.1	0.9
UORSA	—	—	4.2
Others	1.8	0.5	0.9
Total	**335.4**	**361.7**	**344.8**

(1) Our EBITDA for the year ended December 31, 2018 reflects one-time expenses of €40.5 million related to the completion of the Original Acquisition. Adjusted for this one-time expense, our Adjusted EBITDA for the year ended December 31, 2018 would have been €368.8 million.

Latin American Currency Effects

Our Latin American businesses account for a significant and increasing portion of the operating revenues, EBIT and EBITDA of the Group generally and our Casinos Division in particular. Our B2B Division also generates revenues from its electronic lottery business in Argentina. The results of operations and financial position of the Group and our Casinos Division, in particular, have from time to time been adversely affected by currency movements. During the period under review, the currency movements that have had the most significant effect on our results of operations have been the depreciation or appreciation of the U.S. dollar (which is the functional currency in Panama), the Colombian peso and the Argentine peso against the euro. For example, in 2018 compared to 2017, the depreciation of local currencies against the euro had a negative impact on our results of operations. We expect that our results of operations and financial condition will continue to be impacted by the effect of currency movements on our Latin American businesses in the future. We generally have not entered into currency hedging transactions in the past and, other than to a limited extent, do not intend to enter into currency hedging transactions in the foreseeable future.

The depreciation of the Argentine peso against the euro has historically adversely affected our results of operations and financial condition in prior years and during 2016 and 2017. Following a sharp depreciation of the Argentine peso against the euro in 2001 and 2002 as a result of the Argentine government's adoption of a floating exchange rate for the Argentine peso in response to the economic crisis in the country, the Argentine peso continued to decline, albeit more gradually, through 2013. The exchange rate for the Argentine peso against the euro moved from Ps. 1.50 per euro as of December 31, 2001 to Ps. 3.53 per euro as of December 31, 2002 to Ps. 5.24 per euro as of December 31, 2009 to Ps. 8.99 per euro as of December 31, 2013. During 2014, there was a

46.9% depreciation of the Argentine peso against the euro, in part due to the default of Argentina on its sovereign bonds; the exchange rate was Ps. 10.86 per euro as of December 31, 2014 and there was also significant depreciation at the end of 2015 when the Marci administration was elected. The average exchange rate of the euro and the Argentine peso used to prepare our consolidated financial statements for the year ended December 31, 2017 was Ps. 19.07 per euro.

During 2016, 2017 and 2018, the depreciation of the Colombian peso against the euro has adversely affected our results of operations. The average exchange rate of the Colombian peso against the euro over these periods decreased by 4.0%. During 2016, 2017 and 2018, the depreciation of the Mexican peso against the euro also adversely affected our results of operations. The average exchange rate of the Mexican peso against the euro over these periods decreased by 5.7%.

Due to translation effects, in our historical consolidated financial statements, the depreciation of the Argentine, Colombian and Mexican peso has resulted in a decrease in euro terms of the revenues of our Argentine, Colombian and Mexican businesses, our Casinos and Bingo Division and the Group. The impact of these declines has been partially offset due to the incurrence of most of the operating costs of these businesses in their respective local currencies, but still resulted in lower operating margins in the case of the Argentine business. The depreciation of the Argentine peso against the euro is generally accompanied by inflationary effects, which results in an increase in Argentine peso revenues.

The following table presents the average exchange rates of the euro used to prepare our financial information for each of the years indicated:

	In the year ended December 31,		
One € Equals	**2016**	**2017**	**2018**
Argentine Peso	16.5277	19.0700	—
U.S. dollar	1.1032	1.1370	1.1793
Colombian Peso	3,350.6546	3,363.9338	3,500.0434
Mexican Peso	20.6694	21.4158	22.6348

Factors Affecting Comparability

Historical and New Cost Structures

Prior to the completion of the Original Acquisition, the Cirsa Group entered into a significant number of transactions on a regular basis with Nortia. Transactions in the ordinary course of business included lease agreements, the charter of airplanes and the sale of goods. Although some of these transaction remain in place following the completion of the Original Acquisition (see "*Certain Relationships and Related Party Transactions*"), most of these transactions are not recurring following the Original Acquisition, and we are no longer incurring such expenses. We also incurred a significant amount of debt in connection with the Original Acquisition in 2018. As described in note 10 to our special purpose consolidated financial statements for the year ended December 31, 2018, the acquisition by the Company of the Cirsa Group resulted in the recognition of €476 million in the fair value of the assets acquired and €968 million of goodwill. We anticipate that these adjusted valuations will result in an increase in our future operating expenses due to the increased depreciation and amortization expense related to the increased carrying value of our fixed assets and intangible assets. Accordingly, the historical consolidated financial statements presented in this Offering Memordandum are not indicative of our future results of operations, financial position and cash flows.

Adoption of IFRS 16—Leases

As described in note 2.4 to our special purpose consolidated financial statements for the year ended December 31, 2018, we have adopted IFRS 16 Leases with effect from January 1, 2019. IFRS 16 establishes that lessees shall recognize in the consolidated balance sheet a financial liability for the present value of the payments

to be made over the remaining life of the lease agreement and a right-to-use asset for the underlying asset, which is measured based on the amount of the associated liability, to which the initial direct costs incurred are added. Additionally, the recognition criteria for lease expenses has changed. Lease expenses are now recorded as a depreciation charge for the lease asset and as a financial expense for the lease liability. In relation to lessor accounting, the standard has not changed substantially and entities shall continue to classify the lease as an operating or finance lease based on the extent to which risks and rewards inherent to the ownership of the asset are substantially transferred.

We have estimated the impact on our balance sheet from the initial application of IFRS 16 as of January 1, 2019 as follows:

- Recognition of assets under the caption "Right-of-use assets" (non-current asset) in an amount of approximately €265 million and an increase in debt under the caption "Non-current and current finance lease liabilities" of €212 million and €53 million, respectively. These primarily relate to our leases on offices, vehicles, buildings and halls where our gaming activities are carried out.

We have estimated the impact from the application of IFRS 16 on our consolidated statement of comprehensive income for the year ended December 31, 2018 as follows:

- Increased depreciation expense for right-of-use assets in an amount of approximately €56 million (offset by decreased operating expenses and, consequently, increased gross operating profit) and increased finance costs for the lease liabilities. However, our consolidated profit/(loss) for the period is not significantly affected.

Key Factors Affecting Our Results of Operations

Slots

Our Slots Division is comprised of our Spanish slots business and our Italian business, where we are a network system operator for slot machines and also operate VLTs.

Revenues and profitability for our Slots Division in Spain have generally been stable and predictable. Revenues and profitability were adversely affected by the economic downturn in Spain following the 2008 financial crisis but were offset by the contribution of slots and VLTs in Italy. Our Spanish slot machine operations have improved modestly, as the Spanish economy has recovered. Following a period of rapid growth due to the consolidation of the Spanish slots market, the size of our slot machine installed base in Spain has been relatively stable in recent years, and we have generally focused on optimizing revenue per machine and profitability. Because of the minimum wager, gaming taxes and payout per slot machine are regulated by law, we have concentrated on identifying and obtaining attractive sites to place our slot machines and controlling operating costs and expenses through efficient management. We monitor slot machine performance carefully to determine when to replace or relocate slot machines to improve profitability. As a part of our overall strategy to improve profitability, during the last several years we have eliminated underperforming slot machines. The total number of slot machines in the Spanish market has contracted in recent years, and we expect that this trend may continue. This contraction and the ongoing consolidation of the Spanish slots market present opportunities for acquisitions. We have continued to pursue selective acquisitions of attractive slot machine operations.

Profitability in our Slots Division is affected by the terms of our agreements with site owners and the agreements we enter into to acquire new route operations. When we acquire other slots operators in Spain, we frequently enter into participation agreements with the acquired operators to facilitate our acquisition or to retain the strategic benefits of the acquired slot operators' relationships with site owners. The participation agreements with sub-operators are profit sharing agreements, the terms of which vary by sub-operator. Payments to sub-operators are recorded in the segment results of the Slots Division as an expense under Consumption. Our profitability is affected by the degree to which our locations are subject to these profit sharing arrangements.

Approximately half of our slot machines were covered by such arrangements during the periods under review. As part of our strategy to maintain our performance during the economic downturn, we have focused on the renegotiation of the terms of the profit sharing agreements.

The performance of our Slots Division is also affected by regulatory changes in Spain with respect to the number of slot machines permitted per site, the minimum wager, the maximum payout per slot machine, licensing fees and taxes assessed on slot machines. Costs associated with the regulatory environment in Spain have been relatively stable in recent years.

We are a network system operator for slot machines and VLTs in Italy. The Italian slots and VLT market has been characterized by significant regulatory, tax and operational uncertainty. We made substantial investments from 2009 through 2013 in connection with the first-time deployment of VLTs. As described in "*Regulation—Italy,*" there were a number of developments in recent years that resulted in or may result in increased taxes and other costs for our Italian business in the near future, including increases to the gaming turnover (PREU) taxes payable on slot machines from 21.5% (from September 1, 2018 to April 30, 2019) to 21.6% (from January 2023) and on VLTs from 7.50% (from September 1, 2018 to April 30, 2019) to 7.85% (from January 2023), as well as new regulatory changes reducing the percentage of wages payable as winnings down to 68% for slot machines and 84% for VLTs and requiring other technical upgrades which may result in further investments in updates to or replacements of machines. In 2015, the Italian government also introduced an aggregate €500 million tax to be applied to gaming machine operators and of which Cirsa Italia was allocated a portion relative to its share of the Italian market of VLTs and amusement-with-prize ("*AWP*") slots machines, as determined by the ADM. This tax was repealed in 2016. In September 2016, we sold our 50% interest in a joint venture that operated 1,500 slot machines in Italy.

Casinos

Our Casinos Division is comprised of our Spanish casino business (including our casinos in Morocco) and our casinos businesses in Latin America. The revenues and profitability for our Casinos Division have been impacted by a variety of factors, including currency effects, the effects of acquisitions and opening new or expanded casinos, regulatory changes and location-specific factors. Our Casinos Division derives revenues primarily from gaming tables and slot machines which, in turn depend on the number of gaming tables and slot machines at each casino, the popularity of these games and the overall mix of gaming tables and slot machines. Revenues are also affected by the number of visitors to our casinos, the average visit length and the average amount wagered by visitors.

A majority of the revenues of our Casinos Division have been generated by our casinos in Latin America, principally our casinos in Argentina, Panama and Colombia, in which we have made significant investments. During 2015, we entered the Costa Rican market by acquiring seven casinos and acquired two additional casinos in the Dominican Republic. In contrast to our growing Latin American casino business, the revenues and profitability of our Spanish casino business have been adversely affected by the economic downturn in Spain, although the performance of our Spanish casino business has improved since 2016.

In addition, we acquired a casino in Las Palmas in 2015 and entered the adjacent market of Morocco with the acquisition of one casino in the resort city of Agadir in December 2015. In 2017, we acquired 17 electronic casinos in Peru (12 of which are located in Lima and the remaining five are located in other cities throughout the country). In 2018, we acquired a casino in the Dominican Republic which operates 26 tables and 130 slot machines, for a total cash consideration of $14 million.

Our revenues and profitability, as well as the comparability of our results from period to period, may be impacted by the acquisition of additional casinos and the opening of new casinos. Besides the costs of acquiring a casino license or a casino, we also incur costs in connection with the acquisition of new or additional slot machines for our casinos and the refurbishment of our casinos. We also incur start-up costs in connection with the hiring and training of staff for new casinos. It also typically takes a period of time before a newly opened casino attains profitability.

The performance of our Casinos Division is also affected by regulatory changes in the number of casino licenses issued, permitted slot machines per site, the minimum wager, licensing fees and taxes assessed on casinos and slot machines, as well as by systemic shifts in the regulatory framework. For example, our results of operations in Panama and Colombia and for *Casino de Rosario* in Argentina have been impacted by increases in gaming taxes. In several of our casino locations, we presently operate the only casino in the area due to our exclusive license. In other locations, such as the Dominican Republic and Panama, we face competition from other casinos in the area. In addition to gaming industry regulation, our casinos may be impacted by other regulatory changes, such as the imposition of anti-smoking legislation.

During 2016 and 2017, the results of operations of our Argentine subsidiaries were negatively impacted by changes in the taxation regime.

Bingo

Our Bingo Division operates bingo halls in Spain and Mexico and has a minority interest in 11 bingo halls in Italy as of December 31, 2018. We also have 1 bingo hall in Italy which we fully own.

The majority of revenues from traditional bingo halls are derived from card sales. Card sales tend to increase with the availability of larger prize pools which, in turn, depends on the number of players during each game. Consequently, larger bingo halls generate more card sales. The development and implementation of linked bingo halls and similar technology also has the potential to generate more card sales.

The majority of the cost of running our bingo halls relates to employee expenses and gaming taxes. Increased profitability of our bingo hall operations depends on realizing operating efficiencies at bingo halls, principally through improved staffing practices and an increase in the average number of games played per day. The performance of our bingo hall operations may be affected by changes in gaming taxes. While gaming taxes on bingo halls in Spain have generally been stable, there have been some initiatives to decrease gaming tax levels in order to stimulate the levels of customer participation.

In general, the revenues and profitability of traditional bingo halls in Spain have been adversely impacted by a variety of factors, including customer demographics, the effects of the strict smoking bans and the economic downturn. Our Spanish bingo operations have improved since 2014 as the Spanish economy has recovered. We have undertaken a number of measures to improve the performance of the Spanish bingo halls to offset the decline in traditional bingo revenues including the closure of underperforming bingo halls. We have closed 20 bingo halls since January 1, 2011, including one bingo hall in 2016, one bingo hall in 2017 and one bingo hall in 2018. The closure of bingo halls has resulted in decreased revenues and the payment of severance expenses. We have recorded significant impairment charges in respect of our Spanish bingo halls in 2016 and 2017 and may record additional impairment charges in the future.

We entered the Mexican bingo hall business in 2006, and as of December 31, 2018, we operated 21 bingo halls in Mexico. In contrast to the Spanish bingo hall business, our Mexican bingo hall operations have a broad entertainment offer, including casino-style slot machines, and gaming tables. As is the case with some of our other businesses, our Mexican bingo hall business has been impacted by changes in regulation and the regulatory environment. These changes include changes in the type of gaming machines permitted to be installed in bingo halls and the degree of robustness of the enforcement of laws and regulations. The performance of our Mexican business has improved as the regulatory environment has stabilized in recent years with the codification of Mexican gaming laws and regulations. In 2018, we acquired a bingo hall in Guadalajara (Mexico) which operates 560 slot machines and 25 tables, for a total cash consideration of €16 million. Our total number of bingo halls operated in Mexico has therefore increased from 20 to 21.

B2B

Our B2B Division engages in the development of interactive gaming systems and designs, manufactures and distributes slot machines and gaming kits for the Spanish market. We believe that among the key factors that drive the revenues and profitability of the B2B Division are the popularity of the new games for slot machines that we and our competitors introduce, the volume of slot machines that we sell in the Spanish market, the product mix between slot machines and gaming kits, the mix between sales to third parties and to our own Slots Division and our ability to realize cost savings and operational efficiencies in our manufacturing operations. One of the key elements of our strategy is to concentrate on market leadership in the Spanish AWP slots market and interlinked bingo halls. In general, our margins benefit if we are able to attain a robust market share in the Spanish AWP slots market as a result of the popularity of our slot machine games. Our B2B Division has been adversely impacted by the reduction in the overall size of the Spanish slot machine market, as slot operators have discontinued underperforming slot machines due to the economic downturn.

Our manufacturing costs are comprised principally of materials, components and labor costs. Innovation is critical to the success of our slot machines and investment in research and development also accounts for a portion of our costs. A significant portion of the operating costs and expenses of our B2B Division are fixed costs, although we have undertaken initiatives to move towards a more variable-cost model.

The interactive business of our B2B Division currently generates revenues from supporting our Slots Division in Italy and interlinked bingo games in Catalonia, Madrid and Andalusia.

Principal Profit and Loss Account Items

The following is a brief description of the revenues and expenses that are included in the line items of our consolidated profit and loss accounts.

Operating Revenues

Operating revenues are principally comprised of revenues from our operations and, to a lesser extent, other activities.

Operations. We record operating revenues from our principal business divisions as follows:

Slots. Operating revenues from our slot machines are recorded as the total amount collected, net of prizes. Operating revenues also include the revenues from our VLTs in Italy and our *Sportium* sports betting joint venture.

Bingo. Operating revenues from our Bingo Division are recorded as the total amount of bingo cards sold, according to their face value, and with effect from January 1, 2013, in accordance with IFRS, net of bingo prizes. Bingo prizes refer to the prizes payable on bingo cards. Our Bingo Division also records operating revenues from sales of food and drinks.

Casinos. Operating revenues from our Casinos Division are recorded as the net amount ("*win*"), which is after deducting the prizes paid to customers. Our Casinos Division also records revenue from admission fees, on-site bars, restaurants and tips and from bingo operations located at some of our electronic casinos in Latin America.

B2B. Operating revenues from our B2B Division include sales of our slot machines and gaming kits to third parties and sales by our distribution companies of slot machines produced by third parties.

Other. We also record operating revenues from a variety of other activities, including revenues from slot machines located in bingo halls and revenues and overhead costs reimbursed from joint ventures, personal services and license fees.

Net Operating Revenues

Net operating revenues are comprised of operating revenues less variable rent.

Variable rent refers to the amount collected from slot machines that are payable to the owner of the premises on a revenue-sharing basis.

Consumption

Consumption costs for our Slots Division include contractual payments to sub-operators (which are based on a profit sharing formula that varies by sub-operator). For our Bingo Division and our Casinos Division, these costs principally include ordinary course costs such as bingo cards, playing cards and chips and food and beverage expenses. Our B2B Division's costs include raw materials and costs of finished and semi-finished components furnished by third-party contractors.

External Supplies and Services

External supplies and services expenses primarily are comprised of start-up costs, rent and lease costs for facilities and vehicles, professional expenses and advertising, promotion and public relation expenses.

Personnel Expenses

Our personnel costs include wages and salaries, employee benefit costs and employee indemnity payments.

Gaming Taxes

Gaming tax expenses include all taxes relating to our gaming activities assessed by national, regional and local authorities.

Depreciation, Amortization and Impairment

Depreciation expense relates to the depreciation of property, plant and equipment.

Amortization expense principally relates to the amortization of the cost of our licenses for gaming services in Panama, and capitalized development costs of our B2B Division. We do not have any license costs for licenses that are awarded in public tenders.

Impairment relates to the impairment loss in respect of intangible assets, including goodwill, property, plant and equipment and equity investments.

We capitalize those development costs which qualify for recognition as an asset pursuant to IAS 38 which, in any case, represent a minority portion of the total expenditures in research and development linked to our B2B Division. In our consolidated statement of cash flows, this is shown as a movement in "*Purchase and development of intangibles*."

Variation in Operating Provisions

Variation in operating provisions principally relates to movements in allowances for receivables and inventories.

Financial Results

Financial results comprises financial income less financial costs and expenses.

Financial income is comprised of income from financial investments, interest from loans made to a variety of parties, including Nortia, site owners and sub-operators in our Slots Division, and site owners of certain international casinos.

Financial costs and expenses is comprised of interest expenses and variation in financial provisions.

Foreign Exchange Results

Foreign exchange results refers to realized and unrealized exchange gains and losses and other financial results. The intragroup exchange gains/losses in foreign subsidiaries arising from loans granted by us are recorded in the consolidated balance sheet under "*Cumulative Translation Reserve*" and therefore do not affect the consolidated profit and loss account so long as the loans constitute a component of our total net investment in the foreign subsidiary.

Income Tax

Due to Spanish tax legislation, our history of acquisitions and dispositions and internal corporate reorganizations as the Group has grown, and the significant international operations of the Group, our tax position is complex.

For Spanish tax purposes, as of December 31, 2018, we had three groups that filed their tax returns on a fiscal consolidated basis: one group has 16 Spanish companies, the second group has seven Spanish companies and the third group has 65 Spanish companies. As of December 31, 2018, under Spanish tax legislation, we must have owned more than 75% of the capital stock of a company at the start of the tax year in order to include the company in its tax consolidated group. Spanish companies that are not part of the fiscal consolidated group pay tax on an unconsolidated basis (unless it belongs to another fiscal group). Our non-Spanish subsidiaries are not included in the tax consolidated group and pay taxes in their local jurisdictions.

The statutory corporate tax rate in Spain during 2018 was 25%. We define our effective tax rate as our income tax expense over our profit (loss) before tax. The level of our effective tax rate is influenced by a number of factors, including (i) the profitability of Group companies, (ii) the fact that certain expenses in the profit and loss account are not deductible for Spanish tax purposes and (iii) the availability of tax credits to offset against profits so as to reduce tax expense. The statutory corporate tax rate in Spain during 2019 is 25%.

Minority Interest

Minority interest is comprised of the results included in consolidated results for which we do not own 100%. In our historical consolidated financial statements, our minority interests are principally attributable to our historical minority ownership interests in Winner Group in Colombia, *Casino de Rosario* in Argentina, a Panamanian casino business and one Spanish slots business (Egartronic S.A.).

EBITDA

We define EBITDA as profit before tax, depreciation, amortization and impairment, financial results, foreign exchange results and loss on sale of non-current assets.

Segment Results—Other Structure/Consolidation

In determining the operating revenues, total EBIT and total EBITDA for the Group, we have to take account of certain unallocated corporate overhead costs and consolidation adjustments. Corporate overhead costs include such items as payroll expenses, rent expenses and the costs of professional services. We allocate a portion of corporate overhead costs to each division based on their use of such services. Corporate overhead costs allocated to a division are included in the division's "*External supplies and services*."

Consolidation adjustments primarily relate to (i) the adjustment of unrealized margins on assets and depreciation in order to show the assets at their original cost and (ii) the elimination of intercompany balances arising from financial operations, rental agreements, payment of dividends, purchase and sale of inventories, tangible fixed assets and investments, and services.

Historical Results of Operations

Year ended December 31, 2018 compared to the year ended December 31, 2017

The following table sets forth, by business division, operating revenues, net operating revenues, EBIT and EBITDA for the years ended December 31, 2018 and 2017:

(in € millions)	**For the year ended December 31,**		
	2017 (restated)	**2018 (audited)**	**Change**
Operating Revenues:			
Slots	929.2	970.5	41.3
Casinos	487.1	509.8	22.7
Bingo	230.2	239.7	9.5
B2B	93.9	89.5	(4.4)
Other[(1)]	(78.9)	(69.3)	9.6
Total	**1,661.6**	**1,740.2**	**78.6**

(in € millions)	**For the year ended December 31,**		
	2017 (restated)	**2018 (audited)**	**Change**
Net Operating Revenues:			
Slots	673.1	708.1	35.0
Casinos	485.0	506.9	21.9
Bingo	222.4	232.1	9.7
B2B	93.9	89.5	(4.4)
Other[(1)]	(78.5)	(67.5)	11.0
Total	**1,395.9**	**1,469.1**	**73.2**

(in € millions)	For the year ended December 31,		
	2017 (restated)	2018 (audited)	Change
EBIT:			
Slots	25.0	49.6	24.6
Casinos	111.9	102.8	(9.1)
Bingo	36.1	28.4	(7.7)
B2B	8.9	8.2	(0.7)
Other[1]	(10.4)	(56.3)	(45.9)
Total	**171.6**	**132.7**	**(38.9)**

(in € millions)	For the year ended December 31,		
	2017 (restated)	2018 (audited)	Change
EBITDA:			
Slots	128.8	141.1	12.3
Casinos	181.5	183.0	1.5
Bingo	53.9	55.7	1.8
B2B	11.9	12.7	0.8
Other[1]	(25.2)	(64.1)	(38.9)
Total	**350.8**	**328.3**	**(22.6)**

(1) Other includes central corporate services and certain inter-segment consolidation adjustments.

Historical Group Results of Operations

Net Operating Revenues

Net operating revenues increased by €73.2 million, or 5.2%, to €1,469.1 million in 2018 from €1,395.9 million in 2017. The increase in net operating revenues was primarily due to growth in revenues from our Spanish operations and the steady organic growth of our Latin American casinos despite the negative exchange rate impact from Latin American currencies.

EBIT

EBIT decreased by €38.9 million, or 22.7%, to €132.7 million in 2018 from €171.6 million in 2017. The decrease was primarily due to one-time expenses of €40.5 million related to the Original Acquisition.

EBITDA

EBITDA decreased by €22.6 million, or 6.4%, to €328.3 million in 2018 from €350.8 million in 2017. EBITDA margin (EBITDA as a percentage of net operating revenues) decreased from 25.1% in 2017 to EBITDA margin of 22.3% in 2018. The decrease in EBITDA was primarily due to one-time expenses of €40.5 million related to the Original Acquisition. Adjusted for this one-time expense, our Adjusted EBITDA for the year ended December 31, 2018 would have been €368.8 million, representing an increase of 5.1% compared to our EBITDA for the year ended December 31, 2017.

Financial Results

Financial results were negative €129.6 million in 2018 as compared to negative €64.2 million in 2017. Financial results in 2018 were negatively impacted by €27.6 million of premium paid for the redemption of

€950 million in aggregate principal amount of senior notes in 2018, €8.4 million write-off of capitalized issuance costs in relation to the redemption of these senior notes and the net increase of €610 million in financial debt as a result of the issuance of the Existing Notes.

Foreign Exchange Results

Foreign exchange results were negative €11.5 million in 2018 as compared to €1.3 million in 2017. The difference was primarily due to the depreciation of the Mexican peso and the U.S. dollar against the euro.

Income Tax Expense

Income tax expense decreased to €28.4 million in 2018 from €39.1 million in 2017. The difference was primarily due to a decrease in deferred taxes due to the impact of the purchase price allocation carried out in connection with the Original Acquisition.

Net Profit

Net profit, after minority interests, was negative €284.0 million in 2018 as compared to €70.8 million in 2017. As described in note 20 to our special purpose consolidated financial statements for the year ended December 31, 2018, net profit for 2018 includes the negative €264.6 million impact of the transfer of the Argentina Business.

Historical Results of Operations by Division

Slots

(in € millions)	For the year ended December 31, 2017 (restated)	2018 (audited)	Change
Operating Revenues	**929.2**	**970.5**	**41.3**
Variable rent	(256.1)	(262.3)	(6.2)
Net Operating Revenues	**673.1**	**708.1**	**35.0**
Consumption	(38.7)	(42.2)	(3.5)
Personnel expenses	(66.0)	(71.3)	(5.3)
Gaming taxes	(363.2)	(376.1)	(12.9)
External supplies and services	(76.4)	(77.5)	(1.1)
Depreciation, amortization and impairment	(103.7)	(91.5)	12.2
EBIT	**25.0**	**49.6**	**24.6**
EBITDA[(1)]	**128.8**	**141.1**	**12.3**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Operating Revenues. Operating revenues from our Slots Division principally represent revenues collected from our slot machines after prize payouts. Operating revenues increased by 4.4% from €929.2 million in 2017 to €970.5 million in 2018.

Net Operating Revenues. Net operating revenues from our Slots Division represent operating revenues after variable rent payments made to site owners. Net operating revenues increased by 5.2% from €673.1 million in 2017 to €708.1 million in 2018.

In Spain, net operating revenues increased by 7.1% in 2018 as compared to 2017, primarily due to the addition of 1,507 slot machines to our Spanish operations and the resultant synergies. Average revenues per unit also increased in 2018 as compared to 2017, reflecting the strengthening of the ongoing recovery in 2018.

In Italy, net operating revenues increased by 3.3% in 2018 as compared to 2017. This increase was primarily due to the optimization of our slot machine portfolio by the discontinuation of underperforming AWP slot machines.

Costs and Expenses. Costs and expenses for our Slots Division principally include taxes on gaming activities, payments to sub-operators under participation agreements, personnel expenditures, depreciation, amortization and impairment expenses and external supplies and services expenses.

Overall costs and expenses for our Slots Division increased by 1.6% to €658.6 million in 2018 as compared to €648.0 million in 2017. The key changes in the components of segment operating expenses are as follows:

- *Gaming Taxes.* Gaming taxes, which in Spain are incurred annually based on a fixed amount for each machine but in Italy are incurred at a variable rate based on machine revenues, increased by 3.6% from €363.2 million in 2017 to €376.1 million in 2018. As a percentage of segment net operating revenues, gaming taxes decreased to 53.1% in 2018 from 54.0% in 2017. The decrease in gaming taxes as a percentage of segment net operating revenues was primarily due to the mix of higher Spanish revenues compared to Italian revenues.

- *Personnel Expenses.* Personnel expenses include wages and salaries for commercial, collection and technical support employees. This expense category increased by 8.0% to €71.3 million in 2018 from €66.0 million in 2017.

- *Consumption.* Consumption costs are primarily comprised of payments to sub-operators. This expense category increased by 8.9% from €38.7 million in 2017 to €42.2 million in 2018.

- *External Supplies and Services.* This expense category increased by 1.4% from €76.4 million in 2017 to €77.5 million in 2018.

- *Depreciation, Amortization and Impairment.* Depreciation, amortization and impairment expenses decreased by 11.8% from €103.7 million in 2017 to €91.5 million in 2018. In 2017, this expense category included a €5.0 million impairment charge with respect to Italian slot operations. Recurring depreciation, amortization and impairment expenses remained stable in 2018 compared to 2017.

EBIT. EBIT for our Slots Division increased from €25.0 million in 2017 to €49.6 million in 2018.

EBITDA. EBITDA for our Slots Division increased by 9.6% from €128.8 million in 2017 to €141.1 million in 2018. EBITDA margin (EBITDA as a percentage of segment net operating revenue) increased to 19.9% in 2018 as compared to 19.1% in 2017.

In Spain, EBITDA increased by 10.8% to €119.4 million in 2018 from €107.8 million in 2017. This increase was due to increase in net revenue per slot and the implementation of productivity measures.

EBITDA for our Italian business increased by 3.5% to €21.7 million in 2018 as compared to €21.0 million in 2017. The gaming tax increase and the discontinuation of 1,803 slot machines as required by the 2016 Italian Stability Law negatively impacted EBITDA for our Italian business.

Casinos

(in € millions)	For the year ended December 31, 2017 (restated)	2018 (audited)	Change
Operating Revenues	**487.1**	**509.8**	**22.6**
Variable rent	(2.1)	(2.9)	(0.8)
Net Operating Revenues	**485.0**	**506.9**	**21.9**
Consumption	(8.1)	(8.2)	(0.1)
Personnel expenses	(85.3)	(89.3)	(4.0)
Gaming taxes	(75.4)	(82.1)	(6.7)
External supplies and services	(134.7)	(144.4)	(9.6)
Depreciation, amortization and impairment	(69.6)	(80.2)	(10.6)
EBIT	**111.9**	**102.8**	**(9.1)**
EBITDA[(1)]	**181.5**	**183.0**	**1.5**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Operating Revenues. Operating revenues from our casinos primarily comprise revenues from gaming tables and slot machines located at our casinos. We also generate revenues from restaurant services, admission ticket sales and tips and from bingo operations located at some of our electronic casinos in Latin America. Operating revenues from our casinos increased by 4.6% from €487.1 million in 2017 to €509.8 million in 2018.

Net Operating Revenues. Net operating revenues from our Casinos Division represent operating revenues after variable rent payments. Net operating revenues increased by 4.5% from €485.0 million in 2017 to €506.9 million in 2018. The increase in net operating revenues was driven by the steady organic growth of our Latin American operations, despite the negative exchange rate impact from the depreciation of Latin American currencies against the euro.

Costs and Expenses. Costs and expenses from our casinos principally include personnel expenditures, depreciation, amortization and impairment expenses, taxes on gaming and other operating expenses.

Costs and expenses from our casinos increased from €373.1 million in 2017 to €404.1 million in 2018. The key changes in the components of segment operating expenses are as follows:

- *External Supplies and Services.* External supplies and services expenses for our Casinos Division include costs such as security, travel, professional services, sales and marketing, and lease costs for our casinos. This expense category increased by 7.2% to €144.4 million in 2018 from €134.7 million in 2017. As a percentage of net operating revenues, this expense category increased by 0.7% to 28.5% in 2018 compared to 27.8% in 2017.

- *Gaming Taxes.* Gaming taxes increased by 8.8% to €82.1 million in 2018 as compared to €75.4 million in 2017. As a percentage of net operating revenues, this expense category increased to 16.2% in 2018 from 15.5% in 2017. The increase in gaming taxes was primarily due to the reversal of a gaming tax provision of €4.5 million in 2017.

- *Personnel Expenses.* Personnel expenses increased by 4.7% to €89.3 million in 2018 compared to €85.3 million in 2017. As a percentage of net operating revenues, this expense category remained stable at 17.6%.

- *Depreciation, Amortization and Impairment.* Depreciation, amortization and impairment expenses increased to €80.2 million in 2018 as compared to €69.6 million in 2017. This increase was primarily due to the purchase price allocation carried out in relation to the Original Acquisition.

- *Consumption.* Consumption costs principally include ordinary course costs such as playing cards and chips and food and beverage expenses. Consumption costs increased to €8.2 million in 2018 from €8.1 million in 2017. As a percentage of net operating revenues, this expense category decreased by 0.1% to 1.6% in 2018 from 1.7% in 2017.

EBIT. EBIT from our Casinos Division decreased by 8.1% to €102.8 million in 2018 from €111.9 million in 2017. EBIT margin (EBIT as a percentage of segment net operating revenues) for the Casinos Division decreased to 20.3% in 2018 from 23.1% in 2017.

EBITDA. EBITDA for our Casinos Division increased by 0.8% to €183.0 million in 2018 from €181.5 million in 2017. EBITDA margin (EBITDA as a percentage of segment net operating revenues) decreased to 36.1% in 2018 compared to 37.4% in 2017. The EBITDA increase was primarily due to the steady growth of our Latin American operations, combined with the positive impact of operating efficiencies, which have offset the depreciation of Latin American currencies against the euro. EBITDA margin decreased primarily due to the depreciation of Latin American currencies against the euro.

Bingo

(in € millions)	For the year ended December 31, 2017 (restated)	2018 (audited)	Change
Operating Revenues	**230.2**	**239.7**	**9.5**
Variable rent	(7.9)	(7.7)	0.2
Net Operating Revenues	**222.4**	**232.1**	**9.7**
Consumption	(10.7)	(11.6)	(0.9)
Personnel expenses	(43.7)	(45.6)	(2.0)
Gaming taxes	(53.3)	(52.5)	0.8
External supplies and services	(60.8)	(66.6)	(5.8)
Depreciation, amortization and impairment	(17.8)	(27.3)	(9.5)
EBIT	**36.1**	**28.4**	**(7.7)**
EBITDA[(1)]	**53.9**	**55.7**	**1.8**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Operating Revenues. Operating revenues from our Bingo Division include revenues from sales of traditional bingo cards, net of prize payouts, and revenues from electronic bingo and roulette games and slot machines located in our bingo halls. Operating revenues also include revenues from the Bingo Division's 21 halls in Mexico, which have a broad entertainment offer, including casino-style slot machines.

The following table sets forth the number of bingo halls operated by our Bingo Division as of December 31, 2018 and 2017:

As of December 31	2017	2018
Spain	37	37
Mexico	20	21
Italy	12	12
Total	**69**	**70**

Operating revenues from our Bingo Division increased by 4.1% from €230.2 million in 2017 to €239.7 million in 2018.

Net Operating Revenues. Net operating revenues from our Bingo Division represent operating revenues after variable rent. Net operating revenues increased by 4.4% to €232.1 million in 2018 as compared to €222.4 million in 2017. Revenues for our Spanish bingo business were positively impacted by an increase in the number of visits and higher customer expenditures per visit.

Net operating revenues from our bingo halls in Mexico increased by 8.1% to €101.3 million in 2018 compared to €93.7 million in 2017. Revenues were positively impacted by the performance of our bingo halls and the contribution from the bingo hall in Guadalajara which we acquired in 2018.

Costs and Expenses. Costs and expenses from our bingo operations principally include personnel expenditures, depreciation, amortization and impairment expenses, taxes on gaming and other operating expenses.

Costs and expenses for the Bingo Division increased by 9.3% from €186.3 million in 2017 to €203.6 million in 2018. The key changes in the components of segment operating expenses are as follows:

- *Gaming Taxes.* Gaming taxes decreased by 1.4% to €52.5 million in 2018 from €53.3 million in 2017.

- *Personnel Expenses.* Personnel expenses are primarily comprised of the wages and salaries and employee benefits of our bingo hall staffs. Personnel expenses increased by 4.5% from €43.7 million in 2017 to €45.6 million in 2018. As a percentage of segment net operating revenues, personnel expenses remained stable at 19.6% in 2017 and 2018.

- *Consumption.* Consumption expense for our Bingo Division primarily relate to the ordinary course materials required to operate bingo halls, such as food and beverages and bingo supplies. Consumption expense increased by 8.1% from €10.7 million in 2017 to €11.6 million in 2018.

- *Depreciation, Amortization and Impairment Expenses.* Depreciation, amortization and impairment expenses increased from €17.8 million in 2017 to €27.3 million in 2018. This increase was primarily due to purchase price allocation carried out in relation to the Original Acquisition.

- *External Supplies and Services.* External expenses increased by 9.5% to €66.6 million in 2018 from €60.8 million in 2017.

EBIT. EBIT from our Bingo Division decreased from €36.1 million in 2017 to €28.4 million in 2018.

EBITDA. EBITDA for our Bingo Division increased by 3.4% to €55.7 million in 2018 from €53.9 million in 2017. EBITDA margin (EBITDA as a percentage of net operating revenues) remained stable at 24.0% in 2018 compared to 24.2% in 2017.

Our Mexican business contributed EBITDA of €34.2 million in 2018 as compared to €32.6 million in 2017. The increase in EBITDA of our Mexican business was primarily due to the positive performance of our bingo halls and the contribution of the additional bingo hall in Guadalajara that offset the depreciation of the Mexican peso against the euro.

B2B

(in € millions)	Year ended December 31,		
	2017 (restated)	2018 (audited)	Change
Net Operating Revenues	**93.9**	**89.5**	**(4.4)**
Consumption	(49.1)	(41.1)	8.0
Personnel expenses	(18.3)	(20.2)	(1.8)
Gaming taxes	(0.2)	(0.2)	0.0
External supplies and services	(14.4)	(15.4)	(1.0)
Depreciation, amortization and impairment	(3.0)	(4.5)	(1.5)
EBIT	**8.9**	**8.2**	**(0.7)**
EBITDA[(1)]	**11.9**	**12.7**	**0.8**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Net Operating Revenues. Net operating revenues of our B2B Division include revenues from sales of our slot machines and gaming kits and sales of slot machines produced by third parties by our distribution companies. Also included are revenues generated from supporting the Slots Division in Italy and interlinked bingo games in Madrid, Andalusia and Catalonia. Net operating revenues from our B2B Division decreased by 4.7% to €89.5 million in 2018 from €93.9 million in 2017. The decrease in net operating revenues was due to the continuing soft demand for new slot machines.

Costs and Expenses. Costs and expenses from our B2B Division are comprised principally of cost of components, direct labor costs, sub-contracting costs, personnel expenditures, depreciation, amortization and impairment expenses and other expenditures such as research and development costs (to the extent not capitalized) and marketing costs.

Costs and expenses for our B2B Division decreased by 4.4% from €85.0 million in 2017 to €81.3 million in 2018.

The key changes in the components of segment operating expenses are as follows:

- *Consumption.* Consumption costs primarily are comprised of purchases of semi-finished and finished components. Consumption costs decreased by 16.3% from €49.1 million in 2017 to €41.1 million in 2018. As a percentage of net operating revenues, this expense category decreased from 52.3% in 2017 to 45.9% in 2018. The decrease was primarily attributable to higher contribution from the sale of refurbishment kits, which have proportionately lower consumption costs as compared to slot machine cabinets or gaming kits.

- *External Supplies and Services.* External supplies and services expenses increased by 7.1% from €14.4 million in 2017 to €15.4 million in 2018.

- *Personnel Expenses.* Personnel expenses increased by 10.0% from €18.3 million in 2017 to €20.2 million in 2018.

- *Depreciation, Amortization and Impairment Expenses.* For our B2B Division, this expense category includes depreciation, amortization and impairment expenses and variation in operating provisions. Depreciation, amortization and impairment expenses increased by 48.0% from €3.0 million in 2017 to €4.5 million in 2018.

EBIT. EBIT from our B2B Division decreased from €8.9 million in 2017 to €8.2 million in 2018.

EBITDA. EBITDA for our B2B Division increased by 6.2% from €11.9 million in 2017 to €12.7 million in 2018. EBITDA margin (EBITDA as a percentage of segment net operating revenues) increased to 14.2% in 2018 from 12.7% in 2017. EBITDA and EBITDA margin in 2018 were impacted positively due to a higher contribution from the sale of refurbishment kits and systems (usually with higher margin) in the sales mix.

Year ended December 31, 2017 compared to the year ended December 31, 2016

The following table sets forth, by business division, operating revenues, net operating revenues, EBIT and EBITDA for the years ended December 31, 2017 and 2016:

(in € millions)	For the year ended December 31, 2016	2017	Change
	(audited)		
Operating Revenues:			
Slots	892.5	929.2	36.7
Casinos	733.9	792.6	58.7
Bingo	215.7	230.2	14.6
B2B	97.0	109.6	12.6
Other[(1)]	(67.3)	(78.9)	(11.6)
Total	**1,871.7**	**1,982.8**	**111.1**

(in € millions)	For the year ended December 31, 2016	2017	Change
	(audited)		
Net Operating Revenues:			
Slots	644.9	673.1	28.2
Casinos	729.9	789.5	59.7
Bingo	208.3	222.4	14.0
B2B	97.0	109.6	12.6
Other[(1)]	(67.3)	(78.5)	(11.1)
Total	**1,612.8**	**1,716.2**	**103.3**

(in € millions)	For the year ended December 31, 2016	2017	Change
	(audited)		
EBIT:			
Slots	25.8	25.0	(0.7)
Casinos	119.4	163.7	44.3
Bingo	26.7	36.1	9.4
B2B	12.5	15.0	2.5
Other[(1)]	(14.7)	(10.4)	4.4
Total	**169.6**	**229.4**	**59.8**

(in € millions)	For the year ended December 31,		
	2016	2017	Change
	(audited)		
EBITDA:			
Slots	116.1	128.8	12.7
Casinos	245.7	251.0	5.3
Bingo	42.1	53.9	11.8
B2B	16.2	18.7	2.5
Other[(1)]	(21.8)	(25.2)	(3.5)
Total	**398.3**	**427.0**	**28.8**

(1) Other includes central corporate services and certain inter-segment consolidation adjustments.

Historical Group Results of Operations

Net Operating Revenues

Net operating revenues increased by €103.3 million, or 6.4%, to €1,716.2 million in 2017 from €1,612.8 million in 2016. The increase in net operating revenues was primarily due to growth in revenues from our Spanish businesses, Latin American operations and recent acquisitions. Revenues were adversely impacted by the depreciation of the Argentine and Mexican peso and US dollar against the euro during 2017.

EBIT

EBIT increased from €169.6 million in 2016 to €229.4 million in 2017. The increase was primarily due to the increase in EBIT from our Casinos and Bingo divisions.

EBITDA

EBITDA increased 7.2% from €398.3 million in 2016 to €427.0 million in 2017. EBITDA margin (EBITDA as a percentage of net operating revenues) increased from 24.7% in 2016 to EBITDA margin of 24.9% in 2017. The increase in EBITDA was primarily due to the performance of our operations in Latin America and the improvement in the operational efficiencies of the businesses in Spain. EBITDA was negatively impacted by the depreciation of the Argentine and Mexican peso and US dollar against the euro and increases in gaming taxes in Italy, Argentina and Colombia.

Financial Results

Financial results were negative €67.7 million in 2017 as compared to negative €92.5 million in 2016. Financial results in 2017 were positively impacted by the lower interest costs of the then existing 2021 notes and the then existing 2023 notes (compared to the notes they replaced); the then existing 2021 notes were issued in April 2016 to refinance the 2018 notes that were in place prior to the financing.

Foreign Exchange Results

Foreign exchange results were €1.7 million in 2017 as compared to negative €1.5 million in 2016. The difference was primarily due to the depreciation of the Argentine and Mexican peso and US dollar against the euro.

Income Tax Expense

Income tax expense increased to €61.9 million in 2017 from €52.3 million in 2016. The difference was primarily due to the impact of higher pre-tax income generated in Argentina.

Net Profit

As a result of the foregoing, net profit, after minority interests, was €70.8 million in 2017 as compared to €3.3 million in 2016.

Historical Results of Operations by Division

Slots

(in € millions)	For the year ended December 31, 2016	2017	Change
	(audited)		
Operating Revenues	**892.5**	**929.2**	**36.7**
Variable rent	(247.6)	(256.1)	(8.5)
Net Operating Revenues	**644.9**	**673.1**	**28.2**
Consumption	(34.0)	(38.7)	(4.7)
Personnel expenses	(61.5)	(66.0)	(4.6)
Gaming taxes	(354.8)	(363.2)	(8.4)
External supplies and services	(78.6)	(76.4)	2.2
Depreciation, amortization and impairment	(90.3)	(103.7)	(13.4)
EBIT	**25.8**	**25.0**	**(0.7)**
EBITDA[(1)]	**116.1**	**128.8**	**12.7**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Operating Revenues. Operating revenues from our Slots Division principally represent revenues collected from our slot machines after prize payouts. Operating revenues increased by 4.1% from €892.5 million in 2016 to €929.2 million in 2017.

Net Operating Revenues. Net operating revenues from our Slots Division represent operating revenues after variable rent payments made to site owners. Net operating revenues increased by 4.4% from €644.9 million in 2016 to €673.1 million in 2017.

In Spain, net operating revenues increased by 9.4% in 2017 as compared to 2016 mainly due to the addition and corresponding synergies of adding 1,483 slot machines to our Spanish operations. Average revenues per unit also increased in 2017 as compared to 2016, reflecting the strengthening of the ongoing recovery in 2017 of the Spanish slots business. From January 1, 2016, slot machine reporting in Spain changed with the effect that slot machines are reported in accordance with the number of gaming positions (i.e. some slot machines have more than one gaming position). We had 29,889 slot machines in operation in Spain as of December 31, 2017 compared to 28,402 slot machines as of December 31, 2016.

In Italy, net operating revenues decreased by 0.1% in 2017 as compared to 2016. This decrease was primarily due to an increase, with effect from April 24, 2017, in AWP gaming taxes from 17.5% to 19.0% and VLT gaming taxes from 5.5% to 6.0%. As of December 31, 2017, in Italy we had 8,545 slot machines as compared to 9,009 slot machines as of December 31, 2016, which reflects our continuing effort to optimize our slot machine

portfolio by discontinuing underperforming slot machines. The number of installed VLTs was stable at 2,565 as of December 31, 2017 as compared to 2,578 at the end of 2016.

Costs and Expenses. Costs and expenses for our Slots Division principally include taxes on gaming activities, payments to sub-operators under participation agreements, personnel expenditures, depreciation, amortization and impairment expenses and external supplies and services expenses.

Overall costs and expenses for our Slots Division increased by 4.7% to €648.0 million in 2017 as compared to €619.2 million in 2016. The key changes in the components of segment operating expenses are as follows:

- *Gaming Taxes.* Gaming taxes, which in Spain are incurred annually based on a fixed amount for each machine but in Italy are incurred at a variable rate based on machine revenues, increased by 2.4% from €354.8 million in 2016 to €363.2 million in 2017. As a percentage of segment net operating revenues, gaming taxes decreased to 54.0% in 2017 from 55.0% in 2016. The decrease in gaming taxes as a percentage of segment net operating revenues was primarily due to the mix of higher Spanish revenues compared to Italian revenues. In 2017, with effect from April 24, 2017, the Italian turnover (PREU) tax rate on slot machines increased to 19.0% from 17.5% and the tax rate of VLTs increased to 6.0% from 5.5%. In addition, approximately €5.8 million of gaming taxes were recorded in 2016 related to a levy on gaming machines in Italy introduced by the 2015 Italian Budget Law (which was repealed in 2016). See "*Regulation—Italy—2015 Italian Budget Law and 2016 Italian Stability Law.*"

- *Personnel Expenses.* Personnel expenses include wages and salaries for commercial, collection and technical support employees. This expense category increased by 7.4% to €66.0 million in 2017 from €61.5 million in 2016.

- *Consumption.* Consumption costs are primarily comprised of payments to sub-operators. This expense category increased by 13.8% from €34.0 million in 2016 to €38.7 million in 2017.

- *External Supplies and Services.* This expense category decreased by 2.8% from €78.6 million in 2016 to €76.4 million in 2017.

- *Depreciation, Amortization and Impairment.* Depreciation, amortization and impairment expenses increased by 14.8% from €90.3 million in 2016 to €103.7 million in 2017. In 2017, we recorded a €5.0 million impairment charge with respect to Italian slot operations. As compared to an impairment charge of €2.5 million in 2016.

EBIT. EBIT for our Slots Division decreased slightly from €25.8 million in 2016 to €25.0 million in 2017.

EBITDA. EBITDA for our Slots Division increased by 10.9% from €116.1 million in 2016 to €128.7 million in 2017. EBITDA margin (EBITDA as a percentage of segment net operating revenue) increased to 19.1% in 2017 as compared to 18.0% in 2016.

In Spain, EBITDA increased by 11.8% to €107.8 million in 2017 from €96.4 million in 2016. This increase was due to the addition, and corresponding synergies, of 1,483 slots to our slot business and improvements in operational efficiencies.

EBITDA for our Italian business increased by 6.6% to €21.0 million in 2017 as compared to €19.7 million in 2016. Higher AWP slots and VLT gaming taxes negatively impacted EBITDA for our Italian business.

Casinos

(in € millions)	For the year ended December 31, 2016	2017	Change
	(audited)		
Operating Revenues	**733.9**	**792.6**	**58.7**
Variable rent	**(4.0)**	**(3.1)**	**(0.9)**
Net Operating Revenues	**729.9**	**789.5**	**59.7**
Consumption	(15.2)	(15.8)	(0.6)
Personnel expenses	(157.6)	(168.0)	(10.4)
Gaming taxes	(156.6)	(186.7)	(30.1)
External supplies and services	(154.8)	(168.1)	(13.3)
Depreciation, amortization and impairment	(126.2)	(87.3)	39.0
EBIT	**119.4**	**163.7**	**44.3**
EBITDA[(1)]	**245.7**	**251.0**	**5.3**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Operating Revenues. Operating revenues from our casinos primarily comprise revenues from gaming tables and slot machines located at our casinos. We also generate revenues from restaurant services, admission ticket sales and tips and from bingo operations located at some of our electronic casinos in Latin America. Operating revenues from our casinos increased by 8.0% from €733.9 million in 2016 to €792.6 million in 2017.

Net Operating Revenues. Net operating revenues from our Casinos Division represent operating revenues after variable rent payments. Net operating revenues increased by 8.2% from €729.9 million in 2016 to €789.5 million in 2017. The increase in net operating revenues was driven by the strong performance of our casinos and the contribution from our newly-acquired casinos in Peru, which was partly offset by the depreciation of the Argentine peso and US dollar in 2017 against the euro.

Costs and Expenses. Costs and expenses from our casinos principally include personnel expenditures, depreciation, amortization and impairment expenses, taxes on gaming and other operating expenses.

Costs and expenses from our casinos increased from €610.4 million in 2016 to €625.9 million in 2017. The key changes in the components of segment operating expenses are as follows:

- *External Supplies and Services.* External supplies and services expenses for our Casinos Division include costs such as security, travel, professional services, sales and marketing, and lease costs for our casinos. This expense category increased 8.6% to €168.1 million in 2017 from €154.8 million in 2016. As a percentage of net operating revenues, this expense category remained stable at 21.2% in 2017 and in 2016.

- *Gaming Taxes.* Gaming taxes increased by 19.2% to €186.7 million in 2017 as compared to €156.6 million in 2016. As a percentage of net operating revenues, this expense category increased to 23.6% in 2017 from 21.5% in 2016. The increase in gaming taxes was primarily due to higher gaming taxes in Argentina and Colombia.

- *Personnel Expenses.* Personnel expenses increased by 6.6% to €168.0 million in 2017 compared to €157.6 million in 2016. As a percentage of net operating revenues, this expense category slightly decreased to 21.3% in 2017 from 21.6% in 2016.

- *Depreciation, Amortization and Impairment.* Depreciation, amortization and impairment expenses decreased to €87.3 million in 2017 as compared to €126.2 million in 2016. This decrease was primarily due to a one-time charge of €27.9 million in respect of the fiscal settlement with the government of the city of Buenos Aires in 2016.

- *Consumption.* Consumption costs principally include ordinary course costs such as playing cards and chips and food and beverage expenses. Consumption costs increased to €15.8 million in 2017 from €15.2 million in 2016. As a percentage of net operating revenues, this expense category remained stable at 2.0% in 2017 and 2.1% in 2016.

EBIT. EBIT from our Casinos Division increased by 37.1% to €163.7 million in 2017 from €119.4 million in 2016. EBIT margin (EBIT as a percentage of segment net operating revenues) for the Casinos Division increased to 20.7% in 2017 from 16.4% in 2016.

EBITDA. EBITDA for our Casinos Division increased by 2.2% to €251.0 million in 2017 from €245.7 million in 2016. EBITDA margin (EBITDA as a percentage of segment net operating revenues) decreased to 31.8% in 2017 as compared to 33.7% in 2016. The EBITDA improvement in 2017 was mainly due to the strong performance of our casinos, the contribution from our newly-acquired casinos in Peru and the implementation of mitigation and cost reduction initiatives which were partly offset by the depreciation of the Argentine peso and U.S. dollar against the euro and higher gaming taxes in Argentina and Colombia.

Bingo

(in € millions)	For the year ended December 31,		
	2016	2017	Change
	(audited)		
Operating Revenues	**215.7**	**230.2**	**14.6**
Variable rent	(7.3)	(7.9)	(0.6)
Net Operating Revenues	**208.3**	**222.4**	**14.0**
Consumption	(10.0)	(10.7)	(0.7)
Personnel expenses	(40.9)	(43.7)	(2.8)
Gaming taxes	(58.1)	(53.3)	4.8
External supplies and services	(57.3)	(60.8)	(3.5)
Depreciation, amortization and impairment	(15.4)	(17.8)	(2.4)
EBIT	**26.7**	**36.1**	**9.4**
EBITDA[(1)]	**42.1**	**53.9**	**11.8**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Operating Revenues. Operating revenues from our Bingo Division include revenues from sales of traditional bingo cards, net of prize payouts, and revenues from electronic bingo and roulette games and slot machines located in our bingo halls. Operating revenues also include revenues from the Bingo Division's 20 halls in Mexico, which have a broad entertainment offer, including casino-style slot machines.

The following table sets forth the number of bingo halls operated by our Bingo Division as of December 31, 2017 and 2016:

As of December 31	2016	2017
Spain	38	37
Mexico	18	20
Italy	11	12
Total	**67**	**69**

Operating revenues from our Bingo Division increased by 6.8% from €215.7 million in 2016 to €230.2 million in 2017.

Net Operating Revenues. Net operating revenues from our Bingo Division represent operating revenues after variable rent. Net operating revenues increased by 6.7% to €222.4 million in 2017 as compared to €208.3 million in 2016. Revenues for our Spanish bingo business were positively impacted by an increased number of visits and higher customer expenditures per visit, in part as a result of sales and marketing initiatives intended to attract more customers to our bingo halls, such as advanced retention and loyalty programs. We closed one underperforming hall in Spain in 2017, sold one other hall and acquired one hall.

Net operating revenues from our bingo halls in Mexico increased by 14.7% to €93.7 million in 2017 compared to €81.7 million in 2016. Revenues were positively impacted by the strong performance of our halls, marketing productivity programs and the contribution from two newly acquired halls in 2017, but adversely impacted by the depreciation of the Mexican peso against the euro.

Costs and Expenses. Costs and expenses from our bingo operations principally include personnel expenditures, depreciation, amortization and impairment expenses, taxes on gaming and other operating expenses.

Costs and expenses for the Bingo Division increased by 2.5% from €181.7 million in 2016 to €186.3 million in 2017. The key changes in the components of segment operating expenses are as follows:

- *Gaming Taxes.* Gaming taxes decreased by 8.2% to €53.3 million in 2017 from €58.1 million in 2016.
- *Personnel Expenses.* Personnel expenses are primarily comprised of the wages and salaries and employee benefits of our bingo hall staffs. Personnel expenses increased by 6.8% from €40.9 million in 2016 to €43.7 million in 2017. As a percentage of segment net operating revenues, personnel expenses remained constant at 19.6% in 2016 and 2017.
- *Consumption.* Consumption expense for our Bingo Division primarily relate to the ordinary course materials required to operate bingo halls, such as food and beverages and bingo supplies. Consumption expense increased by 7.2% from €10.0 million in 2016 to €10.7 million in 2017.
- *Depreciation, Amortization and Impairment Expenses.* Depreciation, amortization and impairment expenses increased from €15.4 million in 2016 to €17.8 million in 2017. We recorded an impairment charge of €1.3 million in 2017. No impairment was recognized in 2016.
- *External Supplies and Services.* External expenses increased by 6.1% to €60.8 million in 2017 from €57.3 million in 2016.

EBIT. EBIT from our Bingo Division increased from €26.7 million in 2016 to €36.1 million in 2017.

EBITDA. EBITDA for our Bingo Division improved by 28.0% to €53.9 million in 2017 from €42.1 million in 2016. EBITDA margin (EBITDA as a percentage of net operating revenues) increased to 24.2% in 2017 from 20.2% in 2016. The improvement in EBITDA and EBITDA margin is largely due to the continued positive trend of the performance of our Spanish business, which started in 2015, and the strong performance of our Mexican business.

Our Mexican business contributed EBITDA of €32.6 million in 2017 as compared to €26.8 million in 2016. The improvement in EBITDA of our Mexican business was primarily due to the strong performance of our halls, marketing productivity programs and the contribution from two newly acquired halls in January 2017 and June 2017. This improvement was partly offset by the impact of the depreciation of the Mexican peso against the euro.

B2B

(in € millions)	Year ended December 31, 2016	2017	Change
	(audited)		
Net Operating Revenues	**97.0**	**109.6**	**12.6**
Consumption	(41.3)	(49.1)	(7.9)
Personnel expenses	(19.5)	(20.2)	(0.7)
Gaming taxes	(1.1)	(1.1)	0.0
External supplies and services	(19.0)	(20.5)	(1.6)
Depreciation, amortization and impairment	(3.7)	(3.7)	0.1
EBIT	**12.5**	**15.0**	**2.5**
EBITDA[(1)]	**16.2**	**18.7**	**2.5**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Net Operating Revenues. Net operating revenues of our B2B Division include revenues from sales of our slot machines and gaming kits and sales of slot machines produced by third parties by our distribution companies. Also included are revenues generated from supporting the Slots Division in Italy, lottery business in Argentina, and interlinked bingo games in Madrid, Andalusia and Catalonia. Net operating revenues from our B2B Division increased by 13.0% to €109.6 million in 2017 from €97.0 million in 2016. The increase in net operating revenues was due to the good performance of our top slot machine models and the increased sales of our gaming system solutions.

Costs and Expenses. Costs and expenses from our B2B Division are comprised principally of cost of components, direct labor costs, sub-contracting costs, personnel expenditures, depreciation, amortization and impairment expenses and other expenditures such as research and development costs (to the extent not capitalized) and marketing costs.

Costs and expenses for our B2B Division increased by 11.9% from €84.6 million in 2016 to €94.6 million in 2017.

The key changes in the components of segment operating expenses are as follows:

- *Consumption.* Consumption costs primarily are comprised of purchases of semi-finished and finished components. Consumption costs increased by 19.1% from €41.3 million in 2016 to €49.1 million in 2017. As a percentage of net operating revenues, this expense category increased from 42.5% in 2016 to 44.8% in 2017. The increase was primarily attributable to higher sales of gaming kits, which have proportionally higher consumption costs as compared to slot machine cabinets.

- *External Supplies and Services.* External supplies and services expenses increased by 8.2% from €19.0 million in 2016 to €20.5 million in 2017.

- *Personnel Expenses.* Personnel expenses increased by 3.5% from €19.5 million in 2016 to €20.2 million in 2017.

- *Depreciation, Amortization and Impairment Expenses.* For our B2B Division, this expense category includes depreciation, amortization and impairment expenses and variation in operating provisions. Depreciation, amortization and impairment expenses remained constant at €3.7 million in 2016 and in 2017.

EBIT. EBIT from our B2B Division increased from €12.5 million in 2016 to €15.0 million in 2017.

EBITDA. EBITDA for our B2B Division increased by 15.1% from €16.2 million in 2016 to €18.7 million in 2017. EBITDA margin (EBITDA as a percentage of segment net operating revenues) increased to 17.0% in 2017 from 16.7% in 2016. EBITDA and EBITDA margin in 2017 were impacted by the highly competitive market and the mix of sales of refurbished game kits and mew slot machines.

Liquidity and Capital Resources Historical Cash Flows

The following is a brief description of certain line items that are included in our consolidated statement of cash flows:

Current account with Nortia Corporation. Before the Original Acquisition, we engaged in a variety of transactions with one of the Sellers, Nortia Corporation, that affect our cash flows. During the period under review, the principal transactions have been purchases of companies from Nortia, transactions pursuant to a cash management agreement and payments of interest on outstanding balances.

Purchase and development of intangibles. We capitalize those development costs which qualify for recognition as an asset pursuant to IAS 38 which, in any case, represent a minority portion of the total expenditures in research and development linked to our B2B Division. The total cash outflows associated with these expenditures are included in our statement of cash flows as "*Purchase and development of intangibles*." Under IFRS, this line item also includes the amounts we pay to owners of the premises where we have our slot machines for exclusivity rights.

Loans granted. We have granted loans to the owners of hotels in the Dominican Republic where we have (or previously had) casinos. Payments with respect to these loans are recorded in "*Loans granted*" in our consolidated statement of cash flows.

Purchase of other financial assets. Variations in the amount of securities we own and variations in deposits and warranties primarily relating to deposits with casino site owners are recorded as "*Purchase of other financial assets.*" This line item also includes deposits with the Italian slots regulator, the ADM. See "*Regulation—Italy.*"

Capital lease payments. Our B2B Division sells slot machines to our Slots Division from time to time pursuant to capital leasing financing provided by financial institutions. Payments of attributable principal under such capital leases by our Slots Division are recorded in "*Capital lease payments*" in our consolidated statement of cash flows, and payments of attributable interest are recorded in "*Interest paid on financial debt*." Sales of slot machines by our B2B Division to our Slots Division are treated as intra group sales which are eliminated upon consolidation and are not recorded as net operating revenues in our profit and loss accounts. The net cash effect of the transfer of slot machines from the B2B Division to the Slots Division is, therefore, (i) the receipt of cash by the B2B Division from a finance leasing company and (ii) the payment of cash from the Slots Division to the leasing company over time in an aggregate amount which approximates the initial amount received by the B2B Division upon transfer of the assets to the finance leasing company, plus an additional amount attributable to interest.

Net foreign exchange differences. This line item shows the effects of differences between initial and period-end exchange rates on balances of cash and cash equivalents in currencies other than the euro.

Consolidated Statement of Cash Flows

Year ended December 31, 2018 compared to the year ended December 31, 2017

(in € millions)	Year ended December 31, 2017 (restated)	2018 (audited)
Cash flows from operating activities		
Profit before tax, as per the consolidated profit and loss accounts	101.1	0.0
Adjustments for non-cash revenues and expenses:		
Depreciation, amortization and impairment	176.5	193.1
Allowances for doubtful accounts and inventories	2.8	2.5
Other	(5.5)	14.4
Financial items included in profit before tax:		
Financial results	64.2	129.6
Foreign exchange results	1.3	11.5
Results on sale of non-current assets	5.0	(8.5)
Adjusted profit before tax from operations before changes in net operating assets	**345.3**	**342.7**
Variations in:		
Receivables	1.6	3.8
Inventories	(1.2)	(2.0)
Payables	1.6	6.4
Deferred Taxes, payable	(1.2)	(5.0)
Accruals, net	(9.1)	2.4
Cash generated from operations	337.0	348.3
Income taxes paid	(37.0)	(24.0)
Net cash flows provided by operating activities from continuing operations	300.0	324.3
Net cash flows provided by operating activities from discontinued operations	35.9	21.4
Net cash flows provided by operating activities	**335.9**	**345.8**
Cash flows from (used in) investing activities		
Purchase and development of property, plant and equipment	(96.8)	(107.7)
Purchase and development of intangibles	(47.4)	(52.5)
Acquisition of participating companies, net of cash acquired	(54.1)	(55.1)
Proceeds from sale of assets	0.0	29.4
Purchase of other financial assets	0.0	(14.5)
Interest received on loans granted and cash revenues from other financial assets	1.3	2.3
Net cash flows used in investing activities from continuing operations	(197.0)	(198.1)
Net cash flows used in investing activities from discontinued operations	(1.0)	(28.9)
Net cash flows used in investing activities	**(198.0)**	**(227.0)**
Cash flows from (used in) financing activities		
Proceeds from bank borrowings	1,631.2	1,450.2
Repayment of bank borrowings	(1,649.9)	(1,470.6)
Repayment of bonds	0.0	(977.6)
Shareholders contribution	—	948.7
Capital lease payments	0.0	(0.4)
Interest paid on financial debt	(65.1)	(92.7)
Dividends Paid and Other	(16.6)	(25.3)
Net cash flows used in financing activities from continuing operations	(100.4)	(167.8)
Net cash flows used in financing activities from discontinued operations	(21.1)	(7.4)
Net cash flows from (used in) financing activities	**(121.5)**	**(175.3)**
Net variation in cash and cash equivalents	16.5	(56.6)
Net foreign exchange differences	(4.3)	(3.5)
Cash and cash equivalents at January 1	200.0	212.2
Cash and cash equivalents at December 31 from discontinued operations	**37.1**	**0.0**
Cash and cash equivalents at December 31 from continuing operations	**175.0**	**152.2**

Cash Flows from Operating Activities. Our net cash flow from operating activities was €345.8 million in 2018 and €335.9 million in 2017. The difference in our net cash flow from operating activities in 2018 compared to 2017 was primarily due to the positive impact in working capital movements and less income taxes paid.

Cash Flows used in Investing Activities. Our net cash flow used in investing activities was €227.0 million in 2018 and €198.0 million in 2017. The difference in our net cash flow used in investing activities in 2018 as compared to 2017 was due to cash flows used in investing activities from discontinued operations.

Cash Flows used in Financing Activities. Our net cash flow used in financing activities was €175.3 million in 2018 and €121.5 million in 2017. The difference in our net cash flow used in financing activities in 2018 compared to 2017 was primarily due to the higher interest paid in 2018 following the additional debt incurred in connection with the Original Acquisition.

Year ended December 31, 2017 compared to the year ended December 31, 2016

(in € millions)	Year ended December 31, 2016	2017
	(audited)	
Cash flows from operating activities		
Profit before tax, as per the consolidated profit and loss accounts	75.8	158.4
Adjustments for non-cash revenues and expenses:		
Depreciation, amortization and impairment	196.8	194.8
Allowances for doubtful accounts and inventories	3.3	2.8
Other	(6.8)	(6.1)
Financial items included in profit before tax:		
Financial results	92.5	67.7
Foreign exchange results	1.5	(1.7)
Results on sale of non-current assets	(0.2)	5.0
Adjusted profit before tax from operations before changes in net operating assets	**362.9**	**420.9**
Variations in:		
Receivables	(19.2)	0.3
Inventories	(0.9)	(1.1)
Payables	4.3	(8.9)
Deferred Taxes, payable	53.7	(14.7)
Accruals, net	(8.1)	(15.2)
Cash generated from operations	392.7	381.4
Income taxes paid	(57.7)	(50.6)
Net cash flows provided by operating activities	**335.1**	**330.9**
Cash flows from (used in) investing activities		
Purchase and development of property, plant and equipment	(101.9)	(108.6)
Purchase and development of intangibles	(29.0)	(47.4)
Acquisition of participating companies, net of cash acquired	(24.7)	(54.1)
Current account with Nortia Corporation—Outflows	(53.1)	(17.8)
Current account with Nortia Corporation—Inflows	54.0	16.9
Proceeds from sale of assets	4.2	8.9
Purchase of other financial assets	(10.9)	(1.5)
Interest received on loans granted and cash revenues from other financial assets	6.6	5.6
Net cash flows used in investing activities	**(154.9)**	**(198.0)**
Cash flows from (used in) financing activities		
Proceeds from bank borrowings	2,009.7	1,631.2
Repayment of bank borrowings	(2,022.2)	(1,649.9)
Issuance of bonds	447.6	0.0
Repayment of bonds	(450.0)	0.0
Purchase/sale of bonds	10.2	0.0
Capital lease payments	(2.4)	(2.4)
Interest paid on financial debt	(84.6)	(74.9)
Dividends Paid and Other	(28.0)	(25.6)
Net cash flows from (used in) financing activities	**(119.6)**	**(121.5)**
Net variation in cash and cash equivalents	60.5	11.5
Net foreign exchange differences	(1.4)	(4.3)
Cash and cash equivalents at January 1	114.9	174.1
Cash and cash equivalents at December 31	**174.1**	**181.2**

Cash Flows from Operating Activities. Our net cash flow from operating activities was €330.9 million in 2017 and €335.1 million in 2016. The difference in our net cash flow from operating activities in 2017 compared to 2016 was primarily due to improvement in EBITDA in 2017, which was offset by the negative impact in working capital movements.

Cash Flows used in Investing Activities. Our net cash flow used in investing activities was €198.0 million in 2017 and €154.9 million in 2016. The difference in our net cash flow used in investing activities in 2017 as compared to 2016 was due to the higher level of acquisitions and capital expenditures in 2017.

Cash Flows used in Financing Activities. Our net cash flow used in financing activities was €121.5 million in 2017 and €119.6 million in 2016. The difference in our net cash flow used in financing activities in 2017 compared to 2016 was primarily due to the increase in our debt position.

Working Capital Requirements

The operation of our various businesses, in the aggregate, is not working capital intensive. Our working capital requirements largely arise in our B2B Division. We manage our working capital requirements on a centralized basis at the Group level rather than by business division or by geographic area. We have historically funded our operating cash flow requirements through funds generated from our operations, from borrowings under bank facilities and through funds from other finance sources. Although our Casinos Division and Slots Division do have certain limited working capital requirements, particularly for cash, we believe that these divisions are cash-generative and fund a substantial portion of the working capital needs of the B2B Division.

We anticipate that our working capital requirements in the foreseeable future will generally be stable. However, these requirements can fluctuate for a variety of factors, including any significant increase in demand for slot machines produced by us.

Year ended December 31, 2018 compared to the year ended December 31, 2017

The following table, which is derived from our consolidated statement of cash flows, sets forth movements in our working capital for the periods indicated:

(in € millions)	Year ended December 31,	
	2017 (restated)	2018 (audited)
Variations in:		
Receivables	1.6	3.8
Inventories	(1.2)	(2.0)
Payables	1.6	6.4
Deferred Taxes, payable	(1.2)	(5.0)
Accruals, net	(9.1)	2.4
Total	**(8.3)**	**5.6**

Our results of operations can be impacted by the level of allowances for doubtful accounts. Movements in these allowances are recorded in "*Change in trade provisions*" in our profit and loss account. Changes in trade provisions changed from €2.7 million in 2017 to €3.3 million in 2018.

The total variation in working capital changed to positive €5.6 million in 2018 from negative €8.3 million in 2017. The change in working capital was primarily attributable to variations in gaming tax payables and net accruals.

Year ended December 31, 2017 compared to the year ended December 31, 2016

The following table, which is derived from our consolidated statement of cash flows, sets forth movements in our working capital for the periods indicated:

(in € millions)	Year ended December 31, 2016	2017
	(audited)	
Variations in:		
Receivables	(19.2)	0.3
Inventories	(0.9)	(1.1)
Payables	4.3	(8.9)
Deferred Taxes, payable	53.7	(14.7)
Accruals, net	(8.1)	(15.2)
Total	**29.8**	**(39.6)**

The total variation in working capital changed to negative €39.6 million in 2017 from positive €29.8 million in 2016. The change in working capital is primarily attributable to variations in gaming tax payables and net accruals.

Changes in trade provisions changed from €31.9 million in 2016 to €2.8 million in 2017.

During October 2016, our primary Argentine subsidiary, CBA, elected to utilize the Fiscal Settlement Law passed by the Government of the City of Buenos Aires to settle certain pending claims of the City for asserted past due local taxes. The total amount of the local taxes settled was €39.5 million, which amount was paid 15% up-front, with the balance to be paid in 90 monthly instalments. In 2016, we recorded a charge of €39.5 million in tax deferrals in respect of such settled taxes.

Capital Expenditures

We define capital expenditures to include the following items of our consolidated statement of cash flows: "*Purchase and development of property, plant and equipment*" and "*Purchase and development of intangibles*." In the following table and discussion, the financial information for the years ended December 31, 2018 and December 31, 2017 has been extracted from Company's consolidated statement of cash flows for the year ended December 31, 2018 (accordingly, excludes the impact of the Argentina Business) and the financial information for the year ended December 31, 2016 has been extracted from Cirsa's consolidated statement of cash flows for the year ended December 31, 2016 (accordingly, includes the impact of the Argentina Business):

	Includes Argentina	Excludes Argentina	
	Year ended December 31,	Year ended December 31,	
(in € millions)	2016	2017	2018
Purchase and development of property, plant and equipment	101.9	96.8	107.7
Purchase and development of intangibles	29.0	47.4	52.5
Total Capital Expenditures	**130.9**	**144.2**	**160.2**

Our capital expenditures primarily consist of investments to maintain the quality of our facilities, to expand our capacity in our Slots, Bingos and Casinos Divisions and to fund research and development expenditures made by our B2B Division. The following table sets forth our capital expenditures by business division:

	Includes Argentina	Excludes Argentina	
	Year ended December 31,	Year ended December 31,	
(in € millions)	2016	2017	2018
Capital expenditures by business division			
Slots	56.9	66.8	70.0
Casinos	55.2	48.2	47.5
Bingo	14.5	22.3	37.9
B2B	3.9	6.6	4.2
Structure	0.4	0.3	0.6
Total Capital Expenditures	**130.9**	**144.2**	**160.2**

Our total capital expenditures for 2018 were €160.2 million. Our major capital expenditures in 2018 included:

- €115.3 million of maintenance expenditures; and
- €44.9 million on the other expansion of our business.

Our total capital expenditures for 2017 were €144.2 million. Our major capital expenditures in 2017 included:

- €105.3 million of maintenance expenditures; and
- €38.9 million on the other expansion of our business.

Our total capital expenditures for 2016 were €130.9 million. Our major capital expenditures in 2016 included:

- €99.5 million of maintenance expenditures; and
- €31.4 million on the other expansion of our business.

We estimate that our total capital expenditures for 2019 will be approximately €122 million. However, this estimate does not include estimated capital expenditures for any planned acquisitions for 2019. The principal area of spending will be for maintenance capital expenditures. In addition, we expect to focus capital expenditures on organic growth initiatives.

Contractual Obligations

We have numerous contractual commitments providing for payments pursuant to, among other things, leases for casinos, production plants, warehouses and office facilities, equipment leases, automobile leases and payments to site owners and sub-operators in our slots businesses. We also have, and will have, payment obligations pursuant to our outstanding borrowings, including the financial obligations arising from the Notes.

Our consolidated contractual obligations as of December 31, 2018 were as follows:

(in € millions) Contractual Obligations	Payments due by period			
	Total	Less than 1 year	1-3 years	After 4 years
Long term debt	1,574.1	—	43.7	1,530.4
Promissory notes	23.6	11.4	5.6	6.6
Capital lease agreements (short term)	0.9	0.9	—	—
Other obligations (short term)	44.5	44.5	—	—
Multigroup and affiliated companies	0.9	—	0.9	—
Total contractual obligations	**1,644.0**	**56.8**	**50.2**	**1,537.0**

Off-Balance Sheet Arrangements

We generally do not utilize off-balance sheet arrangements, other than performance bonds for obligations for gaming taxes and prizes and other obligations. See note 16 to the special purpose consolidated financial statements as of and for the year ended December 31, 2018 and "*—Market Risks.*"

Liquidity

Intra Group Funding for the Group

The liquidity needs of the Group are met through a combination of internally generated cash flow, dividends, intercompany loans, capital contributions, intra-Group payment obligations and payments under management services agreements and other arrangements.

Our subsidiaries may be restricted from providing funds to us and our other subsidiaries under some circumstances. Certain subsidiaries are subject to corporate law and contractual restrictions, including restrictions under debt instruments, that limit their ability to pay dividends or make other payments.

A significant portion of the Group's revenues and EBITDA is generated by its Latin American businesses. If we were unable to repatriate some or all of its profits from our Latin American businesses, we would not be able to use the cash flow from these businesses to fund the liquidity needs of the other members of the Group.

External Sources of Liquidity

Our principal external sources of liquidity during the periods under review have been the issuance of debt securities, borrowings under long-term and short-term credit facilities, gaming tax deferrals, local lines of credit and overdraft facilities, as well as capital leases. In addition, we expect that as in the past, certain of our partners in joint ventures and companies in which we hold a minority interest will provide funding for these joint ventures and companies. Following the Original Acquisition, our principal external sources of liquidity were the Notes, the Revolving Credit Facility and the other sources of liquidity such as local lines of debt for the Group as summarized in "*Description of Other Indebtedness*."

We continue to monitor and limit our exposure to short-term borrowings in Spain and Italy given the restrictions on liquidity that the Spanish banking and Italian systems have been experiencing. We also seek to limit our exposure to cross-border risk in our financings. In furtherance of these objectives, we are seeking to improve our debt maturity profile. We also have been exploring opportunities to obtain local financings in certain jurisdictions in which we operate, in addition to our bank facilities in Colombia, Panama and Italy.

We have substantial debt and debt service obligations. As of December 31, 2018, and as adjusted to give effect to the Transactions, we would have had approximately €2,026.1 million of total debt. See "*Capitalization*." Our level of debt has increased during the last five years. In addition, we may incur substantial additional debt in the future. See "*Risk Factors—Risks Related to Our Structure—The Group's significant leverage and debt service obligations could materially adversely affect its business and prevent it from fulfilling its obligations with respect to the Notes and the Guarantees.*"

We will continue to need significant cash resources to, among other things:

- meet our debt service requirements under the Notes and our other indebtedness;
- fund our working capital requirements, particularly for our B2B Division;
- make capital investments to comply with our existing contractual obligations and the terms of our licenses, to acquire new slot machines and to maintain and to expand our slots business in Spain and adjacent markets, our slots business in Italy, our casino operations in Latin America and our bingo hall business in Mexico;
- make other investments in the gaming business, including joint ventures and minority investments, and acquiring majority control of existing joint ventures and investments; and
- fund our research and development activities.

We believe that our cash flow from operations and available cash and our other available external financing sources will be adequate to meet our future liquidity needs for the foreseeable future, although we cannot assure you that this will be the case. See "*Risk Factors—Risks Related to Our Structure—The Group's significant leverage and debt service obligations could materially adversely affect its business and prevent it from fulfilling its obligations with respect to the Notes and the Guarantees.*"

If we are required to borrow additional amounts, our ability to do so could be restricted by the terms of the Indenture and the terms of our bank indebtedness. See "*Risk Factors—Risks Related to Our Structure—We are subject to restrictive covenants under our Revolving Credit Facility Agreement and the Existing Indenture, and will be subject to restrictive covenants under the Indenture, which could impair our ability to run our business.*"

Our future operating performance and our ability to service or refinance the notes are subject to future economic conditions, financial, business and other factors, many of which are beyond our control.

Effects of Inflation

Our performance is affected by inflation to a limited extent. In recent years, the impact of inflation on our operations in Spain has not been material. However, our international operations, particularly those in some countries in Latin America, are subject to relatively high inflation rates.

Effects of Related Party Transactions

We have engaged in a significant number and variety of transactions with Blackstone and our management, and certain other companies associated with Blackstone and our management. See "*Certain Relationships and Related Party Transactions.*"

The Company has not paid any dividends to its shareholders during the period under review.

Employee Benefit Plans

We maintain employee benefit plans for certain employees in our Bingo Division. Additionally, we have approved an Incentive Plan designed to retain strategic senior managers and optimize their results (the "*Plan de Incentivo Dinerario Plurianual 2019-2023*" or "*Multiyear Incentive Plan 2019-2023*"). We do not have any material pension commitments or other similar obligations.

Critical Accounting Policies

Our consolidated financial statements and the accompanying notes contain information that is pertinent to this discussion and analysis of our financial position and results of operations. The preparation of financial statements in conformity with IFRS requires our management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities. Estimates are evaluated based on available information and experience. Actual results could differ from these estimates under different assumptions or conditions. We believe that, in particular, the critical accounting policies and estimates discussed below involve significant management judgment due to the sensitivity of the methods and assumptions necessary in determining the related asset, liability, revenue and expense amounts. For a detailed description of our significant accounting policies, see note 2 to our special purpose consolidated financial statements as of and for the year ended December 31, 2018.

Allowance for doubtful accounts

We maintain an allowance for doubtful accounts related to our accounts, contracts and notes receivable that we have deemed to have a high risk of collectability. We analyze historical collection trends, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment patterns when evaluating the adequacy of our allowance for doubtful accounts. While we believe that our estimates for these matters are reliable and calculated with due care, if we changed our assumptions and estimates, our bad debt expense could change, which could impact our operating income.

Inventory

We regularly review inventory quantities on hand and record charges for excess and obsolete inventory, based primarily on our estimated forecast of product demand and production requirements. The determination of obsolete or excess inventory requires us to estimate the future demand for our slot machines and gaming kits within specific time horizons. If our demand forecast for specific products is greater than actual demand and we fail to reduce manufacturing output accordingly, we may need to record additional charges for inventory obsolescence, which would have a negative impact on our operating income.

Intangible assets

Our intangible assets include capitalized development costs, authorizations or licenses and installation rights.

We assign useful lives to our intangible assets based on the period of time that the assets are expected to contribute directly or indirectly to our future cash flows. We consider certain factors when assigning useful lives such as legal, regulatory and contractual provisions, as well as the effects of obsolescence, demand, competition and other economic factors. We are required to use judgment and make estimates to determine the useful lives of intangible assets. We amortize our intangible assets to reflect the pattern in which the economic benefits for the assets will be consumed based on projected revenues.

Impairment

Impairment of Non-Financial Assets

We assess for impairment at year end for all non-financial assets which carrying amount could be unrecoverable. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually, or when there is evidence of impairment.

We assess at each year end whether there is an indication that a non-current asset may be impaired. If any indication exists, and when an annual impairment test is required, we estimate the asset's recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use, and it is established for each separate asset, unless for assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and its carrying amount is reduced to the recoverable amount. To assess value in use, expected cash flows are discounted to their present value using risk free market rates, adjusted by the risks specific to the asset. Impairment losses from continuing activities are recognized in the consolidated statement of comprehensive income based on the nature of the impaired asset.

We assess at year end indicators of impairment losses previously recorded in order to verify whether they have disappeared or decreased. If there are indicators, we estimate a new recoverable amount. A previously recognized impairment loss is reversed only if the circumstances giving rise to it have disappeared, since the last loss for depreciation was recognized, except that goodwill impairment losses cannot be reversed in future periods. In this regard, the asset's carrying amount increases to their recoverable amount. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset.

The reversal is recognized in the consolidated statement of comprehensive income. Upon such reversal, the depreciation expense is adjusted in the following periods to amortize the asset's revised book value, net of its residual value, systematically over the asset's useful life.

Impairment of Financial Assets

We assess at year end if financial assets or group of financial assets are impaired. To assess the impairment of certain assets, the following criteria are applied:

- Assets measured at amortized cost.

  If there is objective evidence that there is an impairment loss of loans and other receivables recorded at amortized cost, the loss is measured as the difference between the net carrying amount and the present value of estimated cash flows, discounted at the current market rate upon initial recognition. The net carrying amount is reduced by an allowance, and the loss is recorded in the consolidated statement of comprehensive income.

  Impairment loss is reversed only if the circumstances giving rise to it have ceased to exist. Such reversal is limited to the carrying amount of the financial asset that would have been recognized on the reversal date had no impairment loss been recognized.

  In regard with trade and other receivables, when there is objective evidence of not collecting them, an allowance is made based on identified bad debts risk.

- Available-for-sale financial assets.

  If a financial asset available-for-sale is impaired, the difference between its cost (net of any repayment) and present fair value, less any previous impairment loss recognized in equity are taken

to the consolidated statement of comprehensive income. Reversals related to equity instruments classified as available-for-sale are not recognized in the consolidated statement of comprehensive income, but the associated increase in value is directly recorded in equity.

Business combinations and goodwill

For each business combination, we assess the fair value of assets, liabilities and acquired contingent liabilities, allocating the cost of the business combination to the identified elements. Likewise, goodwill arising from acquisitions is assigned to its corresponding cash-generating unit, based on expected synergies, for subsequent impairment tests.

Income taxes

For financial reporting, we use estimates and judgments to determine our current tax liability as well as taxes deferred until future periods. Deferred taxes account for temporary differences between taxable income and accounting income. Deferred tax assets and tax credits from tax loss carry forwards are recognized when it is probable that sufficient taxable profits exist to realize such tax asset. When we or a participating company recognize deferred tax assets, the estimated taxable profits that will be generated in future years are reviewed at year end in order to assess their recoverability, and any impairment loss is recognized accordingly.

Change in Accounting Policies

For information regarding recent and pending changes to accounting policies, see note 2.3 to our special purpose consolidated financial statements as of and for the year ended December 31, 2018.

Market Risks

We are primarily exposed to market risk from changes in interest rates and foreign currency exchange rates. We manage our exposure to these market risks through our regular operating and financing activities. Financial instruments that potentially subject us to credit risk consist of cash investments and trade receivables. We maintain cash and cash equivalents with financial institutions in Spain with high credit standards. Concentration of credit risks with respect to accounts receivable is limited, due to our large number of customers.

Interest Rate Risks

A substantial portion of our indebtedness is comprised of fixed rate debt securities. However, we are subject to interest rate risks related to our borrowings. Almost all of our bank borrowings are in euros with floating interest rates based on EURIBOR. We do not currently hedge our interest rate exposure and do not expect to do so in the future. See "*Description of Other Indebtedness.*"

Foreign Currency Risks

Following the completion of the Transactions, we expect that our principal exchange rate exposure will relate to the euro/U.S. dollar and to the euro/Colombian peso for translation-related exposure.

As described in "*Risk Factors—Risks Related to the Gaming Industry and Our Business—Our results of operations are impacted by fluctuations in foreign exchange currency rates,*" our foreign currency exchange rate exposure is partly mitigated due to the incurrence of most of our operating costs in countries such as Colombia in local currencies, and in Panama in the U.S. dollar. Likewise, we also explore opportunities to obtain local-currency denominated financings in certain of the countries that we operate, such as Colombia and Panama. See "*—Liquidity—External Sources of Liquidity.*"

DISCUSSION OF CERTAIN 2017, 2016 AND 2015 RESULTS OF OPERATIONS (EXCLUDING ARGENTINA)

You should read the following discussion together with the consolidated financial statements of the Company and Cirsa included elsewhere in this Offering Memorandum and with the sections entitled "Selected Consolidated Financial Information and Other Data", "Summary—Summary Consolidated Historical and Other Information," "Risk Factors," "Forward-Looking Statements," "Presentation of Financial Information" and "Operating and Financial Review and Prospects."

The following is a discussion of Cirsa's consolidated results of operations for the years ended December 31, 2017, 2016 and 2015 and excluding the impact of the Argentina Business, which are included for convenience only to enhance an investor's understanding of our historical operations excluding the impact of the Argentina Business.

In connection with the Original Acquisition, the Argentina Business was transferred from the Cirsa Group pursuant to the Argentina Business Transfer. Accordingly, the Company's audited special purpose consolidated financial statements as of and for the year ended December 31, 2018, included elsewhere in this Offering Memorandum, treat the results of the Argentina Business as a discontinued operation. On the other hand, Cirsa's audited financial statements as of and for the years ended December 31, 2016 and 2015 incorporate the results of the Argentina Business. We prepared certain special purpose consolidated income statements for the years ended December 31, 2016 and 2015 that exclude the impact of the Argentina Business. These special purpose consolidated income statements give effect to the Argentina Business Transfer as though it had occurred on January 1 of each period. The basis of preparation of the special purpose consolidated income statements is different to the basis of preparation of our audited consolidated income statements (which are prepared in accordance with IFRS). Accordingly, the financial information for the years ended December 31, 2016 and 2015 that are derived from the special purpose consolidated income statements and exclude the impact of the Argentina Business may not be comparable to the financial information for the years ended December 31, 2018 and 2017 that are derived from our audited special purpose consolidated financial statements for the year ended December 31, 2018 and exclude the impact of the Argentina Business.

In the discussion and analysis below, where we discuss the results of operations for the year ended December 31, 2017, we have derived the financial information for the year ended December 31, 2017 from the Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 (which treats the Argentina Business as a discontinued operation), and are included elsewhere in this Offering Memorandum. In the discussion and analysis below, where we discuss the results of operations for the years ended December 31, 2016 and 2015, we have derived the financial information from certain unaudited special purpose consolidated income statements, or financial information prepared in connection with these special purpose consolidated income statements, for the years ended December 31, 2016 and 2015 (which gives effect to the Argentina Business Transfer as though it had occurred on January 1 of each period), and are included elsewhere in this Offering Memorandum.

Results of Operations excluding Argentina

Year ended December 31, 2017 compared to the year ended December 31, 2016

The following table sets forth, by business division, the following financial information excluding Argentina for the years ended December 31, 2017 and 2016: operating revenues, net operating revenues, EBIT and EBITDA.

(in € millions)	For the year ended December 31, 2016 (unaudited)	2017 (restated)	Change
Operating Revenues excluding Argentina:			
Slots	892.5	929.2	36.7
Casinos	465.5	487.1	21.6
Bingo	215.7	230.2	14.5
B2B	82.3	93.9	11.6
Other[(1)]	(67.3)	(78.9)	(11.6)
Total	**1,588.6**	**1,661.6**	**72.8**

(in € millions)	For the year ended December 31, 2016 (unaudited)	2017 (restated)	Change
Net Operating Revenues excluding Argentina:			
Slots	644.9	673.1	28.2
Casinos	462.2	485.0	22.8
Bingo	208.3	222.4	14.1
B2B	82.3	93.9	11.6
Other[(1)]	(67.3)	(78.5)	(11.2)
Total	**1,330.4**	**1,395.9**	**65.5**

(in € millions)	For the year ended December 31, 2016 (unaudited)	2017 (restated)	Change
EBIT excluding Argentina:			
Slots	25.8	25.0	(0.8)
Casinos	97.7	111.9	14.2
Bingo	26.7	36.1	9.4
B2B	6.8	8.9	2.1
Other[(1)]	(14.7)	(10.4)	4.3
Total	**142.2**	**171.6**	**29.4**

(in € millions)	For the year ended December 31, 2016 (unaudited)	2017 (restated)	Change
EBITDA excluding Argentina:			
Slots	116.1	128.8	12.7
Casinos	175.6	181.5	5.9
Bingo	42.1	53.9	11.8
B2B	10.1	11.9	1.8
Other[(1)]	(21.8)	(25.2)	(3.4)
Total	**322.0**	**350.8**	**28.8**

(1) Other includes central corporate services and certain inter-segment consolidation adjustments.

Group Results of Operations excluding Argentina

Net Operating Revenues

Net operating revenues excluding Argentina increased by €65.5 million, or 4.9%, to €1,395.9 million for the year ended December 31, 2017 from €1,330.4 million for the year ended December 31, 2016. The increase in net operating revenues excluding Argentina was primarily due to increase in revenues from our Spanish businesses, Latin American operations and acquisitions.

EBIT

EBIT excluding Argentina increased by €29.4 million, or 20.7%, to €171.6 million for the year ended December 31, 2017 from €142.2 million for the year ended December 31, 2016. The increase in EBIT excluding Argentina was primarily due to the increase in EBIT from our casinos and bingo divisions.

EBITDA

EBITDA excluding Argentina increased by €28.8 million, or 8.9%, to €350.8 million for the year ended December 31, 2017 from €322.0 million for the year ended December 31, 2016. The increase in EBITDA excluding Argentina was primarily due to the performance of our operations in Latin America and the improvement in the operational efficiencies of the businesses in Spain. EBITDA excluding Argentina was negatively impacted by the depreciation of the Mexican peso and the U.S. dollar against the euro and increases in gaming taxes in Italy and Colombia.

Financial Results

Financial results excluding Argentina were negative €64.2 million for the year ended December 31, 2017 as compared to negative €81.0 million for the year ended December 31, 2016. Financial results excluding Argentina were positively impacted by the lower interest costs of senior notes issued in 2015 and 2016 (compared to the notes they replaced); the senior notes issued in April 2016 were used to refinance the 2018 notes that were in place prior to the financing.

Foreign Exchange Results

Foreign exchange results excluding Argentina were negative €1.3 million for the year ended December 31, 2017 as compared to negative €2.3 million for the year ended December 31, 2016. The difference was primarily due to the depreciation of the Mexican peso and US dollar against the euro.

Income Tax Expense

Income tax expense excluding Argentina decreased to €39.1 million for the year ended December 31, 2017 from €49.2 million for the year ended December 31, 2016. The difference was primarily due to the impact of higher pre-tax income in countries with higher tax rates.

Net Profit

As a result of the foregoing, net profit excluding Argentina, after minority interests, was €70.8 million for the year ended December 31, 2017 as compared to negative €4.8 million for the year ended December 31, 2016.

Results of Operations excluding Argentina by Division

Slots

(in € millions)	Excludes Argentina		
	For the year ended December 31,		
	2016 (unaudited)	2017 (restated)	Change
Operating Revenues	**892.5**	**929.2**	**36.7**
Variable rent	(247.6)	(256.1)	(8.5)
Net Operating Revenues	**644.9**	**673.1**	**28.2**
Consumption	(34.0)	(38.7)	(4.7)
Personnel expenses	(61.5)	(66.0)	(4.6)
Gaming taxes	(354.8)	(363.2)	(8.4)
External supplies and services	(78.6)	(76.4)	2.2
Depreciation, amortization and impairment	(90.3)	(103.7)	(13.4)
EBIT	**25.8**	**25.0**	**(0.7)**
EBITDA[(1)]	**116.1**	**128.8**	**12.7**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Operating Revenues excluding Argentina. Operating revenues excluding Argentina from our Slots Division principally represent revenues collected from our slot machines after prize payouts. Operating revenues excluding Argentina increased by 4.1% from €892.5 million in 2016 to €929.2 million in 2017.

Net Operating Revenues excluding Argentina. Net operating revenues excluding Argentina from our Slots Division represent operating revenues after variable rent payments made to site owners. Net operating revenues excluding Argentina increased by 4.4% from €644.9 million in 2016 to €673.1 million in 2017.

In Spain, net operating revenues excluding Argentina increased by 9.4% in 2017 as compared to 2016 mainly due to the addition and corresponding synergies of adding 1,483 slot machines to our Spanish operations. Average revenues per unit also increased in 2017 as compared to 2016, reflecting the strengthening of the ongoing recovery in 2017 of the Spanish slots business. From January 1, 2016, slot machine reporting in Spain changed with the effect that slot machines are reported in accordance with the number of gaming positions (i.e. some slot machines have more than one gaming position). We had 29,889 slot machines in operation in Spain as of December 31, 2017 compared to 28,402 slot machines as of December 31, 2016.

In Italy, net operating revenues excluding Argentina decreased by 0.1% in 2017 as compared to 2016. This decrease was primarily due to an increase, with effect from April 24, 2017, in AWP gaming taxes from 17.5% to 19.0% and VLT gaming taxes from 5.5% to 6.0%. As of December 31, 2017, in Italy we had 8,545 slot machines

as compared to 9,009 slot machines as of December 31, 2016, which reflects our continuing effort to optimize our slot machine portfolio by discontinuing underperforming slot machines. The number of installed VLTs was stable at 2,565 as of December 31, 2017 as compared to 2,578 at the end of 2016.

Costs and Expenses excluding Argentina. Costs and expenses excluding Argentina for our Slots Division principally include taxes on gaming activities, payments to sub-operators under participation agreements, personnel expenditures, depreciation, amortization and impairment expenses and external supplies and services expenses.

Overall costs and expenses excluding Argentina for our Slots Division increased by 4.7% to €648.0 million in 2017 as compared to €619.2 million in 2016. The key changes in the components of segment operating expenses excluding Argentina are as follows:

- *Gaming Taxes excluding Argentina.* Gaming taxes excluding Argentina, which in Spain are incurred annually based on a fixed amount for each machine but in Italy are incurred at a variable rate based on machine revenues, increased by 2.4% from €354.8 million in 2016 to €363.2 million in 2017. As a percentage of segment net operating revenues, gaming taxes decreased to 54.0% in 2017 from 55.0% in 2016. The decrease in gaming taxes as a percentage of segment net operating revenues was primarily due to the mix of higher Spanish revenues compared to Italian revenues. In 2017, with effect from April 24, 2017, the Italian turnover (PREU) tax rate on slot machines increased to 19.0% from 17.5% and the tax rate of VLTs increased to 6.0% from 5.5%. In addition, approximately €5.8 million of gaming taxes were recorded in 2016 related to a levy on gaming machines in Italy introduced by the 2015 Italian Budget Law (which was repealed in 2016). See "*Regulation—Italy—2015 Italian Budget Law and 2016 Italian Stability Law*."

- *Personnel Expenses excluding Argentina.* Personnel expenses excluding Argentina include wages and salaries for commercial, collection and technical support employees. This expense category increased by 7.4% to €66.0 million in 2017 from €61.5 million in 2016.

- *Consumption Costs excluding Argentina.* Consumption costs excluding Argentina are primarily comprised of payments to sub-operators. This expense category increased by 13.8% from €34.0 million in 2016 to €38.7 million in 2017.

- *External Supplies and Services excluding Argentina.* External supplies and services excluding Argentina decreased by 2.8% from €78.6 million in 2016 to €76.4 million in 2017.

- *Depreciation, Amortization and Impairment excluding Argentina.* Depreciation, amortization and impairment expenses excluding Argentina increased by 14.8% from €90.3 million in 2016 to €103.7 million in 2017. In 2017, we recorded a €5.0 million impairment charge with respect to Italian slot operations, as compared to an charge of €2.5 million in 2016.

EBIT excluding Argentina. EBIT excluding Argentina for our Slots Division decreased slightly from €25.8 million in 2016 to €25.0 million in 2017.

EBITDA excluding Argentina. EBITDA excluding Argentina for our Slots Division increased by 10.9% from €116.1 million in 2016 to €128.8 million in 2017. EBITDA margin (EBITDA as a percentage of segment net operating revenue) increased to 19.1% in 2017 as compared to 18.0% in 2016.

In Spain, EBITDA excluding Argentina increased by 11.8% to €107.8 million in 2017 from €96.4 million in 2016. The increase in EBITDA excluding Argentina was primarily due to the addition, and corresponding synergies, of 1,483 slots to our slot business and improvements in operational efficiencies.

EBITDA excluding Argentina for our Italian business increased by 6.6% to €21.0 million in 2017 as compared to €19.7 million in 2016. Higher AWP slots and VLT gaming taxes negatively impacted EBITDA for our Italian business.

Casinos

(in € millions)	Excludes Argentina		
	For the year ended December 31,		
	2016 (unaudited)	2017 (restated)	Change
Operating Revenues	**465.5**	**487.1**	**21.6**
Variable rent	(3.3)	(2.1)	1.2
Net Operating Revenues	**462.2**	**485.0**	**22.8**
Consumption	(7.2)	(8.1)	(0.9)
Personnel expenses	(80.8)	(85.3)	(4.5)
Gaming taxes	(72.5)	(75.4)	(2.9)
External supplies and services	(126.3)	(134.7)	(8.4)
Depreciation, amortization and impairment	(77.8)	(69.6)	8.2
EBIT	**97.7**	**111.9**	**14.2**
EBITDA[(1)]	**175.6**	**181.5**	**5.9**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Operating Revenues excluding Argentina. Operating revenues excluding Argentina from our casinos primarily comprise revenues from gaming tables and slot machines located at our casinos. We also generate revenues from restaurant services, admission ticket sales and tips and from bingo operations located at some of our electronic casinos in Latin America. Operating revenues excluding Argentina from our casinos increased by €21.6 million, or 4.6%, to €487.1 million for the year ended December 31, 2017 from €465.5 million for the year ended December 31, 2016. The increase in operating revenues excluding Argentina was primarily due to the strong performance of our casinos and the contribution from our newly-acquired casinos in Peru.

Net Operating Revenues excluding Argentina. Net operating revenues excluding Argentina from our Casinos Division represent operating revenues excluding Argentina after variable rent payments. Net operating revenues excluding Argentina increased by €22.8 million, or 4.9%, from €462.2 million in 2016 to €485.0 million in 2017. The increase in net operating revenues excluding Argentina was primarily due to the strong performance of our casinos and the contribution from our newly-acquired casinos in Peru.

Costs and Expenses excluding Argentina. Costs and expenses excluding Argentina from our casinos principally include personnel expenditures, depreciation, amortization and impairment expenses, taxes on gaming and other operating expenses.

Costs and expenses excluding Argentina from our casinos increased by €8.5 million, or 2.3%, to €373.1 million for the year ended December 31, 2017 from €364.6 million for the year ended December 31, 2016. The key changes in the components of segment operating expenses are as follows:

- *External Supplies and Services excluding Argentina.* External supplies and services expenses excluding Argentina for our Casinos Division include costs such as security, travel, professional services, sales and marketing, and lease costs for our casinos. This expense category increased by €8.4 million, or 6.7%, to €134.7 million for the year ended December 31, 2017 from €126.3 million for the year ended December 31, 2016. As a percentage of segment net operating revenues excluding Argentina, external

supplies and services excluding Argentina increased to 27.8% for the year ended December 31, 2017 from 27.3% for the year ended December 31, 2016.

- *Gaming Taxes excluding Argentina.* Gaming taxes excluding Argentina increased by €2.9 million, or 4.0%, to €75.4 million for the year ended December 31, 2017 from €72.5 million for the year ended December 31, 2016. As a percentage of segment net operating revenues excluding Argentina, gaming taxes excluding Argentina decreased to 15.5% for the year ended December 31, 2017 from 15.7% for the year ended December 31, 2016. The increase in gaming taxes excluding Argentina was primarily due to higher taxes in Colombia.

- *Personnel Expenses excluding Argentina.* Personnel expenses excluding Argentina increased by €4.5 million, or 5.6%, to €85.3 million for the year ended December 31, 2017 from €80.8 million for the year ended December 31, 2016. As a percentage of segment net operating revenues excluding Argentina, personnel expenses excluding Argentina increased to 17.6% for the year ended December 31, 2017 from 17.5% for the year ended December 31, 2016.

- *Depreciation, Amortization and Impairment excluding Argentina.* Depreciation, amortization and impairment expenses excluding Argentina decreased by €8.2 million, or 10.5%, to €69.6 million for the year ended December 31, 2017 from €77.8 million for the year ended December 31, 2016. As a percentage of segment net operating revenues excluding Argentina, depreciation, amortization and impairment expenses excluding Argentina decreased to 14.4% for the year ended December 31, 2017 from 16.8% for the year ended December 31, 2016.

- *Consumption Costs excluding Argentina.* Consumption costs excluding Argentina principally include ordinary course costs such as playing cards and chips and food and beverage expenses. Consumption costs excluding Argentina increased by €0.9 million, or 12.5%, to €8.1 million for the year ended December 31, 2017 from €7.2 million for the year ended December 31, 2016. As a percentage of segment net operating revenues excluding Argentina, consumption costs excluding Argentina increased to 1.7% for the year ended December 31, 2017 from 1.6% for the year ended December 31, 2016.

EBIT excluding Argentina. EBIT excluding Argentina from our Casinos Division increased by €14.2 million, or 14.5%, to €111.9 million for the year ended December 31, 2017 from €97.7 million for the year ended December 31, 2016. EBIT margin excluding Argentina (EBIT excluding Argentina as a percentage of segment net operating revenues excluding Argentina) increased to 23.1% for the year ended December 31, 2017 from 21.1% for the year ended December 31, 2016.

EBITDA excluding Argentina. EBITDA excluding Argentina for our Casinos Division increased by €5.9 million, or 3.4%, to €181.5 million for the year ended December 31, 2017 from €175.6 million for the year ended December 31, 2016. The increase in EBITDA excluding Argentina was primarily due to the strong performance of our casinos, the contribution from our newly-acquired casinos in Peru and the implementation of mitigation and cost reduction initiatives and was partly offset by the depreciation of the U.S. dollar against the euro and higher gaming taxes in Colombia. EBITDA margin excluding Argentina (EBITDA excluding Argentina as a percentage of segment net operating revenues excluding Argentina) decreased to 37.4% for the year ended December 31, 2017 from 38.0% for the year ended December 31, 2016.

Bingo

(in € millions)	Excludes Argentina		
	For the year ended December 31,		
	2016	2017	Change
	(unaudited)	(restated)	
Operating Revenues	**215.7**	**230.2**	**14.6**
Variable rent	(7.3)	(7.9)	(0.6)
Net Operating Revenues	**208.3**	**222.4**	**14.0**
Consumption	(10.0)	(10.7)	(0.7)
Personnel expenses	(40.9)	(43.7)	(2.8)
Gaming taxes	(58.1)	(53.3)	4.8
External supplies and services	(57.3)	(60.8)	(3.5)
Depreciation, amortization and impairment	(15.4)	(17.8)	(2.4)
EBIT	**26.7**	**36.1**	**9.4**
EBITDA[(1)]	**42.1**	**53.9**	**11.8**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Operating Revenues excluding Argentina. Operating revenues excluding Argentina from our Bingo Division include revenues from sales of traditional bingo cards, net of prize payouts, and revenues from electronic bingo and roulette games and slot machines located in our bingo halls. Operating revenues excluding Argentina also include revenues from the Bingo Division's 20 halls in Mexico, which have a broad entertainment offer, including casino-style slot machines.

The following table sets forth the number of bingo halls operated by our Bingo Division as of December 31, 2017 and 2016:

As of December 31,	2016	2017
Spain	38	37
Mexico	18	20
Italy	11	12
Total	**67**	**69**

Operating revenues excluding Argentina from our Bingo Division increased by 6.8% from €215.7 million in 2016 to €230.2 million in 2017.

Net Operating Revenues excluding Argentina. Net operating revenues excluding Argentina from our Bingo Division represent operating revenues excluding Argentina after variable rent. Net operating revenues excluding Argentina increased by 6.7% to €222.4 million in 2017 as compared to €208.3 million for the year ended December 31, 2016. Revenues for our Spanish bingo business were positively impacted by an increased number of visits and higher customer expenditures per visit, in part as a result of sales and marketing initiatives intended to attract more customers to our bingo halls, such as advanced retention and loyalty programs. We closed one underperforming hall in Spain in 2017, sold one other hall and acquired one hall.

Net operating revenues excluding Argentina from our bingo halls in Mexico increased by 14.7% to €93.7 million in 2017 compared to €81.7 million in 2016. Revenues were positively impacted by the strong performance of our halls, marketing productivity programs and the contribution from two newly acquired halls in 2017, but adversely impacted by the depreciation of the Mexican peso against the euro.

Costs and Expenses excluding Argentina. Costs and expenses excluding Argentina from our bingo operations principally include personnel expenditures, depreciation, amortization and impairment expenses, taxes on gaming and other operating expenses.

Costs and expenses excluding Argentina for the Bingo Division increased by 2.5% from €181.7 million in 2016 to €186.3 million in 2017. The key changes in the components of segment operating expenses excluding Argentina are as follows:

- *Gaming Taxes excluding Argentina.* Gaming taxes excluding Argentina decreased by 8.2% to €53.3 million in 2017 from €58.1 million in 2016.

- *Personnel Expenses excluding Argentina.* Personnel expenses excluding Argentina are primarily comprised of the wages and salaries and employee benefits of our bingo hall staffs. Personnel expenses excluding Argentina increased by 6.8% from €40.9 million in 2016 to €43.7 million in 2017. As a percentage of segment net operating revenues excluding Argentina, personnel expenses excluding Argentina remained constant at 19.6% in 2016 and 2017.

- *Consumption Costs excluding Argentina.* Consumption costs excluding Argentina for our Bingo Division primarily relate to the ordinary course materials required to operate bingo halls, such as food and beverages and bingo supplies. Consumption costs excluding Argentina increased by 7.2% from €10.0 million in 2016 to €10.7 million in 2017.

- *Depreciation, Amortization and Impairment Expenses excluding Argentina.* Depreciation, amortization and impairment expenses excluding Argentina increased from €15.4 million in 2016 to €17.8 million in 2017.

- *External Supplies and Services excluding Argentina.* External supplies and services expenses excluding Argentina increased by 6.1% to €60.8 million in 2017 from €57.3 million in 2016.

EBIT excluding Argentina. EBIT excluding Argentina from our Bingo Division increased from €26.7 million in 2016 to €36.1 million in 2017.

EBITDA excluding Argentina. EBITDA excluding Argentina for our Bingo Division improved by 28.0% to €53.9 million in 2017 from €42.1 million in 2016. EBITDA margin excluding Argentina (EBITDA excluding Argentina as a percentage of net operating revenues excluding Argentina) increased to 24.2% in 2017 from 20.2% in 2016. The improvement in EBITDA excluding Argentina and EBITDA margin excluding Argentina is largely due to the continued positive trend of the performance of our Spanish business, which started in 2015, and the strong performance of our Mexican business.

Our Mexican business contributed EBITDA excluding Argentina of €32.6 million for the year ended December 31, 2017 as compared to €26.8 million for the year ended December 31, 2016. The increase in EBITDA excluding Argentina was primarily due to the strong performance of our halls, marketing productivity programs and the contribution from two newly acquired halls in January 2017 and June 2017. This improvement was partly offset by the impact of the depreciation of the Mexican peso against the euro.

B2B

(in € millions)	Excludes Argentina		
	For the year ended December 31,		
	2016	2017	Change
	(unaudited)	(restated)	
Net Operating Revenues	**82.3**	**93.9**	**11.6**
Consumption	(41.3)	(49.1)	(7.8)
Personnel expenses	(17.8)	(18.3)	(0.5)
Gaming taxes	(0.2)	(0.2)	—
External supplies and services	(13.0)	(14.4)	(1.4)
Depreciation, amortization and impairment	(3.2)	(3.0)	0.2
EBIT	**6.8**	**8.9**	**2.1**
EBITDA[(1)]	**10.1**	**11.9**	**1.8**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Net Operating Revenues excluding Argentina. Net operating revenues excluding Argentina of our B2B Division include revenues from sales of our slot machines and gaming kits and sales of slot machines produced by third parties by our distribution companies. Also included are revenues generated from supporting the Slots Division in Italy and interlinked bingo games in Madrid, Andalusia and Catalonia. Net operating revenues excluding Argentina from our B2B Division increased by €11.6 million, or 14.1%, to €93.9 million in 2017 from €82.3 million in 2016. The increase in net operating revenues excluding Argentina was primarily due to the good performance of our top slot machine models and the increased sales of our gaming system solutions.

Costs and Expenses excluding Argentina. Costs and expenses excluding Argentina from our B2B Division are comprised principally of cost of components, direct labor costs, sub-contracting costs, personnel expenditures, depreciation, amortization and impairment expenses and other expenditures such as research and development costs (to the extent not capitalized) and marketing costs.

Costs and expenses excluding Argentina for our B2B Division increased by €9.5 million, or 12.6%, to €85.0 million for the year ended December 31, 2017 from €75.5 million for the year ended December 31, 2016.

The key changes in the components of segment operating expenses excluding Argentina are as follows:

- *Consumption Costs excluding Argentina.* Consumption costs excluding Argentina primarily are comprised of purchases of semi-finished and finished components. Consumption costs excluding Argentina increased by €7.8 million, or 18.9%, to €49.1 million for the year ended December 31, 2017 from €41.3 million for the year ended December 31, 2016. The increase in consumption costs excluding Argentina was primarily due to higher sales of gaming kits, which have proportionally higher consumption costs as compared to slot machine cabinets.

- *External Supplies and Services excluding Argentina.* External supplies and services expenses increased by €1.4 million, or 10.8%, to €14.4 million for the year ended December 31, 2017 from €13.0 million for the year ended December 31, 2016.

- *Personnel Expenses excluding Argentina.* Personnel expenses excluding Argentina increased by €0.5 million, or 2.8%, to €18.3 million for the year ended December 31, 2017 from €17.8 million for the year ended December 31, 2016.

- *Depreciation, Amortization and Impairment Expenses excluding Argentina.* For our B2B Division, this expense category includes depreciation, amortization and impairment expenses excluding Argentina and variation in operating provisions excluding Argentina. Depreciation, amortization and impairment expenses excluding Argentina decreased by €0.2 million, or 6.3%, to €3.0 million for the year ended December 31, 2017 from €3.2 million for the year ended December 31, 2016.

EBIT excluding Argentina. EBIT excluding Argentina for our B2B Division increased by €2.1 million, or 30.9%, to €8.9 million for the year ended December 31, 2017 from €6.8 million for the year ended December 31, 2016.

EBITDA excluding Argentina. EBITDA excluding Argentina for our B2B Division increased by €1.8 million, or 17.8%, to €11.9 million for the year ended December 31, 2017 from €10.1 million for the year ended December 31, 2016. The increase in EBITDA excluding Argentina was primarily due to the highly competitive market and the mix of sales of refurbished game kits and new slot machines. EBITDA margin excluding Argentina (EBITDA excluding Argentina as a percentage of segment net operating revenues excluding Argentina) increased to 12.7% for the year ended December 31, 2017 from 12.3% for the year ended December 31, 2016.

Year ended December 31, 2016 compared to the year ended December 31, 2015

The following table sets forth, by business division, the following financial information excluding Argentina for the years ended December 31, 2016 and 2015: operating revenues, net operating revenues, EBIT and EBITDA.

(in € millions)	For the year ended December 31,		
	2015	2016	Change
	(unaudited)		
Operating Revenues excluding Argentina:			
Slots	837.8	892.5	54.7
Casinos	446.9	465.5	18.6
Bingo	203.1	215.7	12.6
B2B	80.4	82.3	1.9
Other[(1)]	(61.4)	(67.3)	(5.9)
Total	**1,506.7**	**1,588.6**	**81.9**

(in € millions)	For the year ended December 31,		
	2015	2016	Change
	(unaudited)		
Net Operating Revenues excluding Argentina:			
Slots	596.4	644.9	48.5
Casinos	443.5	462.2	18.7
Bingo	194.0	208.3	14.3
B2B	80.4	82.3	1.9
Other[(1)]	(61.4)	(67.3)	(5.9)
Total	**1,252.9**	**1,330.4**	**77.5**

(in € millions)	For the year ended December 31,		
	2015	2016	Change
	(unaudited)		
EBIT excluding Argentina:			
Slots	1.8	25.8	24.0
Casinos	105.2	97.7	(7.5)
Bingo	7.8	26.7	18.9
B2B	6.7	6.8	0.1
Other[(1)]	(15.2)	(14.7)	0.5
Total	**106.4**	**142.2**	**35.8**

(in € millions)	For the year ended December 31,		
	2015	2016	Change
	(unaudited)		
EBITDA excluding Argentina:			
Slots	101.7	116.1	14.4
Casinos	164.0	175.6	11.6
Bingo	28.7	42.1	13.4
B2B	10.3	10.1	(0.2)
Other[(1)]	(22.1)	(21.8)	0.3
Total	**282.7**	**322.0**	**39.3**

(1) Other includes central corporate services and certain inter-segment consolidation adjustments.

Group Results of Operations excluding Argentina

Net Operating Revenues

Net operating revenues excluding Argentina increased by €77.5 million, or 6.2%, to €1,330.4 million for the year ended December 31, 2016 from €1,252.9 million for the year ended December 31, 2015. The increase in net operating revenues excluding Argentina was primarily due to the growth in revenues from our Spanish and Italian slots businesses and Spanish bingo business. Net operating revenues excluding Argentina were adversely impacted by the depreciation of the Colombian and Mexican peso against the euro during 2016.

EBIT

EBIT excluding Argentina increased by €35.8 million, or 33.6%, to €142.2 million for the year ended December 31, 2016 from €106.4 million for the year ended December 31, 2015. The increase in EBIT excluding Argentina was primarily due to lower EBIT from our Casinos Division, which was partly offset by the increase in EBIT from our Slots and Bingo Divisions.

EBITDA

EBITDA excluding Argentina increased by €39.3 million, or 13.9%, to €322.0 million for the year ended December 31, 2016 from €282.7 million for the year ended December 31, 2015. The increase in EBITDA excluding Argentina was primarily due to the performance of our casinos in Latin America and the improvement in the operational efficiencies of the businesses in Spain. EBITDA excluding Argentina was negatively impacted by the depreciation of the Colombian and Mexican peso against the euro.

Financial Results

Financial results excluding Argentina were negative €81.0 million for the year ended December 31, 2016 as compared to negative €98.7 million for the year ended December 31, 2015. Financial results excluding Argentina were positively impacted by the lower interest costs of the senior notes issued in 2015 and 2016, which were issued to refinance the 2018 notes.

Foreign Exchange Results

Foreign exchange results excluding Argentina were negative €2.3 million for the year ended December 31, 2016 as compared to negative €1.4 million for the year ended December 31, 2015. The difference was primarily due to the depreciation of the Colombian and Mexican peso against the euro.

Income Tax Expense

Income tax expense excluding Argentina increased to €49.2 million for the year ended December 31, 2016 from €27.0 million for the year ended December 31, 2015. The difference was primarily due to the impact of the higher corporate tax rates in Colombia.

Net Profit

As a result of the foregoing, net profit excluding Argentina, after minority interests, was negative €4.8 million in 2016 as compared to negative €47.9 million in 2015.

Results of Operations excluding Argentina by Division

Slots

	Excludes Argentina		
	For the year ended December 31,		
(in € millions)	**2015**	**2016**	**Change**
	(unaudited)		
Operating Revenues	**837.8**	**892.5**	**54.7**
Variable rent	(241.5)	(247.6)	(6.1)
Net Operating Revenues	**596.4**	**644.9**	**48.5**
Consumption	(34.9)	(34.0)	0.9
Personnel expenses	(57.2)	(61.5)	(4.3)
Gaming taxes	(329.0)	(354.8)	(25.8)
External supplies and services	(73.5)	(78.6)	(5.1)
Depreciation, amortization and impairment	(99.9)	(90.3)	9.6
EBIT	**1.8**	**25.8**	**24.0**
EBITDA[(1)]	**101.7**	**116.1**	**14.4**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Operating Revenues excluding Argentina. Operating revenues excluding Argentina from our Slots Division principally represent revenues collected from our slot machines after prize payouts. Operating revenues excluding Argentina increased by 6.5% from €837.8 million in 2015 to €892.5 million in 2016.

Net Operating Revenues excluding Argentina. Net operating revenues excluding Argentina from our Slots Division represent operating revenues excluding Argentina after variable rent payments made to site owners. Net operating revenues excluding Argentina increased by 8.1% from €596.4 million in 2015 to €644.9 million in 2016.

In Spain, net operating revenues excluding Argentina increased by 11.3% in 2016 as compared to 2015 despite maintaining approximately the same level of slot machines during 2015. Average revenues per unit also increased in 2016 as compared to 2015, reflecting the strengthening of the ongoing recovery in 2016 of the Spanish slots business. From January 1, 2016, slot machine reporting in Spain changed with the effect that slot machines are reported in accordance with the number of gaming positions (i.e. some slot machines have more than one gaming position). We had 28,402 slot machines in operation in Spain as of December 31, 2016 compared to 28,082 (as adjusted for new reporting method) slot machines as of December 31, 2015.

In Italy, net operating revenues excluding Argentina increased by 5.4% in 2016 as compared to 2015. The increase in net operating revenues excluding Argentina was primarily due to high average revenues per visit. As of December 31, 2016, in Italy we had 9,009 slot machines as compared to 10,691 slot machines as of December 31, 2015, mainly due to our continuing effort to optimize our slot machine portfolio by discontinuing underperforming slot machines and the sale of our 50% interest in a joint venture that operates 1,500 slot machines. The number of installed VLTs was stable at 2,578 as of December 31, 2016 as compared to 2,558 as of December 31, 2015.

Costs and Expenses excluding Argentina. Costs and expenses excluding Argentina for our Slots Division principally include taxes on gaming activities, payments to sub-operators under participation agreements, personnel expenditures, depreciation, amortization and impairment expenses and external supplies and services expenses.

Overall costs and expenses excluding Argentina for our Slots Division increased by 4.1% to €619.2 million in 2016 as compared to €594.6 million in 2015. The key changes in the components of segment operating expenses excluding Argentina are as follows:

- *Gaming Taxes excluding Argentina.* Gaming taxes excluding Argentina, which in Spain are incurred annually based on a fixed amount for each machine but in Italy are incurred at a variable rate based on machine revenues, increased by 7.8% from €329.0 million in 2015 to €354.8 million in 2016. The decrease in gaming taxes excluding Argentina as a percentage of segment net operating revenues was primarily due to the mix of higher Spanish revenues compared to Italian revenues. As a percentage of segment net operating revenues excluding Argentina, gaming taxes excluding Argentina decreased to 55.0% for the year ended December 31, 2016 from 55.2% for the year ended December 31, 2015.

- *Personnel Expenses excluding Argentina.* Personnel expenses excluding Argentina include wages and salaries for commercial, collection and technical support employees. This expense category increased by 7.4% to €61.5 million in 2016 from €57.2 million in 2015.

- *Consumption excluding Argentina.* Consumption costs excluding Argentina are primarily comprised of payments to sub-operators. This expense category decreased by 2.6% from €34.9 million in 2015 to €34.0 million in 2016.

- *External Supplies and Services excluding Argentina.* External supplies and services excluding Argentina increased by 6.9% from €73.5 million in 2015 to €78.6 million in 2016.

- *Depreciation, Amortization and Impairment excluding Argentina.* Depreciation, amortization and impairment expenses excluding Argentina decreased by 9.6% from €99.9 million in 2015 to €90.3 million in 2016. The decrease was primarily attributable to the €18.1 million impairment charge recorded in 2015. In 2016, we recorded a €2.5 million impairment charge with respect to Italian slot operations.

EBIT excluding Argentina. EBIT excluding Argentina for our Slots Division increased from €1.8 million in 2015 to €25.8 million in 2016.

EBITDA excluding Argentina. EBITDA excluding Argentina for our Slots Division increased by 14.1% from €101.7 million in 2015 to €116.1 million in 2016. EBITDA margin excluding Argentina (EBITDA excluding Argentina as a percentage of segment net operating revenues excluding Argentina) increased to 18.0% in 2016 as compared to 17.1% in 2015. In Spain, EBITDA excluding Argentina increased by 21.1% to €96.4 million in 2016 from €79.6 million in 2015. This increase was due to the improvement in the performance of the existing slot business and improvements in operational efficiencies.

EBITDA excluding Argentina for our Italian business decreased by 10.9% to €19.7 million in 2016 as compared to €22.1 million in 2015. Higher gaming taxes impacted EBITDA excluding Argentina for our Italian business through a combination of increased gaming turnover (PREU) tax resulting from our 5.4% increase in Italian slots revenues in 2016 as well as approximately €8.0 million of one-off assessed levies resulting from the 2015 Italian Budget Law. See "*Regulation—Italy—2015 Italian Budget Law and 2016 Italian Stability Law.*"

Casinos

	Excludes Argentina		
	For the year ended December 31,		
(in € millions)	**2015**	**2016**	**Change**
	(unaudited)		
Operating Revenues	**446.9**	**465.5**	**18.6**
Variable rent	(3.4)	(3.3)	0.1
Net Operating Revenues	**443.5**	**462.2**	**18.7**
Consumption	(6.0)	(7.2)	(1.2)
Personnel expenses	(76.0)	(80.8)	(4.8)
Gaming taxes	(73.7)	(72.5)	1.2
External supplies and services	(123.7)	(126.3)	(2.6)
Depreciation, amortization and impairment	(58.8)	(77.8)	(19.0)
EBIT	**105.2**	**97.7**	**(7.5)**
EBITDA[(1)]	**164.0**	**175.6**	**11.6**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Operating Revenues excluding Argentina. Operating revenues excluding Argentina from our casinos primarily comprise revenues from gaming tables and slot machines located at our casinos. We also generate revenues from restaurant services, admission ticket sales and tips and from bingo operations located at some of our electronic casinos in Latin America. Operating revenues excluding Argentina from our casinos increased by €18.6 million, or 4.2%, to €465.5 million for the year ended December 31, 2016 from €446.9 million for the year ended December 31, 2015.

Net Operating Revenues excluding Argentina. Net operating revenues excluding Argentina from our Casinos Division represent operating revenues excluding Argentina after variable rent payments. Net operating revenues excluding Argentina increased by €18.7 million, or 4.2%, to €462.2 million for the year ended December 31, 2016 from €443.5 million for the year ended December 31, 2015. The increase in net operating revenues excluding Argentina was primarily due to the steady growth in Latin American markets. The increase was partly offset by the depreciation of the Colombian peso against the euro during 2016.

Costs and Expenses excluding Argentina. Costs and expenses excluding Argentina from our casinos principally include personnel expenditures, depreciation, amortization and impairment expenses, taxes on gaming and other operating expenses.

Costs and expenses excluding Argentina from our casinos increased by €26.4 million, or 7.8%, to €364.6 million for the year ended December 31, 2016 from €338.2 million for the year ended December 31, 2015. The key changes in the components of segment operating expenses are as follows:

- *External Supplies and Services excluding Argentina.* External supplies and services expenses excluding Argentina for our Casinos Division include costs such as security, travel, professional services, sales and marketing, and lease costs for our casinos. This expense category increased by €2.6 million, or 2.1%, to €126.3 million for the year ended December 31, 2015 from €123.7 million for the year ended December 31, 2015. As a percentage of segment net operating revenues excluding Argentina, external supplies and services excluding Argentina decreased to 27.3% for the year ended December 31, 2016 from 27.9% for the year ended December 31, 2015.

- *Gaming Taxes excluding Argentina.* Gaming taxes excluding Argentina decreased by €1.2 million, or 1.6%, to €72.5 million for the year ended December 31, 2016 from €73.7 million for the year ended December 31, 2015. As a percentage of segment net operating revenues excluding Argentina, gaming taxes decreased to 15.7% for the year ended December 31, 2016 from 16.6% for the year ended December 31, 2015. The decrease in gaming taxes excluding Argentina was primarily due to the effects of the depreciation of Colombian peso against the euro.

- *Personnel Expenses excluding Argentina.* Personnel expenses excluding Argentina increased by €4.8 million, or 6.3%, to €80.8 million for the year ended December 31, 2016 from €76.0 million for the year ended December 31, 2015. As a percentage of segment net operating revenues excluding Argentina, personnel expenses excluding Argentina increased to 17.5% for the year ended December 31, 2016 from 17.1% for the year ended December 31, 2015.

- *Depreciation, Amortization and Impairment excluding Argentina.* Depreciation, amortization and impairment expenses excluding Argentina increased by €19.0 million, or 32.3%, to €77.8 million for the year ended December 31, 2016 from €58.8 million for the year ended December 31, 2015. As a percentage of segment net operating revenues excluding Argentina, depreciation, amortization and impairment expenses excluding Argentina increased to 16.8% for the year ended December 31, 2016 from 13.3% for the year ended December 31, 2015. The increase in depreciation, amortization and impairment expenses excluding Argentina was primarily due to an impairment write-off of our business in Peru.

- *Consumption excluding Argentina.* Consumption costs excluding Argentina principally include ordinary course costs such as playing cards and chips and food and beverage expenses. Consumption costs excluding Argentina increased by €1.2 million, or 20.0%, to €7.2 million for the year ended December 31, 2016 from €6.0 million for the year ended December 31, 2015. As a percentage of segment net operating revenues excluding Argentina, consumption costs excluding Argentina increased to 1.6% for the year ended December 31, 2016 from 1.4% for the year ended December 31, 2015.

EBIT excluding Argentina. EBIT excluding Argentina from our Casinos Division decreased by €7.5 million, or 7.1%, to €97.7 million for the year ended December 31, 2016 from €105.2 million for the year ended December 31, 2015. EBIT margin excluding Argentina (EBIT as a percentage of segment net operating revenues) decreased to 21.1% for the year ended December 31, 2016 from 23.7% for the year ended December 31, 2015.

EBITDA excluding Argentina. EBITDA excluding Argentina for our Casinos Division increased by €11.6 million, or 7.1%, to €175.6 million for the year ended December 31, 2016 from €164.0 million for the year

ended December 31, 2015. The increase in EBITDA excluding Argentina was primarily due to organic growth across our Spanish and Latin American markets, which was partly offset by the depreciation of the Colombian peso against the euro. EBITDA margin excluding Argentina (EBITDA excluding Argentina as a percentage of segment net operating revenues excluding Argentina) increased to 38.0% for the year ended December 31, 2016 from 37.0% for the year ended December 31, 2015.

Bingo

	Excludes Argentina		
	For the year ended December 31,		
(in € millions)	**2015**	**2016**	**Change**
	(unaudited)		
Operating Revenues	**203.1**	**215.7**	**12.6**
Variable rent	(9.1)	(7.3)	1.8
Net Operating Revenues	**194.0**	**208.3**	**14.3**
Consumption	(9.4)	(10.0)	(0.6)
Personnel expenses	(39.4)	(40.9)	(1.5)
Gaming taxes	(57.8)	(58.1)	(0.3)
External supplies and services	(58.7)	(57.3)	1.4
Depreciation, amortization and impairment	(20.9)	(15.4)	5.5
EBIT	**7.8**	**26.7**	**18.9**
EBITDA[(1)]	**28.7**	**42.1**	**13.4**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Operating Revenues excluding Argentina. Operating revenues excluding Argentina from our Bingo Division include revenues from sales of traditional bingo cards, net of prize payouts, and revenues from electronic bingo and roulette games and slot machines located in our bingo halls. Operating revenues excluding Argentina also include revenues from the Bingo Division's 20 halls in Mexico, which have a broad entertainment offer, including casino-style slot machines.

The following table sets forth the number of bingo halls operated by our Bingo Division as of December 31, 2016 and 2015:

As of December 31,	**2015**	**2016**
Spain	39	38
Mexico	19	18
Italy	12	11
Total	**70**	**67**

Operating revenues excluding Argentina from our Bingo Division increased by 6.2% from €203.1 million in 2015 to €215.7 million in 2016.

Net Operating Revenues excluding Argentina. Net operating revenues excluding Argentina from our Bingo Division represent operating revenues excluding Argentina after variable rent. Net operating revenues excluding Argentina increased by 7.4% to €208.3 million in 2016 as compared to €194.0 million in 2015. The increase in net operating revenues excluding Argentina was primarily due to revenues for our Spanish bingo business, which were positively impacted by an increased number of visits and higher customer expenditures per visit, in part as a result of sales and marketing initiatives intended to attract more customers to our bingo halls.

Net operating revenues excluding Argentina from our bingo halls in Mexico decreased by 5.6% to €81.7 million in 2016 compared to €86.5 million in 2015. The decrease in net operating revenues excluding Argentina was primarily due to the depreciation of the Mexican peso against the euro.

Costs and Expenses excluding Argentina. Costs and expenses excluding Argentina from our bingo operations principally include personnel expenditures, depreciation, amortization and impairment expenses, taxes on gaming and other operating expenses.

Costs and expenses excluding Argentina for the Bingo Division decreased by 2.4% from €186.2 million in 2015 to €181.7 million in 2016. The key changes in the components of segment operating expenses excluding Argentina are as follows:

- *Gaming Taxes excluding Argentina.* Gaming taxes excluding Argentina increased by 0.4% to €58.1 million in 2016 from €57.8 million in 2015.

- *Personnel Expenses excluding Argentina.* Personnel expenses excluding Argentina are primarily comprised of the wages and salaries and employee benefits of our bingo hall staffs. Personnel expenses excluding Argentina increased by 3.8% from €39.4 million in 2015 to €40.9 million in 2016. As a percentage of segment net operating revenues excluding Argentina personnel expenses excluding Argentina decreased from 20.3% in 2015 to 19.6% in 2016.

- *Consumption excluding Argentina.* Consumption costs excluding Argentina for our Bingo Division primarily relate to the ordinary course materials required to operate bingo halls, such as food and beverages and bingo supplies. Consumption costs excluding Argentina increased by 5.5% from €9.4 million in 2015 to €10.0 million in 2016.

- *Depreciation, Amortization and Impairment Expenses excluding Argentina.* Depreciation, amortization and impairment expenses excluding Argentina decreased from €20.9 million in 2015 to €15.4 million in 2016. We recorded an impairment charge excluding Argentina of €2.6 million in 2015; no impairment excluding Argentina was recognized in 2016.

- *External Supplies and Services excluding Argentina.* External supplies and services excluding Argentina decreased by 2.3% to €57.3 million in 2016 from €58.7 million in 2015.

- *EBIT excluding Argentina.* EBIT excluding Argentina from our Bingo Division increased from €7.8 million in 2015 to €26.7 million in 2016.

EBITDA excluding Argentina. EBITDA excluding Argentina for our Bingo Division improved by 46.8% to €42.1 million in 2016 from €28.7 million in 2015. EBITDA margin excluding Argentina (EBITDA excluding Argentina as a percentage of net operating revenues excluding Argentina) increased to 20.2% in 2016 from 14.8% in 2015. The increase in EBITDA excluding Argentina and EBITDA margin excluding Argentina is largely due to an increased number of visits and higher customer expenditures per visit and improved operating efficiencies, including the closure of three bingo halls in 2016.

Our Mexican business contributed EBITDA excluding Argentina of €26.8 million in 2016 as compared to €22.1 million in 2015. The improvement in EBITDA of our Mexican business was primarily due to the increase in the deployment of gaming tables as well as increased attendance generally due to sales and marketing initiatives. This improvement was partly offset by the impact of the depreciation of the Mexican peso against the euro.

B2B

(in € millions)	Excludes Argentina		
	For the year ended December 31,		
	2015	2016	Change
	(unaudited)		
Net Operating Revenues	**80.4**	**82.3**	**1.9**
Consumption	(40.0)	(41.3)	(1.3)
Personnel expenses	(17.0)	(17.8)	(0.8)
Gaming taxes	(0.2)	(0.2)	—
External supplies and services	(12.9)	(13.0)	(0.1)
Depreciation, amortization and impairment	(3.6)	(3.2)	0.4
EBIT	**6.7**	**6.8**	**0.1**
EBITDA[(1)]	**10.3**	**10.1**	**(0.2)**

(1) Represents EBIT plus depreciation, amortization and impairment for the periods presented.

Net Operating Revenues excluding Argentina. Net operating revenues excluding Argentina of our B2B Division include revenues from sales of our slot machines and gaming kits and sales of slot machines produced by third parties by our distribution companies. Also included are revenues generated from supporting the Slots Division in Italy and interlinked bingo games in Madrid, Andalusia and Catalonia. Net operating revenues excluding Argentina from our B2B Division increased by €1.9 million, or 2.4%, to €82.3 million for the year ended December 31, 2016 from €80.4 million for the year ended December 31, 2015. The increase in net operating revenues excluding Argentina was primarily due to the high demand in gaming network systems outside Spain that compensated for the soft demand overall and the purchase of gaming kits and gaming network systems in Spain, as customers continue to delay purchases of new slot machine cabinets.

Costs and Expenses excluding Argentina. Costs and expenses excluding Argentina from our B2B Division are comprised principally of cost of components, direct labor costs, sub-contracting costs, personnel expenditures, depreciation, amortization and impairment expenses and other expenditures such as research and development costs (to the extent not capitalized) and marketing costs.

Costs and expenses excluding Argentina for our B2B Division increased by €1.8 million, or 2.4%, to €75.5 million for the year ended December 31, 2016 from €73.7 million for the year ended December 31, 2015.

The key changes in the components of segment operating expenses excluding Argentina are as follows:

- *Consumption Costs excluding Argentina.* Consumption costs excluding Argentina primarily are comprised of purchases of semi-finished and finished components. Consumption costs excluding Argentina increased by €1.3 million, or 3.2%, to €41.3 million for the year ended December 31, 2016 from €40.0 million for the year ended December 31, 2015. As a percentage of segment net operating revenues excluding Argentina, consumption costs excluding Argentina increased to 50.2% for the year ended December 31, 2016 from 49.8% for the year ended December 31, 2015. The increase in consumption costs excluding Argentina was primarily due to higher sales of gaming kits, which have proportionally higher consumption costs as compared to slot machine cabinets.

- *External Supplies and Services excluding Argentina.* External supplies and services expenses excluding Argentina increased by €0.1 million, or 0.8%, to €13.0 million for the year ended December 31, 2016 from €12.9 million for the year ended December 31, 2015. As a percentage of segment net operating

revenues excluding Argentina, external supplies and services expenses excluding Argentina decreased to 15.8% for the year ended December 31, 2016 from 16.0% for the year ended December 31, 2015.

- *Personnel Expenses excluding Argentina.* Personnel expenses excluding Argentina increased by €0.8 million, or 4.7%, to €17.8 million for the year ended December 31, 2016 from €17.0 million for the year ended December 31, 2015. As a percentage of segment net operating revenues excluding Argentina, personnel expenses excluding Argentina increased to 21.6% for the year ended December 31, 2016 from 21.1% for the year ended December 31, 2015.

- *Depreciation, Amortization and Impairment Expenses excluding Argentina.* For our B2B Division, this expense category includes depreciation, amortization and impairment expenses and variation in operating provisions. Depreciation, amortization and impairment expenses excluding Argentina decreased by €0.4 million, or 11.1%, to €3.2 million for the year ended December 31, 2016 from €3.6 million for the year ended December 31, 2015.

EBIT excluding Argentina. EBIT excluding Argentina for our B2B Division increased by €0.1 million, or 1.5%, to €6.8 million for the year ended December 31, 2016 from €6.7 million for the year ended December 31, 2015.

EBITDA excluding Argentina. EBITDA excluding Argentina for our B2B Division decreased by €0.2 million, or 1.9%, to €10.1 million for the year ended December 31, 2016 from €10.3 million for the year ended December 31, 2015. The decrease in EBITDA excluding Argentina was primarily due to the continuing soft demand environment overall and the mix of gaming kits and new slot machine cabinets. EBITDA margin excluding Argentina (EBITDA excluding Argentina as a percentage of segment net operating revenues excluding Argentina) decreased to 12.3% for the year ended December 31, 2016 from 12.8% for the year ended December 31, 2015.

INDUSTRY

We operate in gaming markets that are expected to see continued strong growth, supported by a favorable macroeconomic outlook and a generally stable and predictable regulatory environment. For the period from 2018 to 2021, the GDP of Spain and Italy are expected to grow at a compounded annual growth rate ("*CAGR*") of 1.9% and 0.6%, respectively, and the GDP of our core Latin American markets (Panama, Colombia and Mexico) are predicted to grow at a CAGR of 5.7%, 3.6% and 2.0%, respectively.

For the period from 2016 to 2021, the net win for gaming operators before tax in the Spanish and Italian gaming markets is predicted to grow at a CAGR of 1.4% on average, which is double the rate of the equivalent period from 2012 to 2016. In Latin America, the net win for gaming operators before tax is forecast to grow at a CAGR of 3.9% over the period from 2016 to 2021, as compared to 3.8% over the period from 2012 to 2016.

We believe that the gaming regulation environment in the Latin American markets where we operate (Panama, Colombia, Mexico, Costa Rica and Peru) are among the most stable and predictable in Latin America, and the gaming tax regime in these markets compares favorably to gaming tax rates in Europe.

GLOBAL GAMING MARKET

The global gaming market has grown at a CAGR of approximately 2.9% since 2010 and reached approximately €381 billion in terms of amounts wagered in 2017. The casinos and lottery segments have been the largest segments with relative weights of approximately 31% and 26% respectively. The global gaming market is further expected to grow at a CAGR of approximately 2.6% until 2021 to reach approximately €422 billion. This growth is mainly driven by the online gaming, casinos and slots segments. The casinos and lottery segments are expected to remain the largest segments in 2021 with relative weights of approximately 31% and 25% respectively.

North America, Asia & Middle East and Europe are the largest geographies with relative weights of approximately 29%, 37% and 27% respectively (as at 2017). Europe and North America are the most mature markets, while Latin America, Asia & Middle East and Africa are expected to grow at approximately 3 to 4% annually until 2021.

The underlying drivers of growth in the global gaming market are increasing population and income per capita, greater penetration (driven by a higher acceptance of gaming activity as the gaming markets become regulated and new products are developed) and growth in online gaming channels.

The following tables set forth the approximate total amount wagered globally since 2010 and the forecast for 2018 to 2021 as well as the evolution of the different segments and geographies within the global gaming market.

	2010	2011	2012	2013	2014	2015	2016	2017	2018F	2019F	2020F	2021F
Amounts wagered (€ in billions)	312.2	332.7	346.2	358.0	365.0	357.9	367.8	380.8	398.0	406.5	416.0	421.7

Weightage by segments	**2010**	**2017**	**2021F**	**CAGR 2010-2017**	**CAGR 2017-2021F**
Total amounts wagered (*€ in billions*)	312.2	380.8	421.7	2.9%	2.6%
Casino	30%	31%	31%	3.1%	3.0%
Lotteries	26%	26%	25%	2.8%	1.4%
Slots & Arcades	26%	22%	19%	0.6%	(1.6)%
Betting	9%	9%	11%	2.6%	7.0%
Bingo	2%	2%	2%	0.3%	2.4%
Online	7%	11%	13%	9.6%	7.8%

Weightage by geography	2010	2017	2021F	CAGR 2010-2017	CAGR 2017-2021F
Total amounts wagered (*€ in billions*)	312.2	380.8	421.7	2.9%	2.6%
North America	30%	29%	30%	2.2%	3.2%
Asia & Middle East	35%	37%	38%	3.4%	3.4%
Europe	27%	27%	25%	2.4%	0.8%
Oceania	4%	5%	4%	3.4%	1.3%
Latin America	2%	2%	2%	6.6%	4.1%
Africa	1%	1%	1%	6.6%	3.9%

Source: H2.

Spain, Panama, Colombia, Mexico and Italy account for approximately 92%[(2)] of the Group's revenues in 2018.

Group revenues by country (€ in millions)	2018
Spain	672
Italy	350
Panama	213
Colombia	124
Mexico	98
Others[(1)]	116
Total	1,469[(2)]

(1) Morocco, Dominican Republic, Peru and Costa Rica.

(2) Excluding consolidation adjustments for intercompany transactions of €103.9 million.

In Spain, as of December 31, 2016, based on net win generated by the respective business units, our market shares were 12% of the casinos market, 19% of the slots market, 6% of the arcades market, 21% of the bingo market, 35% of the sports betting market and 50% of the B2B gaming machines and kits manufacturing market.

In Italy, as of December 31, 2016, based on net win generated by slot machine operations, our market share was 5% of the slots market and based on net win generated by bingo halls, our market share was 6.5% of the bingo hall market.

In Panama and Colombia, as of December 31, 2016, based on net win generated by casinos, our market shares were 57% and 28% of the casinos market, respectively, and in Mexico, as of December 2016, based on net win generated by bingo halls, our market share was 7% of the bingo hall market.

The next sections give an overview of each of Cirsa's major markets.

THE SPANISH GAMING MARKET

Introduction

We believe that Spain is one of the largest gaming markets in Europe based on total amounts wagered. According to the Spanish National Gaming Commission, the total amount wagered in the Spanish gaming market during 2016 amounted to approximately €35.0 billion. The Spanish gaming market is broadly divided into two markets: (i) the public market, which consists of national, regional and charitable lotteries (mainly ONCE) and (ii) the private market, which consists primarily of slot machines, casinos, bingo halls, online gaming and sports betting.

The following table sets forth the approximate total amount wagered in each sector of the Spanish gaming market from 2012 to 2016 (both inclusive).

(€ in billions)	2012	2013	2014	2015	2016
Slots	9.2	9.0	8.9	9.3	9.6
Casinos	1.5	1.4	1.5	1.7	1.8
Bingo	1.8	1.7	1.7	1.7	1.8
Online	2.7	5.6	6.6	8.6	10.9
Sports betting parlors	0.4	0.3	0.3	0.3	0.3
Sub-total private market	**15.6**	**18.1**	**18.9**	**21.5**	**24.3**
Lotteries	9.3	8.4	8.4	8.7	8.8
ONCE	1.9	1.8	1.8	1.8	1.9
Sub-total public markets	**11.2**	**10.2**	**10.1**	**10.5**	**10.7**
Total	**26.8**	**28.3**	**29.0**	**32.0**	**35.0**

Source: Spanish National Gaming Commission Annual Report.

As shown in the table above, slots, casinos, bingo halls, sports betting and online gaming, collectively, generated a total wagered amount of €24.3 billion in 2016. The largest component came from online gaming (44.7%), slots (39.6%), casinos (7.4%) and bingo halls (7.2%). The discussion below highlights recent trends for each of these components of the private gaming market.

Slots

Slot machines provide games of controlled chance and generally pay cash to winners. Slot machines employ a reel or video display. Slot machines with reels containing pictures of various fruits are the most popular reel slot machines. Regional regulations generally provide that slot machines must control the probability of payout so that a specific number of prizes of different amounts or the aggregate value of such prizes are paid out over a given number of games. Subject to these regulations, operators may adjust each slot machine's payout as a percentage of the amount paid in, payout odds, wager amounts and maximum prizes. In general, slot machines have a payout of at least 70% of the amount wagered on a slot machine over a cycle of 40,000 games. Slot machines are primarily placed in bars, cafes, arcades and bingo halls. We operate over 39,000 slot machines in Spain. The Spanish autonomous regions limit the number of permitted slot machines per establishment and are responsible for their taxation which has generally increased over the years. See *"Regulation—Spain—Slot Machines."*

Slot machines have traditionally been one of Spain's most popular forms of gaming since their legalization in 1977. The market for slot machines in Spain has experienced moderate declines over the past few years consistent with the economic climate.

The following table sets forth information on the approximate amounts wagered and the number of slot machines in operation from 2012 to 2016.

	2012	2013	2014	2015	2016
Amounts wagered (*€ in billions*)	9.2	9.0	8.9	9.3	9.6
Machines in operation (*in thousands*)[1]	217.3	208.0	202.4	207.2	199.2

(1) Number of slot machines in operation as of December 31 of each of the years indicated.

Source: Spanish National Gaming Commission Annual Report.

Casinos

As of December 31, 2016, there were 53 casinos in operation in Spain. Casinos derive revenues from gaming tables, casino style slot machines (which in Spain are only permitted to be operated in casinos), tips (employees commonly share tips with the casino under the terms of their collective bargaining agreements), admission tickets and, if available, restaurant services.

The following table sets forth information on the approximate total amounts wagered and the number of casinos in operation in Spain for each of the years indicated.

	2012	2013	2014	2015	2016
Total amounts wagered (*€ in billions*)	1.5	1.4	1.5	1.7	1.8
Casinos in operation	43	45	46	48	53

Source: Spanish National Gaming Commission Annual Report.

Bingo

Bingo is one of the most popular gaming activities in Spain. The objective of the Spanish version of bingo is to be the first to complete a five-by-three game card with numbers between one and 90. Cards are sold by bingo hall employees to players immediately before each draw and there are no intermissions. A caller randomly selects numbers and players fill the corresponding space on their cards. Players may win a smaller prize by completing a line of five across, a larger prize by completing all 15 numbers, which is known as "bingo," or a bonus prize by completing all 15 numbers before a predetermined amount of numbers is called out. There are also several versions of bonus prizes which may include accumulated un-won prizes, online bingo prizes or linked bingo hall prizes, depending on the Spanish autonomous region. The cost per game is established by the relevant applicable regional or national regulation, as the case may be, and is typically €2, €3 or €6. Each region where we operate bingo halls currently requires a bingo hall operator to pay out between 63.0% and 75.0% of card sales. Many bingo halls generate additional revenue from a limited number of slot machines installed in the lobby outside the bingo hall (the maximum number per bingo hall and the type of slot machines that can be installed in a bingo hall are regulated) and restaurant services. See "*Regulation—Spain—Bingo Halls.*"

The following table sets forth information on approximate total amount wagered and the number of traditional bingo halls in operation in Spain for each of the years indicated:

	2012	2013	2014	2015	2016
Amounts wagered (*€ in billions*)	1.8	1.7	1.7	1.7	1.8
Bingo halls in operation[(1)]	372	367	326	307	309

(1) Number of bingo halls in operation as of December 31 of each of the years indicated.

Source: Spanish National Gaming Commission Annual Report.

The bingo business in Spain is mature. There has been a decline in amounts wagered since 2006. We believe that the bingo business in Spain has also been adversely impacted by the introduction of national anti-smoking laws in 2006 and 2011.

THE ITALIAN SLOTS MARKET

The Italian slots' installed base is divided into AWPs, located in dedicated gaming halls and other points of sale such as cafes and shops, and VLTs, installed only in licensed premises. The AWP slots' installed base has remained fairly flat since 2013 with approximately 410,000 slots in approximately 85,000 locations, while the net win on those AWP slots has grown at a CAGR of approximately 1% between 2013 and 2016, reaching

approximately €7.5 billion by 2016. The VLT slots' installed base has grown at a CAGR of more than 2.3% between 2013 and 2016, reaching approximately 54,000 slots by 2016, while the net win on the VLT slots remained stable since 2013 and amounted to approximately €2.8 billion in 2016.

The current regulation makes the VLT slot market more attractive than the AWP slot market. From the operators' perspective, the applicable tax rate for VLT operators is lower than for AWP slot operators. From the players' perspective, the required pay-out ratios for players are higher on VLT slots compared to AWP slots, making the net win per slot approximately three times higher for VLT slots than for AWP slots. Furthermore, the applicable tax rate on AWP slots' net wins, which increased from 50% to 63% between 2012 and 2016, is higher than the applicable tax rate on VLT slots' net wins, which increased from 29% to 48% within the same period.

	2013	2014	2015	2016
AWP net wins (*€ in millions*)	6,380	6,457	6,683	7,483
AWP slots' installed base (*in thousands*)	411	378	418	407
VLTs net wins (*€ in millions*)	2,994	2,566	2,664	2,767
VLTs slots' installed base (*in thousands*)	50.7	50.7	52.3	54.3

Source: H2, Parthenon-EY.

THE PANAMA CASINOS MARKET

There are 144 casinos in Panama (25 full casinos, 30 type A halls and 89 type C halls), with 320 gaming tables and 20,899 slot machines (14,252 type A and 6,647 type C). Panamanian law requires that full casinos are located in five-star hotels with 300 or more rooms. Full casinos contain gaming tables and type A slot machines, whereas type A halls and type C halls only contain type A and type C slots, respectively. The type A slots' installed base has remained roughly flat since 2011 with approximately 13,000 to 14,000 slots, while the type C slots' installed base has more than tripled since 2012 as a change in the local law increased the number of permitted type C slots per hall from 15 to 75.

Gaming taxes have remained stable since 2012 with applicable tax rates of approximately 12% on the gross income of the gaming tables and 18% on the gross income of the type A slot machines in full casinos and type A halls, and a fixed tax of $150 per type C slot per month to be paid by the operators. In 2015, a "Selective Excise Tax" was introduced according to which players must pay a 5.5% tax on the amounts they cash out. The net wins in the Panama casinos market grew at a CAGR of more than 10% between 2008 and 2014, but decreased from 2014 to 2015.

	2012	2013	2014	2015	2016	2017
Net win (*€ in millions*)	383	421	454	438	425	436[(1)]
Type A slots (*in thousands*)	13.1	13.3	13.2	13.6	13.8	14.3
Type C slots (*in thousands*)	2.0	4.5	7.0	6.9	6.8	6.6
Full casinos	18	18	22	22	24	25
Type A Halls	27	27	28	29	29	30
Type C Halls	50	60	95	88	94	89

(1) Estimation based on Cirsa's current trading.

Source: H2, Parthenon-EY.

THE COLOMBIAN CASINOS MARKET

Casinos and slot machines are very popular in Colombia, especially in the most prominent cities and in tourist areas such as Bogota, Cartagena and Santa Marta. The casinos' legal net win in Colombia has grown at a CAGR of approximately 6.5% between 2012 and 2017, reaching €435 million by 2017. This growth was driven

primarily by an underserved gaming market with room for growth coupled with a positive macroeconomic outlook. In addition to the legal casinos market, there are an estimated 50,000 illegal slot machines in Colombia. The number of illegal slot machines has fallen in recent years from approximately 65,000 in 2012.

The following table sets forth information on approximate net wins and total gaming halls and slot machines in operation in Colombia for each of the years indicated:

	2012	2013	2014	2015	2016	2017
Net wins from legal slots and gaming tables[1] (*€ in millions*)	317	338	357	385	412	435
Total gaming halls	2,435	2,753	3,079	2,771	2,536	2,488
Total legal slots (*in thousands*)	64.4	74.8	83.9	82.6	82.7	82.7
Number of slots per gaming hall	26.4	27.2	27.3	29.8	32.6	33.3

(1) Mid-point of estimated range of net wins.

Source: H2, Parthenon-EY.

THE MEXICAN CASINOS MARKET

Mexico is the largest gaming market in Latin America, despite having one of the oldest regulatory frameworks for gaming operations. Gaming halls in Mexico are similar to traditional casinos in the rest of Latin America, containing slot machines and gaming tables. Since 2015, after five years of fluctuation in the number of authorized licenses, the number of licenses authorized in Mexico has been relatively stable due to the stricter requirements for new openings and issues with licensing procedures with around 691 authorized licenses. However, only 319 of the authorized licenses are operative.

Mexican casinos are increasing their gaming offer which leads to a rising penetration of gaming tables and slots per casino from 252 slots and 2.7 gaming tables per casino in 2016 to 255 slots and 3.1 gaming tables per casino in 2017. Mexican casinos' net win amounted to approximately €1.3 billion in 2016.

The following table sets forth information on approximate number of gaming halls in operation in Mexico for each of the years indicated:

	2012	2013	2014	2015	2016	2017
Total gaming halls	425	449	373	310	317	312

Source: H2, Parthenon-EY.

BUSINESS

Overview

We are one of the leading gaming companies in Spain and Italy, as well as in a number of countries in Latin America (with a focus on Panama, Colombia, Mexico, Peru, Costa Rica and the Dominican Republic), engaged in the operation of slot machines, casinos and bingo halls. We also manufacture slot machines for the Spanish market. While our business historically included operations in Argentina, we exclude Argentina here since July 3, 2018, the Argentina Business is no longer a part of our Group. As of December 31, 2018, we operated 76,988 gaming machines, 148 casinos, 70 bingo halls, 623 gaming tables, 2,580 betting locations and 190 arcades.

We believe that we are the leader in the Spanish private gaming market, where, as of December 31, 2018, our key activities included: the operation of slot machines, in which we believe that we are the #1 operator with 40,234 slot machines operated; the operation of four casinos; the operation of bingo halls, in which we believe that we are the #1 operator with 37 bingo halls; and the manufacture of slot machines, in which we believe that we are the #1 manufacturer, with over 20,301 slot machines and gaming kits manufactured in the year ended December 31, 2018. We believe that we are also the #1 sports betting operator, through our 50:50 *Sportium* joint venture with the Ladbrokes sport betting business of GVC Holdings Plc, which offers sport betting products through outlets and betting machines installed in 2,498 slot arcades, bingo halls, bars and casinos in Spain, as of December 31, 2018.

In Italy, we have established a strong presence in the slot machine market with the operation of 9,989 slot machines and VLTs across all our divisions situated in approximately 1,935 locations across central and northern Italy as of December 31, 2018.

In Panama, we believe that we are the #1 gaming operator with the operation of 33 casinos and a total of 18 gaming tables and 7,902 slot machines as of December 31, 2018.

In Colombia, we believe that we are the #1 gaming operator with the operation of 66 casinos and a total of 6,368 slot machines and 237 gaming tables as of December 31, 2018.

In Mexico, we believe that we are a leader in the gaming industry with our 21 bingo halls which include over 6,307 slot machines as of December 31, 2018.

In Costa Rica, we believe that we are the #1 gaming operator with eight casinos, 25 gaming tables and 838 slot machines as of December 31, 2018.

In Peru, we believe that we are a leading gaming operator following our acquisition of nine casinos in 2014 and 17 casinos in 2017. As of December 31, 2018, we operated 29 casinos in Peru with 44 gaming tables and 4,239 slot machines.

In the Dominican Republic, we believe that we are the #1 gaming operator with our six casinos with a total of 87 gaming tables and 829 slot machines as of December 31, 2018.

In Morocco, we believe that we are a leading gaming operator. We have a majority stake in Agadir's largest casino and also operate casino Le Mirage in Agadir, with a total of 28 gaming tables and 282 slot machines as of December 31, 2018.

We believe that we have a well-balanced business with strong geographical diversification. These factors, when combined with the economies of scale resulting from our size, strengthen our financial profile and provide stability in our cash flows.

For the year ended December 31, 2018, our net operating revenues and Adjusted EBITDA were €1,469.1 million and €368.8 million, respectively. On a historical basis, our net operating revenues increased by 5.2% and our Adjusted EBITDA increased by 5.1% for the year ended December 31, 2018 compared to our net operating revenues and Adjusted EBITDA for the year ended December 31, 2017. In addition to our scale, our revenues and Adjusted EBITDA are diversified by geography and by business segment, and for the year ended December 31, 2018, 96% of our EBITDA was generated in countries which currently have an investment grade rating from S&P and Moody's.

The following table shows a breakdown of our consolidated Adjusted EBITDA for the year ended December 31, 2018, by country in which we operated:

ADJUSTED EBITDA MIX BY COUNTRY

Country	For the year ended December 31, 2018
Spain	46.6%
Panama	18.8%
Colombia	13.3%
Mexico	8.9%
Italy	6.0%
Other	6.4%
	100.0%

Our Divisions

We have organized our company into four business divisions: Casinos, Slots, Bingo and Business-to-Business ("*B2B*").

Casinos. (EBITDA €183.0 million for the year ended December 31, 2018): Our Casinos Division operated 148 casinos as of December 31, 2018.

In Spain, our casinos are located in Marbella, Valencia, La Toja and Las Palmas.

In Morocco, our casinos are located in the resort town of Agadir.

In Latin America, we believe that we are the #1 gaming operator in Panama, Colombia, Costa Rica and the Dominican Republic and have achieved a leading position in Peru.

In Panama, we operated 33 casinos with a total of 18 tables and 7,902 slot machines as of December 31, 2018.

In Colombia, we operated 66 casinos with a total of 6,368 slot machines and 237 gaming tables as of December 31, 2018.

In Peru, we operated 29 casinos with 44 gaming tables and 4,239 slot machines as of December 31, 2018.

In Costa Rica, we operated eight casinos with a total of 25 gaming tables and 838 slot machines as of December 31, 2018.

In the Dominican Republic, we operated six casinos with a total of 87 gaming tables and 829 slot machines as of December 31, 2018.

Slots. (EBITDA €141.1 million for the year ended December 31, 2018): Our Slots Division owns and manages slot machines in bars, cafes, restaurants and arcades in Spain and is a network operator for slot machines and VLTs in Italy. This division also includes our *Sportium* joint venture with the Ladbrokes sport betting business of GVC Holdings Plc, a British betting operator, which operates a region-based sports betting business in Spain as well as some betting operations in Colombia and Panama.

In Spain, we believe that we are the #1 slot machine operator and the #1 sports betting operator.

In Italy, our Slots Division operated 7,426 slot machines and 2,563 VLTs in locations across central and northern Italy as of December 31, 2018.

Bingo. (EBITDA €55.7 million for the year ended December 31, 2018): Our Bingo Division operated 70 bingo halls across Spain, Mexico and Italy as of December 31, 2018.

In Spain, we believe we are the leader of the bingo market which has been modestly improving along with the Spanish economy in recent years. As of December 31, 2018, we operated a total of 37 bingo halls.

In Mexico, as of December 31, 2018, we owned and operated 21 bingo halls which provide a wide entertainment offering, including slot machines and casino-style gaming machines.

In Italy, we hold minority interests in companies (joint ventures with local partners) that owned and operated 11 bingo hall businesses as of December 31, 2018. We also operate one bingo hall business which we fully own as of December 31, 2018. Our bingo hall operations in Italy also operated 461 slot machines as of December 31, 2018.

B2B. (EBITDA €12.7 million for the year ended December 31, 2018): Our B2B Division designs, manufactures and distributes slot machines and gaming kits for the Spanish market and also develops interactive gaming systems, concentrating on ready-to-market products such as interconnected slot machines, linked bingo products and electronic online lotteries. We believe that we are the #1 manufacturer in the Spanish market, with over 20,301 slot machines and gaming kits manufactured in the year ended December 31, 2018.

Our Strengths

We believe a number of key factors give us a strong competitive advantage, including:

- ***Business and Geographic Market Diversification.*** We are a well-diversified gaming company with four distinct and complementary business divisions within the industry and operations in eight countries outside of Spain. We believe that the diversity of our revenue stream helps improve the stability of our cash flow profile by reducing our dependence on any single geographic market, economy or business segments in the gaming industry. While we focus our international expansion in markets with growth potential, we favor countries with less volatile economic and regulatory environments; for the year ended December 31, 2018, 96% of our EBITDA was generated in countries which currently have an investment grade rating from S&P and Moody's. Our expansion in Latin America since 2010 has been concentrated in Colombia, Costa Rica, Peru, the Dominican Republic and Mexico and we have made substantial investments in our Panama business. In addition, our diversified operations allow us to identify opportunities for growth in known or adjacent markets by using our operating experience across the gaming industry in Spain, Italy and Latin America, as demonstrated by our expansion into Costa Rica and Morocco in 2015.

- ***Corporate Synergies.*** We are a leading integrated manufacturer, distributor and operator of slot machines in Spain. Our Slots Division provides us with information regarding evolving customer preferences and tendencies, which helps us to design and manufacture popular games in a timely manner. In the year ended December 31, 2018, we manufactured five of the top ten revenue-generating

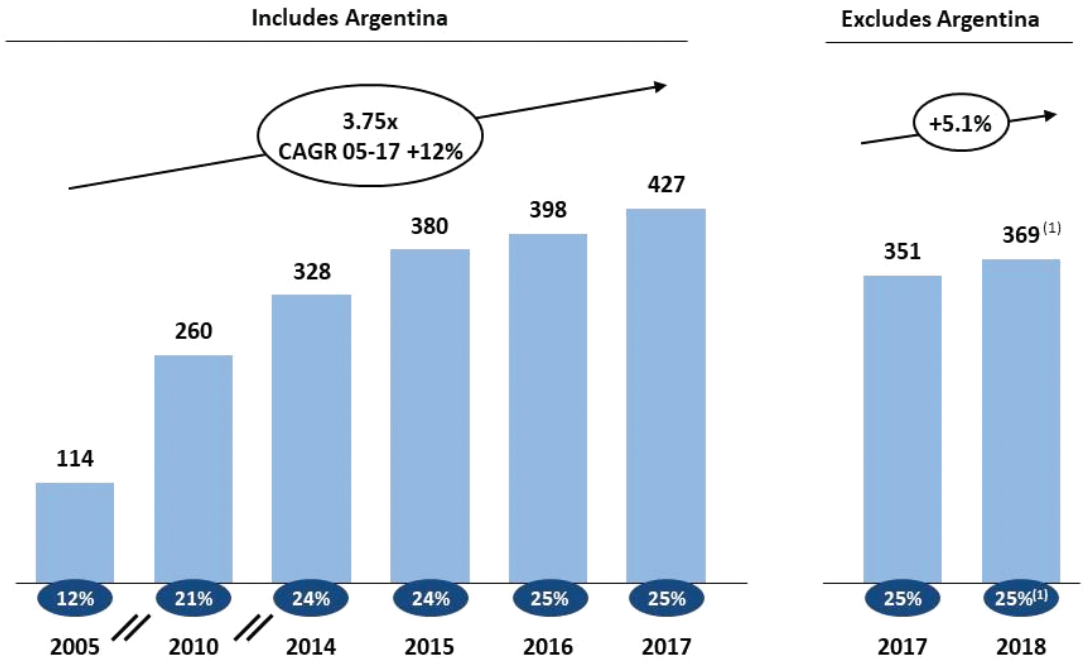
slot machine models in Spain. Our strong manufacturing capabilities, in turn, support demand for our slot machines and facilitates access to new successful games for our Slots Division. We believe that our integrated manufacturing, distribution and operating capabilities give us cost and service advantages not enjoyed by many of our competitors in Spain.

- ***Barriers to Entry.*** We believe that there are significant barriers to entry in our principal business divisions, including regulatory, financial and technological barriers, the need for operational expertise and the need for a proven track record in order to obtain the trust and confidence of regulators, customers, partners, site owners and gaming machine and other suppliers. For our casinos in Panama, casino licenses are exclusive for a geographic area and granted for long periods. In our Slots Division, we typically enter into five-year exclusivity agreements to place our slot machines in a given location, and many of these agreements have been consistently renewed for the past twenty years. Additionally, in our Slots Division and B2B Division, we believe a new competitor would need significant financial resources, operating expertise and a qualified workforce to build profitable operations. We believe that barriers to entry in our principal business divisions help protect our leading market position and profitability by limiting the number of new competitors in our core business segments.

- ***Leading Market Position and Economies of Scale in Spain.*** We are a leader in Spanish slot machine operations and manufacturing, as well as bingo hall operations. We believe that this leadership position enables us to identify and manage trends in the private gaming industry in Spain. The Spanish slot machine operator and bingo segments are highly fragmented, and we are substantially larger than our competitors. We believe that our size allows us to benefit from economies of scale in many of our businesses. For example, in our slot machine operations, we can spread the cost of providing coin collection services and rapid response to repair calls (minimizing machine downtime) over our 40,234 slot machines, as of December 31, 2018, which helps us to realize a lower operational cost per machine and to have a more developed internal control system as compared to our competitors. We also believe that due to our size and resources, we are well-positioned to acquire attractive slot machine assets as consolidation opportunities arise in the fragmented Spanish slot machine industry.

- ***Resilient Business with Demonstrated Financial Performance.*** Our EBITDA has grown every year from 2005 to 2012, including during periods of economic and regulatory turbulence. Including the Argentina Business, our EBITDA increased from €253.7 million for the year ended December 31, 2013 to €427.0 million for the year ended December 31, 2017, an increase that has been achieved despite, in certain cases, adverse macroeconomic conditions. Excluding the Argentina Business, our EBITDA was €350.8 million for the year ended December 31, 2017 and our Adjusted EBITDA was €368.8 million for the year ended December 31, 2018, reflecting an increase of 5.1%. Our strong financial profile over time is underpinned by our well balanced business and geographical diversification and our size which provides us with economies of scale. Our capital expenditure for the year ended December 31, 2018 was €160.2 million of which only 72% was for maintenance expenditure, hence leaving us with substantial cash flow and growth expenditure flexibility. Our cash flow generation and flexibility to invest in growth capital expenditure and/or strategic acquisitions is driven by (i) our strong profitability; (ii) our relatively limited working capital investment requirements; (iii) our disciplined capital expenditure strategy; and (iv) our limited overall corporate tax outflow for our Spanish operations. The following chart illustrates the growth of our EBITDA between 2005 and 2017 (including the Argentina

Business) and our EBITDA for 2017 and Adjusted EBITDA for 2018 (excluding the Argentina Business):



(1) Represents our Adjusted EBITDA and Adjusted EBITDA margin for the year ended December 31, 2018. Our EBITDA for the year ended December 31, 2018 was €328.3 million, which includes one-time expenses of €40.5 million related to the completion of the Original Acquisition. Adjusted for this one-time expense, our Adjusted EBITDA for the year ended December 31, 2018 would have been €368.8 million. Based on EBITDA of €328.3 million, our EBITDA margin was 22.3% for the year ended December 31, 2018.

- ***Seasoned Management Team.*** We are led by an experienced and professional management team with a track record of managing complex operations, developing new products inside and outside the gaming industry and delivering upon its commitments. The key members of the senior management team, including our managing directors, chief executive officer, general manager, chief financial officer and legal director, have been in place since our core strategy was implemented in 2006. Besides their track record in managing the business during the severe economic downturn in Spain and Italy, our management team has extensive experience in the Latin American gaming industry, and has developed expertise in addressing the challenges that may arise in those markets. For example, the management team has implemented a range of marketing and efficiency programs including targeted marketing and network-oriented data collection to identify and attract specific clients and increase the operating efficiency throughout our operations. A portion of the compensation of our senior management team in the past had been based on achieving financial targets and certain senior managers have reinvested a substantial portion of their transaction bonus in connection with the Original Acquisition in the Group at a parent company level.

Our Strategies

Our strategic objective is to continue to consolidate our businesses and to achieve sustainable profitable growth through the following strategic pillars:

- ***Consolidate market leadership position in Spain.*** We intend to continue to consolidate our leadership position in Spain, where we are the market leader in the slots, bingo, sports betting and slot machine

production segments. The Spanish slots industry remains fragmented, with more than 6,800 slot machine operators, and we plan to continue to take advantage of consolidation opportunities. In our B2B business, we have maintained our leadership position in Spain in a highly competitive market and intend to leverage this position to increase sales in the slot cabinets and kits and refurbishments segments. In addition, we continuously try to increase revenues more than costs.

- ***Continue to improve performance of existing and future operations.*** We will focus on improving the performance of our existing and future casinos through our "gold mine" strategy. This strategy means that after we identify an attractive location, we seek to achieve optimum performance by increased slot machine and gaming table density and expanded hall surface area. If warranted by the hall's performance, we may then consider steps such as a further expansion to adjacent premises, a relocation to larger and better located premises and, ultimately, acquiring or constructing a new casino. Through the execution of our "gold mine" strategy, since 2010, we have increased the number of slot machines in our casinos by more than 11,000, expanded the surface area of 78 casinos and opened 94 new casinos.

- ***Enhance efficiency and productivity programs across businesses and geographies.*** We will seek to build upon the efficiency and productivity initiatives and synergies achieved in prior periods. We will continue to implement best practices across our markets to improve efficiency and productivity and seek to maintain or improve our current EBITDA margins. In our slots business, this will entail further enhancing the profitability of our slot machine portfolio, including opportunistic slot machine rotations and replacements. In Italy, we are focused on optimizing placement of slot machines and VLTs and achieving favorable terms from our gaming machine suppliers. In our Casinos Division, we intend to optimize the performance of our casinos through the expansion of our better performing halls and investment in additional gaming machines. In our Bingo Division, we have discontinued (closed or sold) 13 bingo halls in Spain since the start of 2014 and will continue to seek to close underperforming halls in order to improve profitability.

- ***Continue proactive marketing and sales approach.*** We will continue to develop and implement our proactive and customer-oriented marketing and sales approach, which has been added to our traditional product-oriented approach. Our marketing and sales strategy can be summarized as "looking for customers rather than waiting for them." Our approach, which is supported by in-house commercial IT tools and applications, includes targeted marketing and network-oriented data collection to identify, attract and retain specific clients and client profiles. Inside the gaming hall, we focus on customer value identification and management, we regularly review the gaming offer and lay-out and use a pricing strategy based on customer demand. We employ CRM customer segmentation to approach different targets, such as visits, frequency and value and use customer loyalty and retention programs to improve customer visits and customer contribution.

- ***Make selective investments and acquisitions with focus and rigor.*** Our investment program in the short- to medium-term is subject to rigorous investment criteria, strategic planning and control of capital expenditures. We have entered into the New Acquisition which is expected to improve our scale, profitability and market position in the Spanish slots market. We will continue to review and analyze investment opportunities in our core business segments with a view to executing investments on an opportunistic basis that enhance our cash flow and positively contribute to EBITDA. In our B2B Division, we will continue to focus our research and development efforts on maintaining our leadership in the Spanish slots market. We intend to continue our successful track record of acquisitions, with a particular focus on the acquisition of gaming operators in Spain and adjacent geographies both to Spain and Latin America, based on our well-defined and disciplined approach. In our acquisitions, we target established, attractive casino businesses in markets with a relatively stable economic and regulatory environment where we can enhance their operations and financial performance with our operational expertise. For example, we acquired 17 additional casinos in Peru in 2017 and in 2018 we acquired one additional casino in Morocco, one additional casino in the Dominican Republic and one additional

bingo hall in Mexico. We also consider selective acquisitions in geographic markets adjacent to our traditional Spanish and Latin American operations, such as our acquisition in 2015 of a casino in the resort town of Agadir, Morocco and our entry into the Costa Rica market (which is adjacent to Panama) in 2015 with the acquisition of seven casinos.

Our Divisions

We have four business divisions: Slots, Casinos, Bingo and B2B.

Slots Division

Our Slots Division owns and manages slot machines in bars, cafés, restaurants and arcades in Spain. We are also a network system operator for slot machines and VLTs in Italy. We also have a joint venture with GVC Holdings Plc for the operation and further development of a region-based sports betting business in Spain and some additional betting operations in Colombia and Panama. The following table presents the number of slot machines and VLTs that we operated in our Slots Divisions in Spain and Italy, respectively, as of December 31, 2017 and 2018. Slot machines operated in other divisions are not presented in the following table.

	As of December 31,		
Slot Machines	**2016**	**2017**	**2018**
Slot Machines, Spain	28,402	29,885	31,392
Slot Machines, Italy[(1)]	9,009	8,545	7,426
VLTs, Italy	2,578	2,565	2,563
Total	**39,989**	**40,995**	**41,381**

(1) In September 2016, we sold our 50% interest in a joint venture that operated 1,500 slot machines.

Spain

As of December 31, 2018, we directly, or indirectly through slot machine sub-operators, controlled, in our Slots Division, 31,392 slot machines located in approximately 18,696 sites, primarily in bars. We plan to continue to optimize our slot machine portfolio in Spain. As of December 31, 2018, we owned and operated 190 arcades, with an average of approximately 24 slot machines per arcade.

Relationship with Site Owners. We enter into contracts with site owners under which a site owner typically gives us the exclusive right to place one or more of our slot machines at the owner's establishment for a period of up to five years. We believe that our long-standing relationships, history of excellent service with site owners and higher than average revenues per slot machine are the basis for our high contract renewal rates. We install, maintain and service the slot machines, collect money and pay the required taxes. We also ensure that each slot machine complies with regional and national laws and regulations and, where required, post bank guarantees. We understand that slot machines are generally the most significant profit center of a site owner's business.

In addition to revenue sharing, we often make interest-free loans and cash payments to encourage site owners to enter into or extend contracts. We collect payment on these loans over an 11-month period, on average, through an offset against the site owner's share of slot machine revenues. We record these loans as receivables on our balance sheet. For the year ended December 31, 2018, these loans and other incentives (such as contributions to bar decorations and equipment) amounted to approximately €10.5 million.

Participation Agreements with Former Slot Machine Operators. Our preferred method of expansion has been by purchasing existing slot machine operators. However, when there is a strong relationship between the slot machine operator and site owners, it is often preferable or necessary for us to acquire the slot machine operators and enter into a participation contract with the seller under which the seller continues to maintain a commercial

relationship with site owners in exchange for a percentage of revenues. As of December 31, 2018, we had agreements (or sub-operator agreements) covering approximately 29% of the slot machines we operated in Spain. Revenue sharing to sub-operators under these participation agreements totaled approximately €20.7 million for the year ended December 31, 2018.

Coin Collection and Information Systems. We carry out coin collection through approximately 545 company-employed collectors who utilize our fleet of vehicles. Our cash collectors each follow pre-arranged routes on their daily collection runs and are responsible for approximately 58 machines per route.

We are in the process of migrating from a computerized information and collection control system to a network-based information collection system to monitor and control our slot operations. This network-based information system will link our slot machines located in Spain to an internal central database and will allow us to receive real time usage information (including data such as operating frequency, payouts, and cash levels by machine) that we will be able to analyze through our current data analysis systems without the need to download this information from each machine during collection runs.

We believe that our information and collection control system helps us maximize revenues through accurate and efficient collections. The system optimizes accuracy by matching the amount due to the operator to the amount received from the collector. Any discrepancy between the amount due and the amount collected is analyzed (usually on the same business day that it is collected) and, if necessary, investigated.

The information and collection control system also generates more efficient slot machine performance and revenue data than the manual method used by many of our competitors. Our revenue and game-use data assists us in monitoring individual slot machines and in determining when to rotate a slot machine to a different site or to retire it, as well as in obtaining information on player tendencies. We aggregate individual data on player tendencies to assist us in developing new games and slot machines.

Purchasing Slot Machines. We select slot machines based on the games we believe to be superior and likely to become popular with customers. Our Slots Division purchases slot machines from our B2B Division and from other manufacturers. If we believe that another slot machine manufacturer is offering a better game, we will purchase from that manufacturer instead of from our B2B Division. In 2018, approximately 73.9% of our new slot machines for our Slots Division in Spain were manufactured by our B2B Division.

Sportium—Sports Betting. We operate *Sportium,* a sports-betting business, as a 50-50 joint venture with GVC Holdings Plc. *Sportium* is present in Spain with a wide multichannel network with 2,498 points of sale in casinos, bingo halls, gambling halls, betting venues and bars, complemented with an online presence. *Sportium* is the only player present with leading positions in both the online and retail sports betting markets. *Sportium* also includes our Spanish online gaming operations. *Sportium* began its international expansion in Panama in 2016 and further expanded in 2018 opening operations in Colombia.

Italian Slots and VLT Businesses

As of December 31, 2018 we operated 7,426 slot machines in approximately 1,935 locations across central and northern Italy as part of our Slots Division. Our bingo hall operations in Italy also operated 461 slot machines as of December 31, 2018. These locations include bars, bingo halls, restaurants and service stations. We have revenue sharing agreements in place with the owners or operators of these locations. These revenue sharing agreements generally have an initial term of up to five years and are renewable annually thereafter. Pursuant to these revenue sharing agreements, we generally split revenues (net of prize pay-outs and taxes due to the ADM) on a 50:50 basis with the owners or operators of the locations. Pursuant to interconnection agreements, we charge a fixed fee per third-party owned slot machine interlinked to our network. Third-party slot machine owners may renew these interconnection agreements on an annual basis.

In addition to slot machines, we currently operate 2,563 VLTs placed in bingo halls and arcades located mainly in central and northern Italy and connected to our existing Italian slot machine network. We operate approximately 26% of the VLTs directly through Cirsa Italia and 74% through Orlando Italia, a subsidiary of our 50:50 joint venture with Grupo Berruezo, Orlando Play S.A. Cirsa Italia owns the legal concession (expiring in 2022) to operate 2,583 VLTs and enters into agreements with site owners for the operation of such VLTs on their premises. Cirsa Italia makes payments to Orlando Italia under a profit-sharing arrangement which will expire on the later of October 31, 2019 or the expiration of the concession, as renewed or extended. Our slots and VLT operations in Italy are subject to occasional regulatory interventions which impact our results of operations. For example, in accordance with the requirements of the 2016 Stability Law, Cirsa Italia has reduced the number of authorizations relating to AWP slot machines that it held by 15.2% as of December 31, 2017, and further reduced the number of authorizations relating to AWP slot machines that it held by 19.7% as of December 31, 2018, achieving the mandated reduction level of 34.9%, which was required to be achieved by mid-June 2018. See "*Regulation—Italy*."

Casinos Division

As of December 31, 2018, we operated a total of 148 casinos, four casinos in Spain and 144 casinos internationally. Our casinos offer a variety of gaming options, from gaming tables to casino-style slot machines. Our casinos also generate revenues from restaurant and bar services, admission ticket sales and tips (which employees share with us pursuant to collective bargaining agreements).

The following table sets forth the number of casinos, slot machines and tables operated by our Casinos Division as of December 31, 2017 and 2018.

	As of December 31,								
	2016			2017			2018		
Casino Operations by Country	**Casinos**	**Slots**	**Tables**	**Casinos**	**Slots**	**Tables**	**Casinos**	**Slots**	**Tables**
Panama	29	7,426	24	33	7,729	18	33	7,902	18
Colombia	64	5,847	216	66	6,285	244	66	6,368	237
Peru	13	1,973	45	29	4,253	44	29	4,239	44
Costa Rica	7	957	19	8	873	27	8	838	25
Spain	4	303	41	4	295	41	4	305	38
Dominican Republic	5	661	71	6	674	64	6	829	87
Morocco	1	187	19	1	190	19	2	282	28
Total	**123**	**17,354**	**435**	**148**	**20,299**	**457**	**148**	**20,763**	**477**

We believe that our casinos appeal to the mass market customer base, while also offering features that appeal to the high end segment of the market. We have undertaken a number of initiatives to improve the performance of our casinos, including providing a full entertainment offer, increasing productivity with ticket-in/ticket-out and player tracking systems and expanding and refurbishing existing casinos in key markets. We have also designed various marketing campaigns, such as our Cirsa Poker Tour and Poker House concept, which are intended to exploit the poker market. Many of our casinos in Latin America offer enhanced types of casino-style slot machines and other electronic games such as blackjack or roulette through multi position electronic gaming machines, which have proven to be popular in that market.

Casino Operations by Country

The following is a description of our casino operations by country, except as otherwise indicated, as of December 31, 2018:

Spanish Casino Operations

- ***Casino Nueva Andalucía,*** is located in one of the prime tourist locations of Spain, Marbella. This casino hosted 10 gaming tables and 77 slot machines as of December 31, 2018. We believe this casino was the fourth largest of a total of 53 casinos in Spain, based on total revenues for the year ended December 31, 2018. The operating license for this casino has a term of 15 years and was renewed in January 2019 until September 2033.

- ***Casino de Valencia,*** is located in the city center of Valencia. We believe this casino was the fifth largest of a total of 53 casinos in Spain, based on total revenues for the year ended December 31, 2018. The casino hosted twelve gaming tables and 130 slot machines as of December 31, 2018. The operating license for this casino will be eligible for renewal in November 2019.

- ***Casino La Toja,*** in which we own a 50% interest, is located in La Toja, an historic spa resort area in Spain. Casino La Toja is a seasonal casino, attended mostly by tourists from Portugal and hosted 9 gaming tables and 19 slot machines as of December 31, 2018. The operating license for this casino is perpetual.

- ***Casino Las Palmas,*** which was acquired in February 2015, is located in the Canary Islands. This casino hosted seven gaming tables and 79 slot machines as of December 31, 2018. The operating license for this casino runs through June 2025.

Colombian Casino Operations

- ***Casino Rio (Bogota), Casino Hollywood, Casino Rock 'N Jazz, Casino Rio (Medellin) and Casino Caribe La Playa*** are our five largest casinos in Colombia. Casino Rio (Bogota), Casino Hollywood and Casino Rock 'N Jazz, are located in Bogota and contained, as of December 31, 2018, 142, 229 and 115 slot machines, respectively. Casino Rio (Medellin) and Casino Caribe La Playa are located in Medellin and contained 215 and 339 slot machines, as of December 31, 2018, respectively. Our casino operations in Colombia are conducted through our 50.0001% interest in Winner Group, S.A.

- ***Other Casinos in Colombia.*** In addition to the five casinos above, we operated a total of 61 additional casinos in Colombia with an aggregate of 5,328 slot machines and 150 gaming tables as of December 31, 2018. These additional casinos are located in Bogota, Medellin, Cali, Costa Norte, Barranquilla, Eje Cafetero and Cartagena. Gaming licenses for certain of our casinos in Colombia were renewed in 2016 and the remainder of our gaming licenses were renewed in 2017. The gaming licenses for these casinos run until November 2021.

Panamanian Casino Operations

- ***Majestic Casino.*** Our traditional casino in Panama, Majestic Casino, in which we hold a 50% interest as of December 31, 2018, operates 18 gaming tables and 357 slot machines and is located in a prime section of Panama City.

- ***Fantastic Vista Alegre, Bingo 90, Fantastic Los Andes, Fantastic La Doña*** and ***Fantastic Los Pueblos.*** These are electronic casinos that, as of December 31, 2018, operated 346, 288, 479, 444 and 408 slot machines, respectively.

- ***Other Casinos in Panama.*** In addition to the casinos described above, as of December 31, 2018, we operated a total of 27 additional casinos in Panama with 5,580 slot machines both directly and through various joint ventures. These additional casinos are located in Panama City, David, Penonome, Santiago, Colón, Chorrera, Arraiján (Vista Alegre), Aguadulce and Chitré.

Dominican Republic Casino Operations

- ***Casino La Hispaniola*** is located in the Hispaniola Hotel & Casino in Santo Domingo, the capital of the Dominican Republic. The Hispaniola Hotel & Casino owns the premises and holds the casino operating license, and attracts customers with its various nightlife activities. Under our operating agreement with the hotel, we retain all revenues from the casino operations and pay the hotel monthly rent. In addition, the operating contract, which expires in February 2026, requires us to make certain improvements to the casino at our expense, and to pay the hotel for certain administrative services it provides.

- ***Other Casinos in the Dominican Republic.*** In addition to *Casino La Hispaniola*, as of December 31, 2018, we operated five additional casinos in the Dominican Republic, comprised of three additional casinos in Santo Domingo and two casinos in Santiago de los Caballeros *(Grand Victoria* and *Grand Admiral),* the Dominican Republic's second largest city. This includes our acquisition in November 2018 of a 100% interest in a casino located in The Renaissance Hotel of Santo Domingo, which operates 26 tables and 130 slot machines, for a total cash consideration of $14 million. All of our casinos in the Dominican Republic operate under gaming licenses granted to the hotels in which they are located. While the terms of our operating leases at each hotel vary slightly, we generally rent the casino space directly from the hotels and retain all casino revenues. Our six casinos in the Dominican Republic operated 829 slot machines and 87 gaming tables as of December 31, 2018.

Peruvian Casino Operations

- ***Majestic Lima*** casino is located at the JW Marriot Hotel in Lima, the capital of Peru. The casino had 27 gaming tables and 200 slot machines, as of December 31, 2018.

- ***Casino Miami*** is located in Lima and contained a total of 216 casino-style slot machines and 17 gaming tables, as of December 31, 2018.

- ***Other Casinos in Peru.*** As of December 31, 2018, we operated 27 additional casinos in Peru, which have an aggregate of 3,823 slot machines. This includes 17 electronic casinos in Peru, acquired on May 25, 2017, which added approximately 2,400 slot machines to our operations.

Costa Rican Casino Operations

In Costa Rica, casino licenses are granted to hotels and have no maturity term. Under our operating agreements with the hotels, we retain all revenues from the casino operations and pay the hotel a monthly rent.

- ***Fiesta Casino Alajuela*** is located at the Holiday Inn hotel next to the international airport in San Jose, the capital of Costa Rica. The casino had 186 slot machines and nine tables as of December 31, 2018. Our agreement with the hotel matures in July 2024 and has a renewal option for up to 20 additional years.

- ***Fiesta Casino Presidente*** is located at the Presidente hotel on the main commercial avenue in San Jose. The casino had 202 slot machines as of December 31, 2018. Our agreement with the hotel matures in October 2023 and has a renewal option for up to 20 additional years.

- ***Fiesta Casino Heredia*** is located at the America hotel in the metropolitan area of San Jose. The casino had 151 slot machines and four tables as of December 31, 2018. Our agreement with the hotel matures in March 2028.

- ***Fiesta Casino Herradura*** is located at the Wyndham hotel in the metropolitan area of San Jose. The casino had 75 slot machines and five tables as of December 31, 2018. Our agreement with the hotel matures in August 2027.

- ***Fiesta Casino Aurola*** is located at the Holiday Inn hotel in downtown San Jose. The casino had 87 slot machines and three tables as of December 31, 2018. Our agreement with the hotel matures in June 2034.

- ***Other Casinos in Costa Rica.*** We operated three additional small casinos in the cities of Perez Zeledon, San Carlos and Puntarenas with a combined offer of 137 slot machines and four tables as of December 31, 2018.

Moroccan Casino Operations

In Morocco, casino licenses are granted to hotels and have no maturity term.

- ***Casino Atlantic:*** On December 9, 2015 we acquired an 82% stake in *Casino Atlantic* in Agadir, Morocco, a resort town on Morocco's South Atlantic coast. Under our operating agreement with the Atlantic Palace Hotel, which matures in August 2025, we retain all revenues from the casino operations and pay the hotel a monthly rent. The casino operated 186 slot machines and 20 tables as of December 31, 2018.

- ***Casino Le Mirage:*** On February 22, 2018 we acquired a 50.9% stake in *Casino Le Mirage* in Agadir, Morocco. Our operating agreement with hotel Les Jardins Club de Agadir matures in July 2021 and allows us to renew the agreement for additional periods of five years. The casino operated 96 slot machines and eight tables as of December 31, 2018.

Bingo Division

Spain. We are the leader of the bingo market in Spain, with a total of 37 bingo halls as of December 31, 2018.

Our bingo halls generate revenues from the sale of bingo cards, operations of slot machines installed in its halls and from food and beverage sales.

Revenues from traditional bingo games in Spain have been declining in recent years. We believe that this is due to a variety of factors. In Spain, we have been introducing machines, such as electronic bingo games, slot machines, and electronic roulette games, into some of our bingo halls. We believe that the introduction of these machines in our bingo halls will partly offset the decline of traditional bingo revenues.

During the year ended December 31, 2018, our bingo halls in Spain received approximately 4.7 million visitors with an average wagered amount of approximately €72.30 per visit. In connection with efforts to reduce our cost base and enhance our portfolio, we have closed or sold underperforming halls in Spain from time to time, and may close or sell underperforming bingo halls in Spain in the future.

Mexico. We hold a license and the right to operate 29 bingo halls in Mexico, of which 21 were operating as of December 31, 2018. We acquired one new bingo hall in Guadalajara during 2018, for total cash consideration of €16 million, we opened two new bingo halls in Manzanillio and Vallarta during 2017, and closed an underperforming bingo hall in 2016. We have made significant investments in our bingo halls in Mexico in order to

remodel and expand our facilities, increase and optimize the slot machines portfolio in our halls and implement the "Casino Life" concept. The "Casino Life" concept offers our bingo hall customers a wide range of entertainment including cafes, bars, live music, sports betting, electronic bingo machines, slot machines and gaming tables. We have enhanced our offering in bingo halls by installing 146 gaming tables and 6,307 casino-style slot machines made by Bally, International Game Technology, WMS Gaming Inc. and Aristocrat.

Italy. Our Bingo Division holds minority interests in companies that owned and operated eleven bingo hall businesses in Italy as of December 31, 2018. We also operate one bingo hall business which we fully own.

B2B Division

Our B2B Division designs, manufactures and distributes slot machines and gaming kits for the Spanish and international markets, and also engages in the development of interactive gaming systems, concentrating on ready-to-market products such as interconnected slot machines, linked bingo products and electronic and online lotteries.

We sell slot machines directly from our manufacturing plant or through distributors, some of which we control or have investments in, to independent customers (mainly slot machine operators and other gaming establishments), as well as directly to our other divisions, principally the Slots Division.

Slot Machines. We manufacture a wide variety of slot machines. Our slot machines commonly feature reel and video format options, standard and "mini" sizes, full operator flexibility to adjust the limits regarding bets, maximum prize pay-out, aggregate prize pay-out as a percentage of amount wagered and other features in accordance with local regulations and operator preferences. In addition, our slot machines feature information and collection control systems and an optional bill validation device. In order to attract customers and compete with slot machines introduced by competitors, we introduce new games and themes that require our slot machines to be changed sooner than their mechanical life would require. The cost of a new slot machine is relatively small as compared to the increase in revenues attributable to a new successful game and is, on average, recovered by slot machine operators within a few months. As of December 31, 2018, the average selling price of one of our slot machines is approximately €3,259. From time to time, we provide volume discounts to purchasers.

We also offer gaming kits to convert slot machine cabinets from an old game to a new game. The cost of a kit is lower than the cost of a new slot machine, therefore, purchasing gaming kits allows our customers to increase their revenues without having to invest in a new slot machine. The mix and relative profitability of slot machine cabinets and gaming kits can vary over time due to a variety of reasons, including general market conditions, the availability and popularity of new slot machine games, differences in demand for a game among regional markets and the pricing strategy of particular slot machine producers and distributors.

Product Sales. The following table sets forth total sales of our slot machines for the periods indicated:

	Number of units sold		
	Year ended December 31,		
	2016	2017	2018
Total slot machines	24,206	23,386	22,563

Production. We assemble all our slot machines in Spain.

We design most of our main core components, and outsource their manufacturing. Our assembly processes consist of component sub-assembly, final product assembly, customization and final testing. We apply just-in-time management principles to match inventory levels to production needs.

We depend on many suppliers for the components used to assemble our slot machines. We have not encountered any significant production problems with any of these suppliers. We believe that the relevant

components could be obtained from alternative suppliers, although at a higher potential cost and with a lower probability of timely delivery.

We ensure product quality through periodic internal inspections and use prototypes and pre-series batches to certify both individual components and manufacturing processes before mass production. In addition, we provide a limited three-month warranty on slot machines sold in Spain and will replace defective products during that time period.

Distribution of Products in Spain. We distribute slot machines and gaming kits in Spain through four channels of distribution: (i) the Slots Division, (ii) independent slot machine operators, (iii) controlled distributors, and (iv) independent distributors. Large slot machine operators purchase slot machines and gaming kits directly from our sales offices. Most other slot machine operators buy from distributors who offer a wide selection of products (both manufactured by us and by third parties) at their sales showrooms and provide technical assistance. In order to obtain a direct relationship with these slot machine operators and increase our knowledge of their needs, we have acquired a 50% interest in several distribution companies which cover the most significant regions of Spain.

The following table shows our percentage sales of slot machines and gaming kits in Spain for each of our channels of distribution for the periods indicated:

	Year ended December 31,		
Distribution channels (in %)	**2016**	**2017**	**2018**
Slots Division	33.3	36.8	31.8
Independent slot machine operators	10.9	9.9	8.5
Owned slot machine distributors	26.4	30.5	30.0
Independent slot machine distributors	29.4	22.8	29.7
Total	**100.0**	**100.0**	**100.0**

Research and Development. We design all aspects of slot machines, from the rules and graphics of the game to computer software and hardware. We believe that the design of slot machines is critical in attracting players. In order to maintain player interest, games must be attractive, visually stimulating, interesting and varied. Consequently, we regularly test consumer views of the games' aesthetics, features and quality, as we seek to provide a regular supply of new and popular games to the market.

As of December 31, 2018, we had a team of over 96 employees in our research and development group, including software programmers and designers who are responsible for designing software that is used in our new slot machine models. Our most popular slot machine models incorporate software designed by our research and development group.

Our interactive business is focused on network systems, linked bingo products, online lotteries and electronic instant lotteries. We are also working to develop video lottery management systems.

Networks. We support the Italian slots business by providing a platform that enables the interconnection of thousands of slot machines. This network systems technology is also used in the network for our Italian VLT business and Spanish slots operations.

Competition

Slots Division

Due to the fragmentation of the slot machine segment in Spain, we compete with a large number of regional and, generally, much smaller slot machine operators. There are, however, several significant competitors, including Egasa, Codere and Orenes, which we believe are substantially smaller than us. In Italy, we compete with a number of other authorized slot and VLT operators, some of which are substantially larger than us and have access to significant financial resources. The principal factors of competition in this segment are the ability to maintain good on-going relationships with site owners, provide excellent service to the site owner and place popular slot machines and VLTs at the most attractive sites. In order to obtain the most profitable sites, we may selectively acquire slot machine operators when available. To retain the profitable sites, we must offer attractive renewal agreements to our current site owners. As the market for slot machines is consolidating, we may compete with these larger competitors to acquire new or existing slot machine sites.

Casinos Division

Although casino owners have had limited direct competition from other casinos, we may face competition from other forms of gaming, for instance bingo hall operators. In Spain and Latin America, the number of casino licenses issued may increase in certain jurisdictions in which we operate and, as a result, there may be an increase in direct competition between casinos. The principal competitive factors in the industry include the quality and location of the facility, the nature and quality of the amenities offered and the implementation of successful marketing programs.

Bingo Division

Although the bingo hall market in Spain is characterized by a few large companies, we compete with a large number of regional bingo hall operators. Our principal competitors, each of which is substantially smaller than us, are Grupo Alfredo García, Grupo Ballesteros, Grupo Rank and Grupo Orenes Franco. In addition, we estimate that independent owners operate several hundred bingo halls throughout the country. In Mexico, we compete with other licensed bingo hall operators and unlicensed operators. Operators of bingo halls also face competition from other forms of gaming. We believe that our size allows us to compete effectively in the bingo hall market and that the increased availability of advanced technologies will bring further consolidation in bingo hall operations.

B2B Division

In the manufacturing of slot machines for Spain, there is a high level of competition between a small number of manufacturers who dominate the Spanish market. The Spanish slot machine market is a separate market from the international slot machine market due to consumer preferences and Spanish regulations which impose, amongst other things, specific design requirements on slot machines that are not placed in casinos. In slot machine manufacturing, our main competitors in Spain are Recreativos Franco and Novomatic. The quality, appeal and originality of games are the key factors in determining the success of our B2B Division.

Manufacturers of slot machines can be expected to continue to improve the design and performance of their slot machines and to introduce new popular games with greater revenue producing potential and more competitive prices. From time to time, one or more of our new games may prove unsuccessful, which may cause our market share to erode and our profitability to decrease. We generally have been successful in introducing popular new games in the past and, because of our continuing commitment to research and development, we believe that we can continue to produce popular new games in the future.

Technological Change

Constant innovation is particularly important in the manufacture of slot machines, because they have a short commercial life. For instance, we believe that the average commercial life of an installed slot machine is approximately four to five years in Spain. In addition, existing technology (such as internet gaming), as well as proposed or as yet undeveloped technologies may become more popular in the future and render our games less profitable or even obsolete. We believe that we have developed technological and other advantages such as the proprietary technology contained in some of our most popular games, as well as slot machines in video formats which allow a wide variety in choice of games, including poker, blackjack, keno and bingo. However, there can be no assurance that these technological and other changes will allow us to continue to innovate and compete effectively.

Property, Plant and Equipment

We lease our principal executive offices which are located at Carretera de Castellar, 298, Terrassa (Barcelona), Spain, and are owned by Nortia.

Employees

We employed 14,398 employees as of December 31, 2018. Most of our employees have a permanent employment contract. The following tables set forth a breakdown of our employees by the main category of activity and geographic area as of December 31, 2018:

Category of activity	Number
Slots	2,435
Casinos	7,876
Bingo[1]	3,296
B2B	405
Corporate	386
Total	14,398

(1) Includes employees of bingo halls in which we own less than a majority interest.

Geographic area	Number
Spain	4,448
Italy[1]	563
Colombia	2,739
Panama	1,482
Dominican Republic	1,047
Mexico	2,031
Peru	1,283
Other	805
Total	14,398

(1) Includes employees of bingo halls in Italy in which we own less than a majority interest.

In Spain, we are subject to different national and regional industry-wide collective bargaining agreements in each of the respective sectors in which we operate, except for our casinos in Marbella, Valencia and La Toja, whose employees are party to collective bargaining agreements directly with us. In addition, we are a party to a collective bargaining agreement with the employees of Universal de Desarollos Electronicos, S.A., a slot machine manufacturing subsidiary, concerning hours of employment. Under the relevant national and regional collective

bargaining agreements, salary scales are established for each position in each industry. These salary scales are usually revised annually and typically provide for increases in the salary scales in accordance with increases in the consumer price index in Spain or a slightly larger increase (usually 1% to 2%). We have a policy of meeting or exceeding the established salary scales for our employees.

We believe our relationships with employees and unions to be satisfactory.

Licenses and Trademarks

We have registered our corporate logo and have registered, or are in the process of registering, each of our relevant brand names, marks and logos which distinguish our products for trademark protection in Spain and other jurisdictions, including the European Union and the United States.

Environmental and Other Government Regulations

Our production facilities and our premises are subject to environmental, health and safety and other laws and regulations, including laws and regulations governing disposal of solid and a variety of hazardous waste and water discharges. We are required to obtain environmental licenses for our production facilities and are also subject to periodic inspections by regulatory authorities.

Our products, activities and premises are subject to regulatory approvals in the countries in which we act as an operator of slot machines, casinos or bingo halls or the countries in which we sell our slot machines. See "*Regulation*."

Litigation

Arbitration relating to our Sportium joint venture

On December 2, 2013, Ladbrokes B&G and Cirsa entered into a joint venture agreement in connection with the provision, under the *Sportium* brand, of sports-betting, both online and through betting machines. In March 2018, GVC Holdings plc acquired the entire issued share capital of Ladbrokes Coral Group, which included Ladbrokes B&G, Cirsa's joint venture partner. In July 2018, Cirsa was acquired by Blackstone. A dispute has arisen between Cirsa and Ladbrokes B&G regarding the meaning and scope of the change of control provisions under the *Sportium* joint venture agreement and, more specifically, whether it grants the parties reciprocal rights of protection where a competitor acquires one of the partners of the *Sportium* joint venture.

On July 11, 2018 Cirsa filed a request for arbitration proceedings against Ladbrokes B&G before the *Corte de Arbitraje del Ilustre Colegio de Abogados de Madrid* ("*CIMA*"), claiming, among other things, that GVC's acquisition of Ladbrokes B&G was a change of control according to the joint venture agreement and asserting Cirsa's right to acquire Ladbrokes B&G's shares in *Sportium* at fair market value due to the change of control provision. On September 10, 2018, Ladbrokes B&G filed its response and initiated a counterclaim asserting that Blackstone's acquisition of Cirsa was a change of control according to the joint venture agreement and, accordingly, Ladbrokes B&G has the right to acquire Cirsa's shares in the *Sportium* joint venture. On March 29, 2019, Cirsa filed its statement of claim, where it developed the facts and legal grounds underlying its claim against Ladbrokes B&G. Ladbrokes B&G is required to submit the statement of defense and counterclaim by June 3, 2019. The arbitration proceedings are in its early stages and we are unable to provide an assessment of the possible outcome at this time. See "*Risk Factors—Risks Relating to the Gaming Industry and Our Business—There is a risk that we may lose our share in the Sportium joint venture and that our existing joint venture in relation to Sportium may terminate*."

Criminal proceedings relating to Mutua Universal

On February 16, 2016, Cirsa Gaming Corporation was served with two decisions issued by the Instruction Court No. 21 of Barcelona (the "*Instruction Court*") by means of which Cirsa Gaming Corporation (i) was called to appear before the Instruction Court as a third party with direct civil liability in the criminal proceedings initiated against Mutua Universal and eleven of its managers; and (ii) was ordered to deposit the amount of €1,475,523.20 in order to cover its potential civil liability. The Instruction Court's basis for issuing the orders to Cirsa Gaming Corporation (along with the other 2,289 other clients of Mutua Universal) was the presumption that Cirsa Gaming Corporation had recognized benefits resulting from criminal offenses committed by Mutua Universal and eleven of its managers. On February 16, 2019, pursuant to a new order of the Instruction Court, Cirsa was asked to deposit the amount of €1,475,523.20 in order to cover its potential civil liability. Cirsa intends to comply with this court order and is considering various options to do so.

These criminal proceedings were initiated by the Public Prosecutor and the Social Security Fund after verifying certain allegations that part of the funds Mutua Universal received from the Spanish Social Security were illegally used for promotional activities of Mutua Universal. These activities included different kinds of services that Mutua Universal rendered to its clients. According to media reports, larger companies like Cirsa Gaming Corporation are the principal targets of the order as many of Mutua Universal's other 2,289 clients have since disappeared. Media reporting also indicates that there is no evidence that the companies subject to the Instruction Court's order were conscious that the promotional activities carried out by Mutua Universal which are the subject of the criminal proceedings could be considered criminal offences. While we intend to continue to contest any liabilities determined in respect of this matter, under the Original Acquisition Agreement, the Original Sellers have agreed to indemnify, up to an agreed cap, liabilities arising out of this matter, which we believe will substantially cover any liabilities that are finally determined.

ADM determination

The decision of thhe Regional Administrative Court of Lazio in Italy is pending regarding whether Cirsa Italia is liable to pay €1.6 million of assessed tax obligations of its partner operators which remain outstanding under the 2015 Italian Budget Law, on the basis of joint and several liability. See "*Regulation—Italy.*"

Other Litigation

We are involved in a number of other legal proceedings and claims incidental to the normal conduct of business. We believe that these other proceedings and claims will not individually or in the aggregate, have a material adverse effect on our business, financial condition, or results of operations.

REGULATION

European Union

There is currently no specific EU legislation governing gaming activities. Instead, general EU rules and principles under the Treaty on the Functioning of the European Union apply to gaming activities.

The EU Court of Justice has recognized that the legislation on games based on chance is one of the areas in which there are significant moral, religious and cultural differences between the EU Member States. In the absence of harmonization in the European Union on such matters, each EU Member State must determine, in accordance with its particular value system, what is required in order to ensure that the relevant interests are protected. EU Member States are free to set their policy objectives and restrictions on betting and gaming and, where appropriate, to define in detail the level of protection required. However, the restrictive measures that they impose may constitute restrictions to the freedom to provide services in the EU internal market and must accordingly satisfy the conditions laid down in the case law of the EU Court of Justice as regards their proportionality with respect to achieving the objectives of the relevant EU Member State.

Gaming activities which involve wagering a stake with pecuniary value in games of chance, including lotteries, gaming in casinos and betting transactions are excluded from the scope of EU Directive 2006/123/EC of the European Parliament and of the Council of December 12, 2006 on services in the internal market. This Directive aims to eliminate barriers to the development of service activities between Member States in order to strengthen the integration of the peoples in Europe and to promote balanced and sustainable economic and social progress. The implementation of this Directive has implied the material amendment of a large number of laws and regulations of each of the Member States.

On October 2012, the EU Commission sent to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, a communication towards a comprehensive European framework for online gambling. The EU Commission is not proposing EU-wide legislation on online gambling. It is proposing a comprehensive set of actions and common principles on, amongst others, protection of consumers, minors and vulnerable groups, responsible gaming advertising, prevention of fraud and money-laundering and prevention of and responding to betting-related match-fixing. On July 14, 2014, the EU Commission adopted the Recommendation on the principles for the protection of consumers, players and minors through the adoption of principles for online gambling services and for responsible commercial communications of those services, in order to safeguard health and to also minimize the eventual economic harm that may result from compulsive or excessive gambling. In preparing this Recommendation, the EU Commission has drawn from good practices in the Member States. The Member States were invited to notify the commission of any measures taken pursuant to this Recommendation by January 19, 2016 to allow the EU Commission to evaluate the implementation of this Recommendation. On November 27, 2015, the gambling regulatory authorities of EEA Member States signed a cooperation arrangement to enhance administrative cooperation with respect to certain challenges of online gambling.

On December 7, 2017 the European Commission issued a press release referencing the decision of the European Commission to close infringement procedures and complaints in the gambling sector against Member States, acknowledging the broader political legitimacy of the public interest objectives being pursued by Member States when regulating gambling services and that it is not a priority for the European Commission to use its infringement powers to promote an EU Single Market in the area of online gambling services. However, the European Commission will continue to support Member States in their efforts to modernize their national online gambling legal frameworks and to facilitate cooperation between national gambling regulators.

Spain

Traditional Gaming

The traditional private gaming sector (where physical presence is a requirement) in Spain was legalized in 1977. Initially, the Spanish national government regulated the traditional private gaming sector (slot machines, bingo halls and casinos) through national regulations applicable to the entire country. The Spanish Constitution allowed the Spanish Autonomous Regions (each, a "*Region*" and together, the "*Regions*"), to regulate traditional gaming activities within the scope of their territory, as long as they did not invade the powers reserved to the State by the Spanish Constitution. Therefore, in Spain, traditional gaming is generally regulated at a regional level, and the national legislation applies where no regional legislation exists, but it does not regulate a specific gambling activity or when the gambling activity affects more than one Region. At present, most of the Regions have passed extensive legislation governing traditional private gaming, including the granting of the relevant operating licenses and authorizations, tax measures and the monitoring of each type of private game. Additionally, the Regions can regulate the public traditional gaming market (lotteries) within their own territorial areas. Regulation of the traditional private gaming market is similar across each of the Regions. National laws and regulations on traditional private gaming, however, exist and are applicable in Regions under certain circumstances, as explained above. Certain residual responsibilities, such as assistance with standardization of slot machines and collection of industry statistical information, are within the purview of the Spanish Gaming Authority *(Dirección General de Ordenación del Juego)*.

Any changes in the regulatory scheme in Spain or in any other jurisdiction in which we operate may have an adverse effect on our business. See *"Risk Factors—Risks Relating to the Gaming Industry and Our Business—The gaming industry is subject to extensive regulation (including applicable anti-corruption and economic sanctions laws) and licensing requirements and our business may be adversely affected by our inability to comply with these extensive regulation and licensing requirements, regulatory changes and increases in the taxation of gaming, which could result in litigation."*

Below is a summary of certain of the regulations and taxes that apply to the operation of slot machines, casinos, bingo halls, arcades and gaming halls, betting activities and online gaming in Spain. This summary does not purport to be complete and only refers to traditional versions of these games where physical presence is required. The Spanish traditional gaming regulatory regime is highly complex and regulation changes are frequent. Whether national or regional regulations apply depends on various factors, including the type of game operated and the Region in which the game is operated.

In addition to gaming and gaming taxes legislation, gaming operators and activities are subject to other legislation, governing, among other things, environmental, zoning, publicity and protection of minors matters. For instance, as a consequence of zoning and environmental legislation, gaming operators are obliged to obtain the relevant licenses from the local authorities of the city where the activities are carried out, in addition to the gaming sector authorizations described in this section. On anti-money laundering and terrorism prevention, Spain approved in 2014 a piece of regulation establishing specific measures related to payment of prizes and due diligence client identity measures in gambling activities. This regulation implements the Act on anti-money laundering and against financing of terrorism of 2010 and applies to both traditional and online gaming. On May 20, 2015, the European Parliament and the Council adopted Directive (EU) 2015/849 of May 20, 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC. Amongst others, this Directive applies to providers of gambling services. Member States were required to bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by June 26, 2017. According to this Directive, the use of gambling sector services to launder the proceeds of criminal activity is of concern. In order to mitigate the risks relating to gambling services, it establishes the obligation for providers of gambling services posing higher risks to apply customer due diligence measures for single transactions amounting to €2,000 or more. Member States should ensure that obliged entities apply the same threshold to the collection of winnings and wagering of

stakes, including by the purchase and exchange of gambling chips, or both. Spain has transposed this Directive into national law with the approval of the Royal Decree Law 11/2018, of August 31, 2018 on the transposition of the Directives regarding the preservation of supplementary pension rights, prevention of money laundering and entry and residence of third-country nationals, and which modifies the Act 39/2015, of October 1, 2015 of the Common Administrative Procedure of the Public Administrations. The Royal Decree set forth the due diligence measures to be implemented by the providers of gambling services (concerning, among others, the identification of customers and, in particular, the due diligence measures that should be applied when customers perform transactions amounting to €2,000 or more in a single operation or in several operations that seem to be related).

General

In Spain, gaming operations (including authorizations, gaming activities and wages placed on slot machines and in casinos and bingo halls) and the opening of arcades and gaming halls, are subject to gaming taxes. In general, the gaming taxpayer is the person or entity to which the operating license has been granted. For example, the slot machine operator is the gaming taxpayer in connection with the operation of slot machines.

Unless a Region has established its own regulation, gaming taxes are assessed by applying a fixed tax rate to the total amount wagered by customers (the tax base) and, generally, are paid on a quarterly basis.

Slot Machines

Slot machine manufacturers, distributors and operators, as well as others engaged in the slot machines business, must comply with laws and regulations that govern all aspects of slot machines, including the physical characteristics of the slot machines, amounts wagered, prize payout statistics and locations where each type of slot machine may be placed. In certain Regions, a transfer of ownership interest in slot machine manufacturers and distributors is subject to prior authorization by, or prior notification to, the relevant Region. Regulations generally distinguish among several types of slot machines as described below, although certain Regions expressly exclude some of them:

- *Amusement-only Slot Machines (known in the Spanish gaming industry as Type A slot machines).* These are slot machines of mere leisure or amusement and they are limited to giving the player a certain length of playing time in exchange for the price of the game (or in certain Regions and under certain circumstances, a prize-in-kind). Amusement-only slot machines cannot give the player any kind of cash, chips or other type of prize that is exchangeable for cash or other items (except for extra time if the player wins). Generally, amusement-only slot machines may be placed within bars, cafés, restaurants, arcades and sites that provide amusement-only slot machine entertainment. Possible locations include hotels, camp grounds, cruise ships, amusement centers, gaming halls, family entertainment centers, bingo halls and casinos.

- *Amusement-with-prize Slot Machines (known in the Spanish gaming industry as Type B slot machines).* These slot machines are amusement-with-prize slot machines that, in exchange for the price of a game, give the player a certain length of playing time, and in accordance with the game program, reward the player with a cash prize. Amusement-with-prize slot machines are subject to regulatory approval in each Region in which they are sold. The regulations typically provide that, among other things, the slot machine must have (i) a maximum wager of €0.20 (although Aragon and Castilla-La Mancha allow maximum bets up to €1 instead of €0.20 and most Regions allow "five times bet" slot machines which provide that in certain circumstances up to €1 may be wagered), (ii) a maximum prize of 500 times the price of the wager (except in La Rioja, where the maximum prize must be 400 times the price of the wager or 600 times if the game is played simultaneously) and (iii) a minimum payout of at least 70% (75% in Asturias) of the amount wagered by players. Type B slot machines may be installed in gaming halls, certain areas of bingo halls, certain bars and restaurants and casinos. Certain Regions limit the number of amusement with prize slot machines that may be authorized. Video Type B slot machines are permitted throughout Spain.

- *Casino-type Slot Machines (known in the Spanish gaming industry as Type C slot machines).* Casino-type slot machines offer the player, in exchange for the price of the game, a certain length of playing time and, eventually, a prize that will always depend on chance. The main characteristics of Type C slot machines are: (i) in practice, the regulators allow higher maximum wagers and maximum prizes of up to 2,000 times the value of the wager, excluding accruing jackpots or other special payouts, (ii) the minimum payout is required to be at least 80%. In Spain, only casinos may own and operate casino-style slot machines. For a discussion on the regulations regarding the operation of casinos and taxation of casino-style slot machines, see *"—Casinos."*

- *Amusement-with-prize in kind Slot Machines (known in the Spanish gaming industry as Type D slot machines).* These slot machines are amusement-with-prize in kind slot machines that, in exchange for the price of a game, give the player a certain length of playing time, and in accordance with the game program and the skills of the player, eventually reward the player with a prize in kind. These type of slot machines are currently authorized in several Regions. Most of the regulations provide that, among other things, the maximum price of the game is €1 and the maximum value of the prize is generally 20 times the price of the wager. Moreover, the regulations generally provide that the prizes have to be visible and the player has to be able to identify them from the outside.

- *Bingo-type Slot Machines (which have different names depending on the Region (type B3, B4, D, E or Special)).* These slot machines are based on the Bingo game and can only be installed in gaming salons, bingo halls and casino halls with certain limitations. These slot machines in exchange for the price of a game, give the player a certain length of playing time and, eventually, reward the player with a prize in cash in accordance with the game program previously established. The maximum wager is €6. The minimum payout is required to be at least 80% (except in Baleares, where the minimum payout is required to be 75%). Generally, the maximum value of the prize is 1,000 times the price of the wager, although in some Regions, for example in Galicia, the maximum value of the prize can be lower, and in other Regions, for example Aragon, Castilla y Leon and Extremadura, the maximum value of the prize may be higher. If the bingo-type slot machines are connected with other bingo-type slot machines (in the gaming hall where they are located or in other gaming halls), the maximum value of the prizes may be much higher. There are also special-type bingo-type slot machines for arcades which allow bets from €1 up to €6 (depending on the Region) with the same value of the prizes.

In most of the Regions certain slot machines located in bingo halls or arcades are permitted to be linked to other slot machines at the same location or located at other gaming halls. When slot machines are interconnected, much higher prizes are allowed.

Each type of slot machine must comply with specific requirements set forth in the applicable laws and regulations of the relevant Region. These requirements are mandatory for the slot machine to be duly registered at the relevant models registry. Registration of each model is mandatory prior to obtaining any of the authorizations to manufacture, market, distribute or operate each slot machine model. Additionally, each slot machine must be marked with the name of manufacturer and the operating permit. Recently, most Regions have relaxed requirements for the operation of amusement-only, or Type-A, slot machines.

Before commencing operations, all slot machine manufacturers, distributors and operators, as well as others engaged in the slot machine business, must register with and be approved by the gaming authority of the Region in which they intend to conduct operations. The registration and authorization processes include, among other things, a demonstration of sufficient technical and financial resources and professional expertise to operate the slot machines, criminal background check and deposit of a guarantee to ensure regulatory compliance. Slot machine operators are also required to deposit an additional guarantee with the relevant regional authority in an amount which is based on the number of slot machines to be operated in the relevant Region. The amounts of the required guarantees vary across each Region.

In addition to regulations regarding the types of slot machines, there are regulations regarding the types of sites at which slot machines can be placed and the number of slot machines that can be placed in each type of site. For example, most Regions allow only one or two slot machines per bar, café or restaurant or a certain number per arcade or gaming hall. In addition, for each slot machine, the owner of the site and the operator of the slot machines must each file an application with the relevant Region to obtain approval to place the slot machines at the site. Most Regions provide approval for installation of slot machines for a period of one to five years. Some Regions require that a site owner use the same slot machine operator during the approved time period.

Slot machine operators are required to maintain certain documentation related to the slot machines they operate, including their authorizations to operate the slot machines, in the event an inspection takes place.

The slot machine operator is required to pay gaming tax on a quarterly basis to the Region in which the slot machine is operated for each Type B slot machine and Type C slot machine in operation.

In the case of slot machines, there is no taxable base, since an annual fixed amount must be paid for each of them. The annual fixed amount varies depending on the type of slot machine and can be increased when there can be more than one player at the machine at once or the wages per game modify the game's maximum authorized price.

Each Region has a sanctioning regime in the event of breaches and infringements of the applicable gaming laws and regulations. Additionally, manufacturing, distributing and operating authorizations may be revoked if the relevant regional authority determines that a manufacturer, distributor or operator has not complied with applicable gaming laws and regulations.

Casinos

Authorizations to install and operate casinos are governed by each Region. Generally, when a Region intends to grant authorizations for a new casino, it conducts a public tender. Companies participating in the public tender provide proposals for the new casino to that Region that sets forth how the proposed casino falls within the requirements of the authorization that the Region intends to grant. Requirements for a new casino may include size, location, approximate number of jobs to be created, the types of financial guarantees to be provided by the applicant and the amount of the investment to be made in that Region. The Region will grant the authorization to the applicant whose proposal best matches the terms and conditions of the authorization that Region intends to grant. Generally, only a limited number of casinos may be authorized within a Region.

In addition to obtaining authorization from the Region to install a new casino, the applicant must also obtain authorization from that Region to operate the casino. The authorization to operate the casino is not transferable without prior approval by the competent authority subject to certain conditions. A transfer of ownership interest in the casino, however, is permitted, so long as the Region is notified, or in some Regions, the Region approves the transfer. Similar to a company intending to operate a bingo hall, a company intending to operate a casino must satisfy certain requirements, such as having valid corporate status in Spain, having a primary business purpose of operating casinos, being organized by individuals and having a minimum fully subscribed share capital (for example, €12 million in Madrid). In addition, shares are to be nominative and participation in more than one to three casinos (depending on the Region) within the relevant Region is prohibited. In addition, the shareholders of record and directors of a casino company must not have been convicted of any criminal offense. These authorizations are usually granted for an initial period of one year and then are renewed for successive periods varying in length of up to 10 to 15 years, depending on the Region. Generally, an authorization holder must obtain prior approval from the granting Region if it intends to deviate substantially from the terms and conditions under which it was granted the authorization to install the casino or from the authorization to operate the casino. For instance, the change of location within the Region of an authorized casino in certain cases is forbidden and, in others, as in Valencia, subject to prior authorization by the Region. A sanctioning regime exists in the event of breach or infringement of the applicable casino laws and regulations. Additionally, the regional

authorities may revoke the authorization of a company to operate a casino if they determine that such company has not complied with the applicable laws and regulations.

On March 17, 2016, the Region of Galicia approved a new Regulation on casinos that also applies to existing authorized casinos. Amongst others, this Regulation creates the Regional Registry of Casinos for companies manufacturing and importing casino material or operating casinos in the Region of Galicia, and introduces the possibility for companies already operating a casino in the Region to install and operate one additional hall (as appendix) located outside the premises of the main casino, *provided* that the relevant requirements are fulfilled and that such additional hall is authorized by the competent authority. Among others requirements, the additional casino hall must be located in a different city but within the same province as the main casino. Additionally, according to the Regulation, the additional hall may have a maximum gaming area of 80% of the total gaming area of the main casino. In addition to the specific obligations for the installation and operation of the additional hall, it will be subject to the same obligations and provisions as the main casino.

Generally, casinos are subject to periodic compliance inspections by the relevant regional authorities.

Casinos are required to provide certain services, including restaurant and bar services. Casinos must also comply with certain personnel requirements and maintain certain accounting records as required by applicable laws and regulations. Casinos operating slot-machines are also subject to compliance with the relevant laws and regulations approved by the relevant Region on this matter.

Casinos are also required to pay gaming taxes on a quarterly basis to the Region in which they are located. Taxes are based on applying a progressive tax scale to the amount equal to the difference between the total revenues generated and the prizes paid to players.

The Regions of Madrid and Catalonia have approved Acts allowing the installation and operation of, prior to the relevant tender procedure, new casinos in Integrated Development Centers *(Centros Integrados de Desarrollo)* and Touristic Entertainment Centers *(Centros Recreativos Turisticos)* respectively. These Acts also establish a beneficial gambling tax regime for casinos in both regions, with a flat tax rate of 10%, once a casino starts operations in these Centers. At present, no casinos have been authorized to operate in any Integrated Development Center in Madrid. In Catalonia, after the relevant tender procedure, an authorization to install and operate a gambling casino in the Vila-seca and Salou Touristic Entertainment Center (*Centro Recreativo Turístico de Vila-seca y Salou*) was granted by the Director General for Taxation and Gaming of the Government of Catalonia by means of the Resolution VEH/985/2018 of May 22, 2018, published at the Official Gazette of the Regional Government of Catalonia No. 7627 of May 25, 2018.

Bingo Halls

In some Regions, authorizations to establish and operate bingo halls are only granted to charitable, cultural or sporting institutions and hotels. These institutions usually enter into operating agreements with gaming companies that actually manage the bingo halls. In other Regions, an authorization may be awarded either to such institutions or directly to a gaming company which intends to establish and operate a bingo hall. In either case, a company or other entity intending to establish and operate a bingo hall must satisfy several requirements in order to obtain the relevant authorization. In the case of companies, amongst other requirements, they must have valid corporate status under Spanish law in order to be authorized to establish and operate a bingo hall. Such companies also must have a fully subscribed and paid in share capital in an amount that varies depending on the Region. In addition, the shareholders of record and directors of a bingo company must not have been convicted of a criminal offense. Furthermore, in some Regions (for example, in Andalusia and Catalonia) neither an individual nor a legal entity is permitted to be a shareholder in more than a certain limited number of bingo hall companies. Other shareholding restrictions are imposed on directors of bingo hall companies in some Regions. Additionally, in other Regions, such as in Catalonia, a company is not allowed to hold more than a certain limited number of bingo halls within the Region.

In addition to being registered with the relevant regional registry, a company or other entity is required to obtain two authorizations from the relevant Region in connection generally with the operation of bingo halls: first, authorization for the installation of the bingo hall premises and, second, authorization for the operation of the bingo hall. The requirements for obtaining authorization to install a bingo hall include proving the availability of a site, providing a guarantee to the relevant Region in order to assure compliance with regional regulations, and obtaining the relevant local permit to operate the bingo hall premises and the relevant local planning council's permission to build on the proposed site. The requirements for obtaining approval from the regional authority to operate a bingo hall include local authorization to open the bingo hall premises, filing certain documents with the regional authority, such as a list of employees, and complying with an on-site inspection of the bingo hall premises. The authorization for operation of the bingo hall varies in duration from three to ten years depending on the Region, generally with automatic extensions for the same periods of time, on the terms established in the relevant regional laws and regulations. It is possible to transfer ownership interests in a bingo company, so long as the relevant Region is notified or, in some Regions, the Region approves the transfer. The transfer of the authorizations is possible in most of the Regions as long as the transferee qualifies to hold them and prior authorization is obtained from the Region. Generally, an authorization holder must obtain prior approval from the granting Region if it intends to deviate substantially from the terms and conditions under which it was granted the authorization to install a bingo hall or the authorization to operate the bingo hall were granted. Non-material deviations require only notification to the relevant regional authority. A sanctioning regime exists in each Region in the event of breach or infringement of the applicable bingo laws and regulations. Additionally, authorizations may be revoked if the respective holder does not comply with the relevant laws and regulations.

Bingo halls are subject to a number of regulations relating to types of bingo games, location, size and opening hours of the bingo hall, the activities at the bingo hall and the activities of employees. The required traditional bingo card price ranges from €1.5 to €10. Generally, there is a required minimum payout from 63% to 75%, depending on the Region in which we operate, of the amount wagered by the bingo players on gaming cards in most Regions. In addition, the majority of the Regions have passed regulations concerning electronic bingo. These regulations establish the requirements for electronic bingo manufacturers including, among others, the obligation to be registered at the relevant regional registry and the obligation to obtain approval for the electronic bingo systems.

Bingo halls are required to pay gaming taxes on a quarterly basis to the Region in which they are located. These taxes are based on the actual value of the bingo cards and not on any discounted price at which bingo cards may be sold to customers.

Generally, a limited number of amusement-with-prize slot machines may be operated in or adjacent to the bingo halls. Casino-type slot machines and other gaming activities (other than betting activities) are not permitted in bingo halls but only within casinos. Although the exact number varies by Region, generally, the number of amusement-with-prize slot machines permitted in a bingo hall depends on the number of seats in or the surface of the bingo hall. Bingo companies are typically able to obtain the necessary authorizations to operate the stipulated number of amusement-with-prize slot machines.

In some Regions interconnected versions of bingo are operated. For example, in Catalonia, three times each evening, players in approximately 55 participating bingo halls play bingo against one another. Some Regions also allow interconnected versions of bingo between Regions.

A national anti-smoking law came into force in Spain in 2006. The law has been implemented by each of the Regions, and the terms of such implementation vary among Regions. As of January 2, 2011, a strict new anti-smoking law took effect throughout Spain that bans smoking in many types of establishments, including bars, restaurants and casinos.

Arcades and Gaming Halls

In Spain, regional laws and regulations stipulate the requirements for operating slot machine arcades and gaming halls. While there are minor differences between the regional laws and regulations, the main obligations for arcades and gaming hall operators may be summarized as follows: (i) to be registered at the relevant regional registry as gaming hall operators, stating the slot machine type that they intend to manage and operate at the arcades and gaming halls; (ii) to obtain a specific authorization; (iii) to provide a guarantee securing compliance with regulatory requirements, the amount of which will depend on the regional regulation; (iv) to obtain the relevant operating licenses awarded by the municipality; (v) to communicate to the regional gaming authority any change in the information supplied to the regional authority for the purposes of registration (in some cases, such as license transfers or share purchases, the modification of such information may require prior approval by the regions); and (vi) in some regions (such as Castilla-La Mancha and Comunitat Valenciana), to furnish annual or monthly reporting of certain information to update the registry.

A sanctioning regime is provided for in each Region in the event of a breach or infringement of the applicable gaming hall and arcades laws and regulations.

Betting activities

All Regions in Spain have passed regulations on betting activities. Some Regions regulate bets in general, while others (such as Aragon) have a specific regulation on sports bets. Bets are generally defined as the activity in which the player risks an amount of money on an event previously determined that has an uncertain outcome and cannot be controlled by the player. In general, there are two types of bets, which are live bets (to be performed before the end of the event on which the bet is made) and bets on the result (to be performed before the start of the event). To operate as a bet organizer, regional regulations generally require the registration of the operator, and in some Regions an authorization from the regional administration. In addition, the operator is required to deposit a guarantee of an amount that varies depending on the Region.

Online Gaming

Spanish State Law 13/2011, adopted May 27, 2011 on gaming *(Ley 13/2011, de 27 de mayo, de Regulación del Juego)* (the "*Gaming Act*") is the primary legislation governing the national gaming sector in Spain and provides a framework for the management and conduct of gaming activities on a national level, in particular for those gaming activities conducted by means of electronic communication, including, among others, the internet, television, telephone, interactive systems and software tools where physical presence of players is ancillary (in contrast to traditional gaming activities played in person).

The Gaming Act aims, among other things, to encourage a varied and duly dimensioned gaming market in Spain, which allows for third parties to provide State-wide games (other than lottery) by means of electronic communication, subject to State control in order to protect the different interests involved and preserve public order. With respect to non-occasional lottery games, the Gaming Act designates the National Lottery Operator *(Sociedad Estatal de Loterias y Apuestas del Estado)* and the National Organization of the Blind *(Organización Nacional de Ciegos Españoles)* as the only operators authorized to operate such games on a national basis in Spain. The Gaming Act has been implemented with the approval of different regulations, including, amongst others, those related to licensing by Royal Decree 1614/2011 of November 14, which develops the Gaming Act with respect to licenses, authorizations and gaming registers *(Real Decreto 1614/2011, de 14 de noviembre, por el que se desarrolla la Ley 13/2011, de 27 de mayo, de regulación del juego, en lo relativo a licencias, autorizaciones y registros del juego),* the technical aspects of gaming activities by Royal Decree 1613/2011 of November 14, which develops the Gaming Act with regard to the technical requirements of gaming activities *(Real Decreto 1613/2011, de 14 de noviembre, por el que se desarrolla la Ley 13/2011, de 27 de mayo, de regulación del juego, en lo relativo a los requisitos técnicos de las actividades de juego)* and those Ministerial Orders governing various types of games (including, among others, horse betting, sports betting, poker, black jack, bingo, roulette, slot machines and crossed betting). On February 27, 2018, the Government carried out a public consultation about the suitability of modifying the Ministerial Orders

regulating the different types of online games in Spain. Although the public consultation was closed in March 2018, the Ministerial Orders regulating the different types of games have not been modified to date. Non-regulated games are prohibited.

The purpose of the Gaming Act is to govern gaming activities carried out on a national basis in order to preserve public order, combat fraud, prevent addiction, protect the rights of minors and safeguard the rights of participants in gaming activities. The Gaming Act also regulates advertising, sponsorship and promotion activities relating to gaming. The Gaming Act additionally sets forth (i) the legal definition for certain games; (ii) the primary factors to be taken into account by the Spanish authorities when approving the regulations governing the types of games that may be provided; (iii) prohibited games; (iv) individuals prohibited from participating in games governed by the Gaming Act; (v) rules relating to consumer protection and on responsible gaming; (vi) the applicable licensing regime for state-wide gaming activities conducted by means of electronic communication; (vii) the authorization regime for lottery games; (viii) monitoring measures applicable to operators and participants; (ix) standardization of gaming technical systems; (x) sanctioning and tax regimes; and (xi) the entities that are authorized to operate non-occasional lottery games in Spain.

Anyone seeking to provide gaming activities on a regular basis must obtain a general license for the relevant category of game identified by the Gaming Act. These licenses are awarded by means of a public tender. After obtaining the general license, the operation of each of the games within the scope of a general license is subject to the grant of a specific license. Likewise, the provision of gaming activities on a non-regular basis requires prior authorization.

General licenses may be granted for a ten-year period with the possibility for renewal for a subsequent ten-year period, except in those cases where the number of general licenses awarded was limited and certain conditions set forth in the Gaming Act occur that justify the need to call for a new public tender after the initial term has elapsed (e.g. the existence of a third party interested in obtaining a license). Specific licenses will be granted for a term of between one and five years, with the possibility of being renewed for subsequent terms of the same period. The regulation of each type of game establishes the term of the relevant specific license and the conditions for renewal. General and specific licenses also require the holders of the licenses to grant guarantees to secure compliance with the Gaming Act and its implementing regulations.

Holders of general licenses are typically required to grant a guarantee of €1.0 million. Instead, holders of general licenses who are only entitled to organize and operate contests are required to grant a guarantee of €250,000. Holders of specific licenses shall grant an additional guarantee, besides the guarantee concerning the general license, the amount of which is set on a case-by-case basis by the Spanish Gaming Authority with the limits established for each type of game in its specific regulations.

If a holder of a license intends to engage in advertising and promotional activities related to the license, the holder must obtain prior authorization to do so. The conditions and limits regarding advertising of gaming activities will be developed through a specific regulation, which has not yet been approved and is currently being processed.

The primary obligations of holders of general and specific licenses include the following (among others): comply with the terms and conditions set forth in the license documents; record the relevant data the Register of Persons Associated to Gaming Operators *("Registro de Personas Vinculadas a Operadores de Juego")* and other records identified in the Gaming Act; comply with anti-money laundering and data protection laws and regulations; establish the relevant measures to prevent minors, disabled people and other people for whom gaming is prohibited pursuant to the Gaming Act to accessing gaming activities; adopt consumer protection policies; have their gaming technical systems duly standardized by the Spanish Gaming Authority; and, have a contract with users in accordance with the terms of the applicable laws and regulations.

Pursuant to the Gaming Act and its implementing regulations, gaming licenses shall be terminated for the following reasons (among others): (a) not obtaining a favorable standardization report by the Spanish Gaming

Authority in order to convert the provisional licenses into final licenses; (b) at the specific written request of the holder of the license; (c) termination of its term (including renewals where applicable); or, (d) upon a decision issued by the Spanish Gaming Authority recognizing the occurrence of one of the following causes of termination (among others): (i) the discontinuation of all or any of the conditions whereby it was issued; (ii) death or incapacity of the individual or entity holding the permit, dissolution or extinction of the company holding the license or permit, or discontinuation of the activity for which the licenses were issued or a lack of activity for at least one year, in the case of licenses; (iii) declaration of bankruptcy or declaration of insolvency in any other proceeding; (iv) imposition as a sanction under the corresponding disciplinary proceeding; (v) non-performance of the basic conditions of the permit or license; (vi) assignment or transfer of the license through merger, split, or share of a business branch without prior authorization; or (vii) holding a license obtained under false pretenses or alteration of the conditions whereby it was granted, prior hearing of the license holder, where applicable. In those cases where the cause for termination can be cured, the Spanish Gaming Authority, may ask the holder of the license to cure it within a one month term. Should the cause of the termination be cured within the term provided, the procedure to terminate the license will be ended. Otherwise, the license will be eventually declared terminated.

On June 1, 2012 two general licenses, allowing for the exploitation of betting activities and other games (as defined in the Gaming Act), and six specific licenses, allowing for the exploitation of poker, roulette, sports betting, black jack, bingo and *"punto y banca,"* were granted to Cirsa Digital, S.A.U. by the Spanish Gaming Authority, and duly registered in the General Gaming Registry on June 14, 2012. These licenses also include the authorization to engage in advertising and promotional activities related to such games.

The general licenses granted to Cirsa Digital, S.A.U. were conditioned upon the Spanish Gaming Authority's final and favorable certification of the technical gaming systems. On April 4, 2013 the Spanish Gaming Authority approved the technical gaming systems of Cirsa Digital, for a period of ten years (until April 4, 2023). This final certification verified the game systems' compliance with the technical requirements needed for the performance of gaming activities in Spain or directed at Spanish participants or Spanish users' registries. The certification extends to the components, hardware and software included in the Final Technical Report filed by Cirsa. The Spanish Gaming Authority resolution certifying the systems also rendered these formerly provisional licenses final.

The most recent public tender for the granting of general licenses for the organization and operation of gaming activities subject to the Gaming Act was called by Resolution HFP/1227/2017, of December 5, 2017, which approves the tender rules and establishes a one year term for the submission of applications. Accordingly, applications could be submitted until December 17, 2018 at 1.00pm. According to the tender rules, the resolution will be notified to the applicant and published at the Spanish Gaming Authority's website within six months following the submission of the relevant application. The most recent public tender for the granting of specific licenses was called by Resolution of December 1, 2017. According to specification 8 of Resolution HFP/1227/2017, entities which do not hold a general license but have applied for one, can simultaneously apply for singular licenses for the specific games included in the scope of application of the requested general license. In this case, the granting of the specific license shall be subject to the granting of the general license.

The authorization and organization of games, raffles, contests, bets games and other gaming activities provided on a national basis in Spain are subject to the gaming tax established under the Gaming Act. In general terms, the gaming tax applies fixed tax rates ranging from 10.0% to 22.0%, depending on the gaming activity, to the relevant game's gross revenue (in case of mutual bets, raffles and contests) or the relevant game's net revenue (in case of bets with consideration or other games). The 2018 General Budget has standardized the tax rate for bet games at 20%. This new regulation was passed on July 3, 2018 and entered into force on July 5, 2018, but was effective as of July 1, 2018.

In addition to the gaming tax, the Gaming Act also establishes a gaming duty, which seeks to cover costs of regulatory activities of the gaming authority over the gaming activities undertaken by gaming operators. As a general rule, such gaming duty is equal to 0.075% of the gross revenue of the relevant game and is paid on December 31 of each year. The Gaming Act establishes that the General Budget Act for the relevant year may set

the percentage of gaming duty for that year. No changes have been introduced to this gaming duty of 0.075% for the years 2017, 2018 or 2019.

The Ministry of Taxation and Public Administration, through the Spanish Gaming Authority, regulates and oversees gaming activities in Spain. It has assumed the powers to oversee the proper functioning of the gaming sector and safeguard the effective availability and provision of competitive gaming services for the benefit of users. Its main goal is to authorize, supervise, monitor and sanction, as the case may be, the development, conduct and marketing of games and other gaming activities. It safeguards integrity, safety, reliability and transparency of gaming operations, as well as compliance with gaming legislation and with the conditions established for the conduct of games.

The Regions, within the scope of their respective territories, also have the power to regulate gaming activities conducted by means of electronic communication, including, among others, the internet, television, telephone, interactive systems and software tools where physical presence of players is ancillary (in contrast to traditional gaming activities played in person), as long as they do not encroach on the powers reserved to the State by the Spanish Constitution, in the terms construed by the Spanish Constitutional Court. The Regions also have their own gaming authority, regulating, supervising and controlling gaming activities carried out within their respective territories.

Certain Regions have already approved laws and regulations governing the provision of gaming activities by means of electronic communication (including Madrid, Extremadura, Aragón, Asturias, Illes Balears, Cantabria, La Rioja, Murcia, Valencia and Navarra).

Panama

The Gaming Control Board, a department of the Economy and Finance Ministry, regulates the gaming industry in Panama. The Gaming Control Board may authorize private parties to operate gaming activities through the execution of administrative licensing contracts under which the Gaming Control Board retains supervision. The Gaming Control Board also may conduct public tenders. The Directors of the Gaming Control Board, chaired by the Minister for Economy and Finance, is the primary decision making body of the Gaming Control Board. The Games Department of the Gaming Control Board is responsible for the supervision and administration of casinos, amusement-only slot machine halls (amusement-only slot machines are broadly defined by relevant regulations in Panama as slot machines that are activated by coins, tokens or paper money in which the results of the game are randomly determined), bingo halls, betting agencies and similar gaming activities in Panama.

In February 1998, slot machines (broadly defined by Panamanian regulations as slot machines that register credits on a ticket, or by comparable means, as a measure of prizes or money won by the user which are redeemed) were re- classified as amusement- only slot machines and the respective authorizations for the operation of such slot machines, as granted by the Gaming Control Board, were declared valid for 20 years from their respective authorization dates. Each company that had been authorized by the Gaming Control Board to conduct gaming operations prior to February 1998 was permitted to only operate the number of slot machines authorized by the Gaming Control Board.

In Panama, we operate a traditional casino and electronic casinos. During the second half of 2009, there were a number of legislative changes and regulatory developments in the gaming industry in Panama, which (as described herein) led to changes in the ownership and operating structure of our electronic casinos business and increased gaming tax rates.

Electronic Casinos

Our principal subsidiary in Panama is Gaming & Services de Panama S.A. ("*Gaming & Services*"), in which we hold a 100% ownership interest. As of December 31, 2018, Gaming & Services has 29 licenses to operate electronic casinos in Panama. The majority of said licenses expire in 2038, with the exception of three licenses that

expire in 2034, 2035 and 2037, respectively. Gaming & Services directly operates 26 of the 29 electronic casinos in Panama, and the other three electronic casinos are operated by other Cirsa subsidiaries. Ancon Entertainment, Inc. (50.1% owned by the Group) operates two electronic casinos in accordance with two operation agreements with Gaming & Services. Inversiones Interactivas, S.A. (70% owned by Orbis Development, S.A., a wholly owned subsidiary of Cirsa), operates one electronic casino in accordance with an operation agreement with Gaming & Services.

During 2009, we had negotiations with the Government of Panama and the Gaming Control Board with respect to certain of our electronic casinos and the Panamanian government adopted a law that included provisions relating to the gaming industry in Panama. As a consequence of the foregoing and subsequent agreements around such time between Cirsa and the Gaming Control Board, we restructured our ownership interest and electronic casino license arrangements. In sum, we increased our ownership interest in Gaming & Services from 70.9% to 100%, Gaming & Services obtained the right to hold licenses for 12 new electronic casinos, in addition to the 14 licenses granted in 1998, and we paid a total of $18 million over a four-year period (ending in 2012) to the Panamanian government in respect of "Key Money" payments for electronic casino licenses and additional payments.

In 2013 we renewed our electronic casino licenses in Panama, extending the expiration date of the licenses to 2038 for 26 of the licenses for a total cost of $13.0 million (which amount has been fully paid).

Traditional Casinos

We have a 50% interest in *Majestic Casino,* a traditional casino located in the *Multicentro* complex in Panama City. In 2003, our subsidiary, Gaming & Services, and Luna Brillante S.A., which holds an ownership interest in the group that owns Hotel Decapolis and shopping mall *Multicentro,* entered into a joint venture and formed Majestic 507 Corporation, S.A. (formerly, Multicasino S.A.) for purposes of operating a casino in *Multicentro*. Hotel Decapolis was issued a license by the Gaming Control Board permitting it to operate a casino in the *Multicentro* shopping mall located adjacent to the hotel for 20 years.

Taxation

According to the first paragraph of Article 11 of Law 28 of 2012, which modified Article 61 of Law 2 of 1998, the tax rate for type A slot machines in electronic casinos and traditional casinos is 18% on the gross monthly income and the tax rate for the gaming tables in traditional casinos is 12% on the gross monthly income. However, pursuant to a judgment of the Supreme Court of Panama of February 9, 2017, this first paragraph of Article 11 of Law 28 of 2012 was declared unconstitutional. The judgment declaring the unconstitutionality of Article 11 of Law 28 of 2012 was published in the Official Gazette No. 28515-A of April 30, 2018. The declaration of unconstitutionality will be effective on April 30, 2019.

On May 4, 2015, the Panamanian government passed "*Ley 27 de 2015*" which established a 5.5% Selective Excise Tax on amounts "cashed out" in gaming activities (which became effective on June 23, 2015). This tax replaced the 7% Selective Excise Tax applicable to gaming prizes higher than $300. Before the adoption of the 5.5% Selective Excise Tax, gaming prizes bellow $300 were exempt from the excise tax.

Republic of Colombia

Gaming activity is a monopoly of the Colombian state and may only be conducted by entering into an agreement with *Empresa Industrial y Comercial del Estado Administradora del Monopolio Rentístico de los Juegos de Suerte y Azar* ("*COLJUEGOS*"), a public entity created by Decree 1068 of 2015 which is responsible for the administration, operation and regulation of the national gaming sector. COLJUEGOS commenced operations on April 17, 2012 and replaced *Empresa Territorial para La Salud—ETESA en Liquidación* ("*ETESA*"), which was liquidated by Decrees 175 of 2010, 4816 of 2010 and 4961 of 2011 issued by the Colombian government. It was also determined by Decree 1068 of 2015, that all existing enforceable contracts and agreements entered into by

ETESA (including the concession agreements that we entered into with ETESA) would continue with COLJUEGOS under the same terms and conditions.

The Colombian gaming market is highly regulated, and operators are required to: (i) prove legal possession of the equipment and components used for the operation of the games; (ii) obtain zoning certifications that the land can be used for gaming operations from the municipal authority (major) where the casinos or slot machines are located; (iii) obtain an authorization to operate casinos or slot machines from COLJUEGOS through concession agreements; and (iv) once the competent authority grants the necessary certifications as required execute a concession agreement with COLJUEGOS in order to operate casinos and/or slot machines. Applicable law requires that the term of the concession agreements for the operation of casinos and slot machines may not be less than three years or more than five years. Winner Group currently has a concession agreement that is valid until November 2021.

As of January 1, 2012, the National Taxes and CustomsAuhority, the *Dirección de Impuestos y Aduanas Nacionales de Colombia* was responsible for the collection of gaming taxes and administrative duties payable by gaming operators but currently, COLJUEGOS has assumed this function since it entered into operation. Gaming taxes are levied for FY 2018 at a fixed rate per month in the range of COP $234,000 and COP $312,000, the equivalent of approximately $73 to $98 (using an exchange rate of COP $3.174 per U.S. dollar) per slot machine (depending on the value of the bet) and COP $3,112,000 per casino table (e.g. black jack, poker, baccarat, craps and roulette) the equivalent of approximately $1,012 (using an exchange rate of COP $3.174 per U.S. dollar). Administrative duties are levied at 1% of such payable gaming taxes. Since November 2016, it is mandatory to connect all slot machines to the gaming authority's central online system for purposes of monitoring gross revenues, gaming taxes will be levied on each slot machine at the higher of the aforesaid fixed rates and 12% of the gross revenues minus prize payouts. The new regime also establishes penalties for illegal gaming activities.

A corporate income tax of 25%, plus an additional income tax "for equity" (the "*CREE Tax*") at a rate of 9% was levied on all corporate profits until 2016. Law 1819 of 2016 eliminates the CREE Tax and amends the rate of the income tax for 2017 to 34% with a surcharge of 6%, for 2018 to 33% with a surcharge of 4% and for 2019 and subsequent years to 33% without any surcharge. Law 1943 of 2018 establishes a progressive decrease of this tax rate from 33% in 2019 to 32% in 2020, 31% in 2021 and 30% in 2022 and subsequent years.

Mexico

The Mexican government is divided into three levels of government: federal, state and municipal. The gaming industry in Mexico is regulated at a federal level by the Federal Law on Gaming and Lotteries (enacted in 1947) and the Federal Regulations on Gaming and Lotteries (enacted in 2004). Pursuant to the provisions of such law and regulations, all forms of gambling are prohibited unless expressly permitted; only lotteries and diverse modalities of the permitted games are allowed to exist and are legally regulated.

The Mexican gaming legal framework was significantly strengthened as a result of the enactment of the Federal Regulations on Gaming and Lotteries (2004), by (i) expressly ratifying existing permits, including the terms pursuant to which they should be governed, (ii) outlining the process to obtain new permits, (iii) defining where gaming facilities may be located, (iv) recognizing the role of operators as providers of gaming services to gaming permit holders, (v) authorizing limited forms of advertising and (vi) recognizing electronic modalities of permitted bingo games that are likewise allowed under existing permits, among others.

The federal authority responsible for issuing gaming permits, regulating gaming activities, inspecting gaming facilities and imposing sanctions in connection therewith is the Ministry of Interior (*Secretaría de Gobernación or "SEGOB"*).

A permit issued by the Ministry of Interior is required for the installation and operation of gaming facilities. The issuance of permits is subject to the fulfillment of certain requirements, among which, for example, is obtaining a favorable opinion of the state, municipal or delegation authority of the place in which the premises subject of the permit will be located.

Permit holders must comply with certain obligations, including but not limited to, the following: (i) obtain an authorization to re-locate the gaming premises, (ii) deliver quarterly and annual financial statements as well as insurance policies covering permitted activities, within established deadlines, (iii) provide monthly reports on income and payment of government fees, (iv) obtain a bond to guarantee payment of unpaid prizes and (v) notify the Ministry of Interior of any transfer of shares or any change in the shareholders' structure. Failure to comply with such obligations or the ones specifically set forth in gaming permits may result in the imposition of fines, the revocation of gaming permits and/or closure of gaming facilities.

Permits for the installation and operation of sport book halls and gaming halls that include slot machines, table games, bingo and sports betting activities will be issued with a maximum validity of 25 years and may be extended for up to 15 additional years, *provided* that the permit holder complies with the corresponding permit's terms and conditions and with its obligations under the Federal Law on Gaming and Lotteries and its Regulations.

Gaming premises are also subject to compliance with administrative law obligations in accordance with applicable state and municipal laws. Each of the 32 states of Mexico, has their own laws and regulations concerning matters that fall under their jurisdiction and therefore administrative law requirements may differ from place to place.

As a general rule, a land use or zoning certificate, opinion, license or authorization issued by the municipal authority, an operational license issued by the municipal authority and a civil protection authorization issued by the local civil protection authority are required prior to and for the operation of gaming premises.

Italy

We primarily operate in the Italian slot machines and video lottery terminal (*VLT*) markets. We also wholly own one bingo hall and have minority interests in 11 bingo halls in Italy.

The Italian gaming regulatory authority is the *Agenzia delle Dogane e dei Monopoli* which, pursuant to Law Decree No. 95 of July 6, 2012 has replaced the Amministrazione Autonoma dei Monopoli di Stato as the gaming competent authority starting from December 1, 2012 (for ease of reference both defined as the "*ADM*").

ADM Decree No. 31857 of September 9, 2011 requires VLT and slot machine operators, including operators who already have contractual relations in the slot machines and/or VLT fields, to meet certain conditions and to register on a special list. Only the entities on such list are authorized to operate VLTs and/or slot machines. In accordance with the abovementioned decree, the applicant must hold (i) the relevant license referring to the gaming machines as provided by Royal Decree No. 773 of June 18, 1931 (as subsequently integrated and amended), having a validity equal to the period of registration; (ii) the anti-mafia certificate in compliance with Law No. 575 of May 31, 1975; and, (iii) a deposit receipt of €150. In addition, the applicant must communicate if it holds any other licenses issued by the ADM. The decree also establishes certain rules governing any violations of law by the applicant.

2015 Italian Budget Law and 2016 Italian Stability Law

The regulation and taxation of the Italian gaming industry has been impacted by the adoption of Law No. 190 of December 20, 2014 (the "*2015 Italian Budget Law*"), which became effective from January 1, 2015, and Law No. 208 of 2015 (the "*2016 Italian Stability Law*"), which became effective from January 1, 2016. The reforms contemplated by a prior law adopted in 2014, Article 14 of Law No. 23 of March 11, 2014 (the "*Italian 2014 Tax Delegation Law*"), which instructed the Italian Government to implement a comprehensive reform of the regulations applicable to the gaming industry, were never proposed or adopted. As described herein, a number of the provisions adopted in the 2015 Italian Budget Law were amended or rescinded by the 2016 Italian Stability Law.

The 2015 Italian Budget Law introduced a series of changes to the fees and commissions regime applicable to the operation of VLTs and amusement-with-prize slot machines.

Concession Fees and Commissions

One of the most significant changes imposed by the 2015 Italian Budget Law was an aggregate reduction of €500 million per year, commencing on January 1, 2015, in the fees due to concessionaires and other operators, to be paid by concessionaires and operators proportionately to the number of VLTs and AWP machines they operate as of December 31 of any given year, starting from December 31, 2014. This provision amounted to a €500 million annual tax levy on AWP slot and VLT concessionaires and operators. The number of VLTs and AWP machines of each concessionaire as of December 31, 2014 was determined by the ADM on January 15, 2015. The ADM was also required to determine the methods of payment by the concessionaires. As described herein, the 2016 Italian Stability Law modified this provision.

The 2015 Italian Budget Law also required that operators shall return to the concessionaires the entire amount (coin in) of the VLTs or AWP slot machines less prizes but permits concessionaires and operators to renegotiate their contracts in order to determine how to share their respective fees. The concessionaires are required to return to the operators their portion of the compensation fee until the contracts have been renegotiated and executed.

As part of the implementation of the €500 million tax levy of the 2015 Italian Budget Law, on January 15, 2015, the ADM determined that as of December 31, 2014, Cirsa Italia represented 3.95% of the Italian market of VLTs and AWP slot machines in terms of numbers of machines operated and assessed a tax in an amount to be paid by Cirsa Italia for the year ended December 31, 2015 of approximately €19.8 million. Cirsa Italia was required to pay 40% of the ADM Determination amount (€7.9 million) on April 30, 2015 and to make a further payment of €10.0 million on October 31, 2015. In order to mitigate the effects of the ADM Determination, Cirsa Italia amended or renegotiated its contractual agreements with certain of its AWP and VLT site operators and gaming machine suppliers in order to share with them tax assessed on our operators. In the aggregate, Cirsa Italia has paid €18.2 million of the €19.8 million total ADM Determination (which amount includes contributions from site operators and partners).

Although Cirsa Italia has paid €18.2 million of the ADM Determination, Cirsa Italia (along with a number of other gaming concessionaires) still challenged the ADM Determination. In particular, Cirsa Italia has filed a challenge of the ADM Determination for the full €19.8 million before the Regional Administrative Court of Lazio, asking the Court to stay the effects of the ADM Determination until a decision of the case on the merits was made. The hearing to discuss the interim suspension of the ADM Determination was held on April 1, 2015. On December 16, 2015, following the July 1, 2015 hearing and subsequent petitions in October 2015, the Regional Administrative Court of Lazio issued a new order, requesting the Italian Constitutional Court to confirm the constitutionality of these provisions of the 2015 Italian Budget Law. On May 8, 2018, the Italian Constitutional Court heard the claims of Cirsa Italia (along with a number of other concessionaires) that the provision of the 2015 Italian Budget Law infringes the principles of legitimate expectations and of equal treatment for all the gaming products offered in the Italian market. In July 2018, the Italian Constitutional Court delivered its judgment stating that the provisions of the 2015 Italian Budget Law do not infringe the Italian Constitution because a subsequent law has limited its framework and determined that it was in force only for the year 2015. Accordingly, the Italian Constitutional Court held that the amount of the ADM Determination must be paid to the Italian government. However, the Italian Constitutional Court also stated that each party (concessionaires, site operators and partners) is entitled to pay only its part of the amount and there should be no joint and several liability. The Italian Constitutional Court has sent the case back to the Regional Administrative Court of Lazio, which will issue a new judgment upon the ADM determination. The hearing is expected to be held on May 22, 2019, when the Regional Administrative Court of Lazio is expected to decide, among other things, whether concessionaires such as Cirsa Italia have joint and several liability with partner operators. If the Regional Administrative Court of Lazio decides that concessionaires have joint and several liability with partner operators, then Cirsa Italia will be required to pay the €1.6 million of assessed obligations that remain outstanding for its partner operators under the

2015 Italian Budget Law, with applicable interest and service charges. However, Cirsa Italia will have the right to appeal this decision. If the Regional Administrative Court of Lazio decides that concessionaires do not have joint and several liability and, accordingly, that concessionaires are not responsible for the payment of the amounts owed by partner operators, as the Italian Constitutional Court has stated, then the concessionaires will not be obliged to pay on behalf of their partner operators, and Cirsa Italia will not be liable for the €1.6 million amount.

Article 1, paragraph 921, of the 2016 Italian Stability Law clarified that concessionaires and other AWP slot and VLT operators should contribute proportionally to the payment of the ADM assessed obligations on the basis of the relevant contractual agreements. The the 2016 Italian Stability Law does not provide for any joint liability of gaming concessionaires (such as Cirsa Italia) for the payment by site operators of their shares of said tax. The 2016 Italian Stability Law also repealed the provisions of the 2015 Italian Budget Law that had introduced this new tax for the concessionaires for subsequent years and therefore this obligation is no longer in effect.

The 2016 Italian Stability Law also established that the number of AWP slots installed in the Italian market should decrease. For that purpose, Law Decree No. 50 dated April 24, 2017, and Decree of the Ministry of Economy dated July 25, 2017 reduced the number of authorizations for AWP slots to 345,000 AWP slots by December 31, 2017 and to 265,000 by April 30, 2018. In order to achieve this goal, each concessionaire had to reduce the number of authorizations it held as of December 31, 2016 by at least 15% by December 31, 2017 and by at least 34.9% by April 30, 2018.

Pursuant to Article 1, paragraph 1098 of the 2019 Italian Stability Law, which amended art. 110, paragraph 6, let. a) of the Royal Decree 773/1931, without prejudice to the reduction of the number of AWP slot authorizations ("*nulla osta*"), after December 31, 2019 the release of authorizations for non-remote AWP slots (traditional coin or electric operated slot machines) will be prohibited and non-remote AWP slots must be disposed within December 31, 2020. Starting from January 1, 2017 only authorizations ("*nulla osta*") for remote AWP slots (those slots with an online link which allows remote monitoring by the ADM) can be granted.

By December 31, 2017, Cirsa Italia had reduced the number of authorizations relating to AWPs it held as of December 31, 2016 by 15.2%. Cirsa Italia has further reduced this number of authorizations by 19.7% as of December 31, 2018, achieving the mandated reduction level of 34.9%, which was required to be achieved by mid-June 2018.

According to the relevant provisions of law, if the total number of authorizations held as of May 1, 2018 is lower than 265,000, concessionaires will be entitled to apply for further authorizations until reaching a total number of authorizations equal to 265,000.

Notwithstanding this reduction in AWP authorizations, Cirsa Italia plans to maintain almost the same presence on the Italian market by spreading the remaining AWPs throughout the territory thus minimizing the impact of the reduction in AWPs on the business.

Increases in Gaming Turnover (PREU) Tax and other provisions

The 2016 Italian Stability Law increased the gaming turnover ("*PREU*") tax for AWP slot machines to 17.5% (from 13.0%) as of January 1, 2016. The tax further increased to 19.0% with effect from April 24, 2017 by Law decree No. 50 dated April 24, 2017.

The 2016 Italian Stability Law also increased the PREU tax for VLTs to 5.5% (from 5.0%) as of January 1, 2016. The tax further increased to 6.0% with effect from April 24, 2017 by Law decree No. 50 dated April 24, 2017.

The 2016 Italian Stability Law further provided that the percentage of wagers that must be paid to players (minimum payout ratio) has been lowered to not less than 70% of wagers (a decrease from the 75% of wagers that was applicable in 2015).

Law Decree July 12, 2018, No. 87 ("*Decreto Dignità*") sets higher percentages of the PREU tax, for AWP slot machines and VLTs respectively, as follows:

- 19.25% and 6.25% of wagers, from September 1, 2018 to April 30, 2019;
- 19.6% and 6.65% of wagers, from May 1, 2019;
- 19.68% and 6.68% of wagers, from January 1, 2020;
- 19.75% and 6.75% of wagers, from January 1, 2021; and
- 19.6% and 6.6% of wagers, from January 1, 2023.

In addition to the above, Law December 30, 2018, n. 145 ("*2019 Italian Budget Law*"), as amended by Law Decree January 28, 2019, No. 4 (converted into law March 28, 2019, No. 26), provides for a further increase of the PREU tax, of 2% for AWPs and 1.25% for VLTs, from January 1, 2019. Pay-out has been reduced to an amount not lower than 68% for AWPs and 84% for VLTs. Pursuant to Article 27 of Law Decree 4/2019 (converted into Law 26/2019), the issuance of paper-based licenses for AWPs is subject to the payment of €100 one-off charge, raised to €200 euro for 2019 only.

According to the same Law Decree 4/2019, the new remote-AWPs will provide access to game contents only once a social security card is inserted, in order to prevent gambling by minors.

Illegal gaming machines are subject to higher sanctions, including administrative fines from €5,000 to €50,000 for each illegal machine and the closure of the business which hosted the illegal gaming machines from 30 to 60 days. Illegal gambling activities are subject to jail terms from three to six years and a fine from €20,000 to €50,000 . The ADM, together with the tax police, shall implement an extraordinary plan to control and fight illegal gambling.

Modernization of Gaming Technology

The 2016 Italian Stability Law directed the Italian Treasury to issue new regulations aimed at starting a process of technological improvement and modernization of the existing slot machines which is to be completed by December 31, 2019. The regulations shall provide, among other things, that commencing January 1, 2017, only those slot machines that allow remote monitoring *(gioco pubblico da ambiente remoto)* will be authorized. This regulation, once it is adopted, is expected to result in a reduction by at least 30% of the number of slot machines in operation as compared to July 31, 2015.

On April 4, 2017, the ADM published Decree 37100/RU ("*Technical Rules Decree*") that sets forth new technical rules for VLTs that are intended to require a major upgrade in VLT platforms and technology. These new technical rules provide for considerable new obligations aimed at enhancing the traceability of players in order to avoid fraud, and also provide for a new certification process that will be performed by new ADM-accredited testing centers. Due to the significant number of changes required to be implemented under the new rules, the ADM has granted a transitional period until April 1, 2019 in order to comply with the new requirements provided by such ADM decree.

On June 27, 2018, the ADM issued Decree 108019/RU, which amended the guidelines for the compliance testing of AWPs and VLTs (the "*Guidelines*"), approved by the ADM with Decree 146294/RU, dated December 28, 2017. In particular, the Guidelines set forth the technical requirements for the compliance testing of the entire gaming system and of each of its component (such as the central system, hall system and video lottery terminal).

Pursuant to Article 1, paragraphs 569 and 571 of the 2019 Italian Budget Law, in order to ensure the effectiveness of local regulations on limited opening hours, since July 1, 2019, the ADM shall provide local authorities with an official timetable concerning operating periods of gaming machines (AWPs and VLTs).

On February 22, 2019, the ADM published Decree 31516/RU, implementing Article 1, paragraph 569, letter a) of Law December 30, 2018, n. 145 "Operating procedures for the availability to the local authorities of the operating times of the VLTs". Pursuant to this legislation, the ADM, together with Sogei, shall supply the municipalities with an application called "SMART" governing the relevant operating times of the existing VLTs.

Slot Machines

The regulation of slot machines in Italy is principally governed by Royal Decree No. 773 of June 18, 1931, and its subsequent amendments. The Italian slot machines market is highly regulated.

The Italian regulatory regime authorizes, *inter alia,* machines that award a cash prize based on a player's skill or otherwise provide entertainment value. The Italian regulatory framework also regulates the duration of a game, the price per game and the type and amount or value of prize that can be awarded for each game.

Pursuant to Article 86, paragraph 3 of the Royal Decree No. 773 of June 18, 1931, a governmental authorization is required for either the manufacture or import of each individual slot machine, and for its installation and operation in a specific location. The Italian regulator must also be notified in the event that a slot machine is relocated, transferred or scrapped.

The Italian slot machine regulatory regime changed after the enactment of Italian Budget Law No. 289 of December 27, 2002, pursuant to which only interlinked slot machines would be permitted to operate in Italy after October 31, 2004. This requirement of interlinking allows regulatory authorities to monitor slot operators for regulatory and tax purposes. ADM is responsible for regulation and oversight of the interlinked slot machine system.

The ADM has awarded a series of concessions, each for the term of nine years, to slot machine companies to act as network system operators for slot machines in Italy.

In August 2011, the ADM called a tender for the award of new concessions to act as a network system operator for, *inter alia,* slot machines and VLTs. On December 23, 2011, Cirsa Italia was awarded a new provisional concession to act as a network system operator for, *inter alia,* slot machines. In March 2013, the provisional concession once again became permanent following Cirsa Italia's demonstration of continuing compliance with the technical and economic requirements to act as network system operator and our completion of all necessary ancillary requirements. The current concession expires in 2022.

Under the concessions, operators can operate their own slot machines and also offer interconnection to third parties (operators that were not granted a concession) for a specified fee. The terms of the grant of the initial concessions to Cirsa Italia and a number of other operators established certain targets for the interconnection of slot machines by a specified date. While Cirsa Italia (and the other operators) did not achieve such targets by such date, Cirsa Italia has since achieved such targets and we believe Cirsa Italia is in material compliance with the terms of the concession. Network operators are responsible for installing the network, conducting all activities directly or indirectly related to the management and operation of the network, and paying the so-called PREU turnover tax levied on slot machine operations. Subject to certain conditions, a network operator can also charge to third parties that it interconnects to its network a fee of not higher than 3% of the revenues per machine. These concessions also include the service standards to be met by the operators.

During 2007, the ADM adopted a series of new gaming regulations that, among other things, permitted the use of a new type of slot machine, reduced the amount of PREU tax assessed on amounts wagered (from 13.5% to 12%), changed the pay-out and increased the price per game and maximum prize size. Another separate

tax assessed by the ADM on amounts wagered increased in 2007 from 0.3% to 0.8%. The PREU tax on slot machines has subsequently increased. The 2016 Italian Stability Law has increased the PREU tax from 13.0% to 17.5%.

Law Decree No. 87/2018 has set higher percentages of the PREU tax, as follows:

- 19.25% of wagers, from September 1, 2018 to April 30, 2019;
- 19.6% of wagers, from May 1, 2019;
- 19.68% of wagers, from January 1, 2020;
- 19.75% of wagers, from January 1, 2021; and
- 19.6% of wagers, from January 1, 2023.

In addition to the above, 2019 Italian Budget Law, as amended by Law Decree January 28, 2019, No.4, provides for a further increase of the PREU tax of 2% from January 1, 2019.

Under the current regulatory framework, not less than 68% of wagers must be paid to players (a decrease from 70% of wagers that was applicable in 2016).

Under Article 1, par. 81, letter (g), of the Italian Budget Law No. 220 December 13, 2010, the venue requirements for slot machines and VLTs have been regulated by ADM Decree No. 30011 of July 27, 2011. This decree permits the installation of slot machines in bingo halls, agencies for betting on sporting events, agencies for totalizer and fixed-odds betting on horse races, gaming shops whose primary activity is marketing public gaming products, public gaming rooms specifically established for the conduct of lawful gaming that provide a separate area for games reserved for underage players, and establishments dedicated exclusively to slot machines and VLTs. Slot machines can be installed in the abovementioned shops, halls or premises only on condition that such shops, halls or premises hold the specific gaming license in accordance with the Italian regulatory framework. The decree provides that the maximum amount of slot machines that can be installed and operated on any of these premises must be limited, proportionally to the premises' surface area and/or to the total number of slot or other betting machines hosted.

Video Lottery Terminals

VLTs, which are lottery machines connected with a central system that generates a winning series of numbers, are regulated by Law No. 77, dated June 24, 2009. Players who play on VLTs have a chance of winning of almost 85% (Article 12, par. 1, letter (l)).

Law Decree No. 78 dated July 1, 2009 (converted into Law No. 102 dated August 3, 2009) mandated the organization of a tender procedure for VLT network operators, as required by the Article 14-bis, par. 4, of the Presidential Decree No. 640 of October 26, 1972. Law No. 102/2009 set out the rules for the concession award procedure, including that (i) ADM had to organize the award procedure for the concessions of the VLT network, (ii) the most economically efficient concession contractor had to be chosen, (iii) the duration of the concessions had to initially be nine years and could be renewed once (Article 21, paragraph 4, of Law Decree No. 78 dated July 1, 2009) and (iv) the 10 existing network system operators of slot machines in Italy already authorized to operate VLTs could request an extension of their concessions to include the VLT network. Certain technical and economic requirements had to be met in order for the ten existing network system operators to be authorized to install VLTs and to act as network system operators for VLTs.

In 2013, following a series of procedural steps and after demonstrating compliance with technical and economic requirements, Cirsa Italia was granted a permanent concession to act as a network system operator for VLTs. The concession expires in 2022.

ADM adopted the Decree No. 43593 of January 22, 2010 and the Decree No. 37100/RU of April 4, 2017 which require that certain technical and operational requirements are complied with when operating VLTs. Under these Decrees, the VLTs and the related gaming systems must be connected to a control system and network operated by an authorized network system operator. The games played on the VLTs will be capable of being monitored remotely for regulatory and tax purposes. The ADM decree also sets forth requirements for the testing and start-up of the gaming systems, the operating parameters for the games and the timing of introduction of VLTs into the Italian market. The ADM decree provided that the maximum payout for VLT games is €5,000. However, this amount is higher for jackpots: there is a €100,000 maximum jackpot for each gaming room and a €500,000 maximum jackpot for each gaming system. Under the ADM decree, no less than 85% of wagers must be paid to players, and up to a maximum of 4% of wagers can be paid to players in jackpots.

According to Articles 9 and 10 of the Decree No. 37100/RU, the maximum cost of an individual game is €10.00 and the minimum cost is €0.10. Payment for games may be made by coins or currency, tickets from ticket technology systems, prepaid cards, "smart" cards in respect of registered gaming accounts or the reinvestment of previous winnings. The Decree No. 37100/RU also includes provisions concerning:

- technical and operational requirements of the VLT game system (Article 2);
- information to be registered by the network (Article 3);
- monitoring tools for the supervision of the network (Article 4);
- cross-ticketing and ticket (Articles 5, 8 and 13);
- requirements for VLT machines (Article 7);
- general specifications of the games (Article 11);
- technical auditing of game system compliance (Article 12) also ruled by the Decree No. 87765/RU dated August 18, 2017 and the relevant attachment which contains recommendations concerning operational requirements to be met for an appropriate assessment of the compliance of VLTs and the related gaming systems with the requirements set forth by ADM Decree dated January 22, 2010;
- protection of the player (Article 14).

Venue requirements for VLTs (and slot machines) are regulated by ADM Decree No. 30011 of July 27, 2011 and by the specific provisions set forth in Article 6 of ADM Decree No. 37100/RU. Decree No. 30011 permits the installation of VLTs in bingo halls, agencies for betting on sporting events, agencies for totalizer and fixed-odds betting on horse races, gaming shops whose primary activity is marketing public gaming products, public gaming rooms specifically established for the conduct of lawful gaming that provide a separate area for games reserved for underage players, and establishments dedicated exclusively to VLTs and slot machines. VLTs can be installed in the abovementioned shops, halls or premises only on condition that such shops, halls or premises hold the specific gaming license in accordance with the Italian regulatory framework. The decree provides that the maximum number of VLTs that can be installed and operated on any of these premises must be limited, proportionally to the premises' surface area and/or to the total number of slot or other betting machines hosted.

A number of local authorities in Italy have from time to time issued orders and enacted regulations that purport to place further restrictions on where VLTs can be located. Cirsa Italia has challenged, and presently intends to continue to challenge, any attempts to enforce such orders and regulations on the basis that the

authority to regulate gaming activities is reserved to the Italian Parliament. To date, these regulations have not had a material adverse impact on the business or results of operations of Cirsa Italia.

Effective as of April 24, 2017, the PREU tax levied on the amount wagered on VLTs is 6.0% (an increase from 5.5%), plus an additional 12.0% on the quota of wins exceeding €500. In addition, as is the case for slot machines, Cirsa Italia is required to pay a separate tax to the ADM of 0.8% of the amounts wagered (ADM Decree of July 2007, in furtherance of Article 1, paragraph 530, letter (b)), of the Law No. 266 of December 23, 2005, as subsequently amended.

Law Decree No. 87/2018 has set higher percentages of the PREU tax, as follows:

- 6.25% of wagers, from September 1, 2018 to April 30, 2019;
- 6.65% of wagers, from May 1, 2019;
- 6.68% of wagers, from January 1, 2020;
- 6.75% of wagers, from January 1, 2021; and
- 6.6% of wagers, from January 1, 2023.

In addition to the above, 2019 Italian Budget Law, as amended by Law Decree January 28, 2019, No. 4, provides for a further increase of the PREU tax of 1.25%, from January 1, 2019.

Under the current regulatory framework, pay-out has been reduced to an amount not lower than 84%.

Bingo Halls

We also wholly own one bingo hall and have minority interests in 11 bingo halls in Italy. The operation of bingo halls has been permitted in Italy since 2000. In Italy, 20% of the face value of the bingo card is required to be paid to the Italian tax authorities and 3.8% is required to be paid to the ADM, however, since November 1, 2009, under a pilot scheme implemented by the ADM, such percentages are reduced respectively to 11%—payable to Italian tax authorities—and 1%—payable to the ADM. Regulations require that 70% of the face value of the bingo be dedicated to prize payments.

Ministerial Decree of November 21, 2000, implementing Article 16 of Law No. 133 of May 13, 1999, sets forth the model rules (the "Convention") for bingo hall operators. By operating the bingo hall concessions, which the Ministry of Finance grants for six year periods, the concessionaires undertake (i) to comply with the law and the administrative authorizations concerning the use of the hall (failure to comply results in the revocation of the concession), (ii) to ensure appropriate light, ventilation, hygiene and decency in bingo halls, (iii) to test the bingo hall within 150 days from the notification of the award of the concession, (iv) to start the business within 15 days from testing the bingo hall and, before starting the business, to file a declaration of commencement of activities with the competent authorities, (v) to comply with the provisions of law, the Convention and Royal Decree No. 773/1931 ("*Consolidated text of the laws on public security*"), (vi) to keep the state of the hall and the equipment as required by ADM, which is responsible for the control and inspection of bingo halls in Italy, (vii) to keep the business open at least 11 months per year, six days per week and eight hours per day, (viii) to pay the personnel as required by the relevant collective agreements and to comply with the social security provisions, and (ix) to allow the ADM to conduct inspections of the hall. The transfer of a concession to operate a bingo hall is only permitted upon prior consent of ADM.

Bingo can only be organized in a hall that is specifically authorized for such purposes. The concessionaire is entitled to payment of a remuneration equal to the income (taxes and fees deducted). All the expenses in relation to the business, the hall and the relevant equipment shall be borne by the concessionaires.

Under certain circumstances, ADM can order the suspension of the concession, with immediate effect and for a maximum period of three months, in order to protect the public interest. The concession may be lost or revoked if (i) the concessionaire no longer complies with requirements set forth by applicable law, (ii) the business is not commenced within 15 days from the inspection of the bingo hall, (iii) the business is interrupted for reasons other than *force majeure*, (iv) material breaches of law occur, (v) precautionary measures or indictment are levied on the concessionaire or (vi) the business is transferred without obtaining the prior consent of ADM.

Pursuant to Article 1, paragraph 79 of Law No. 220 of December 13, 2010, the Convention introduced (i) penalties (ranging from €100 up to a maximum of €10.000, depending on the nature of the violation) for breach of the Convention and (ii) a requirement that the concessionaires had to take measures to protect players and to prevent pathological gambling.

The 2018 Italian Budget Law provides for the renewal of all of Italy's 210 bingo concessions by means of a public tender process by September 30, 2018. The results of the public tender procedure will impact the nature and number of slot machines that bingo concessionaires will be able to operate at their bingo halls under their concessions. Until the concessions are renewed in accordance with the 2018 Italian Budget Law, the bingo halls are being operated under a "*prorogation regime*" (meaning that each concession is prorogated until the issuance of the new concession under the tender process). Under the *prorogatio regime*, the concessionaires which already hold a concession and plan to participate in the tender process to renew such concession must pay a monthly fee amounting to €7,500 (for each month or fraction of month lasting more than 15 days) or to €3,500 (for each fraction of a month lasting less than 15 days) (Article 1, paragraph 636, letter (c)), of the Law No. 147 of December 27, 2013). We expect to take part in the aforementioned new tender process and, to this end, we are currently paying the monthly fees according to the relevant provisions of law.

Pursuant to Article 1, paragraph 1097 of 2019 Italian Budget Law, bingo concessions are extended until the earlier of the award of new concessions and December 31, 2019.

According to Article 1, paragraph 636, of the Law No. 147 of December 27, 2013, the rules for the public tender process to award the bingo hall concessions include, but are not limited to, the following: (i) the concessionaires shall pay a fee amounting to at least €350,000 for the award of each concession, (ii) the concession shall be for a non-renewable period of nine years, (iii) subjects already involved in gaming and gambling activities businesses within the European Economic Area are allowed to participate in the tender process and (iv) the concessionaires shall provide insurance or a bank guarantee for an amount equal to €300,000 effective for the whole duration of the concession.

Laws Affecting Gaming Advertisements

Our operations in Italy are subject to Law No. 189 of November 8, 2012 (the so-called "*Decreto Balduzzi*") which requires gaming advertisements to clearly indicate as a percentage, the probability of winning the advertised game, or, if not available, the historical percentage of similar games.

Additional limitations and requirements to gaming advertisement have been introduced by the 2016 Italian Stability Law. For example, the 2016 Italian Stability Law provides that gaming advertisements shall not contain messages which may encourage uncontrolled gaming or suggest that gaming may help resolve personal or professional problems. The 2016 Italian Stability Law also prohibits TV or radio advertising of prize games during specified hours, with some limited exceptions.

Pursuant to Article 9 of Law Decree July 12, 2018 ("*Decreto Dignità*"), any forms of advertising, even indirect, in relation to gaming, betting and gambling, are prohibited. Advertising contracts in force on July 14, 2018, are subject to previous legislation until their expiry date, but their duration cannot last longer than one year from July 14, 2018. According to the same provisions, from January 1, 2019, sponsorships are also prohibited. Any breach of the mentioned legislation is subject to an administrative fine equal to 20% of the value of the sponsorship or advertising contract and, in any case, no lower than €50,000 euro per violation.

Anti-money Laundering Regulations

We are required to comply with anti-money laundering rules and regulations, including Legislative Decree No. 231 of November 21, 2007, as amended, which implements the EU's anti-money laundering directive, EU Directive (2005/60/EC). Under the decree we are required to, among other things, verify the identities of our customers, record and preserve customer relationship data in a Consolidated Computer Archive *(Archivio Unico Informatico)* and report this information as well as any suspicious transactions to the proper authorities. Under the decree we must also implement effective internal control measures and ensure adequate training of employees with respect to their obligations.

ADM is working on guidelines to prevent money laundering specifically concerning concession operators.

The Anti-Mafia Code

As of February 13, 2013, we are subject to the anti-mafia provisions established by Italian Legislative Decree No. 159 of September 6, 2011, as subsequently amended (the "*Anti-Mafia Code*"). Under the Anti-Mafia Code, we are required to, among other things, provide the relevant public body with information regarding the Group and its related parties, such as shareholders, directors, general managers as well as any other natural person who may cohabit with such related parties. Such information must be transmitted prior to the execution of agreements or concessions with any public authority.

Laws Affecting Privacy and Data Protection

As of May 25, 2018, we are subject to the data protection provisions established by the European General Data Protection Regulation No. 679, 2016.

Dominican Republic

The gaming industry in the Dominican Republic is regulated by the *Ministerio de Hacienda de la República Dominicana* (Ministry of Finance of the Dominican Republic) pursuant to national legislation concerning the regulation of games of chance adopted in 1964. The Ministry of Finance of the Dominican Republic is responsible for issuing gaming licenses. Casino licenses, for example, are issued to the owner of the site on which the casino will be operated. Four of our subsidiaries in the Dominican Republic have entered into operating agreements with local companies pursuant to which we manage six casinos.

MANAGEMENT

We have presented below the governance structure of the Issuer, the Company and Cirsa as of the date of the Offering Memorandum.

The Issuer

The Issuer is a limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg on May 22, 2018, for the purpose of facilitating the Original Acquisition and issuing debt. As of the date of the Offering Memorandum, the board of managers of the Issuer consists of John Sutherland, a representative of and designated by Blackstone, and Blackstone Capital Partners Holdings Director L.L.C., an entity controlled by Blackstone.

John Sutherland (Manager). John Sutherland is a Managing Director of various Luxembourg corporate entities, including those owned or managed by Blackstone, Triton, and Nuveen/TH Real Estate. Previously, he was Head of Fund Administration at BNP Paribas Fund Services S.A. (formerly, Cogent Investment Operations Luxembourg S.A.). Prior to that, he was Director of Offshore Operations at Cogent Investment Operations Luxembourg S.A. (formerly, Henderson International Luxembourg S.A.). Mr. Sutherland has held numerous corporate and fund directorships over a 25 year period.

The Company

The Company is a limited liability company (*sociedad limitada unipersonal*) incorporated under the laws of Spain on November 15, 2017, for the purpose of facilitating the Original Acquisition. Since completion of the Original Acquisition, the board of the Company has become the main governing board of the Group. Set forth below are the names, functions and ages of the members of the Company's board of directors.

Name	Age	Title
Joaquim Agut	65	Chairman
Antonio Hostench	51	Board member
Lionel Assant	46	Board member
Haide Hong	34	Board member
Miguel García Gómez	29	Board member

Joaquim Agut joined Cirsa in 2006. Mr. Agut currently serves as Chairman of the board of the Company and Chief Executive Officer of the Group. Prior to joining Cirsa, Mr. Agut served as a leader of the European Corporate Executive Council of General Electric, Executive Chairman of Terra Lycos (2000-2003), and as Chairman and Chief Executive Officer of Endemol, B.V. (2004-2006). He received degrees in Business Administration from I.E.S.E. (1980) and Electrical Engineering from the *Universidad Politécnica de Catalunya* (1977).

Antonio Hostench (Manager, Corporate Development and Strategy) joined Cirsa in June 2008. Prior to joining Cirsa, he served as General Manager of N+1 Corporate Finance (2005-2008) and Managing Partner of Roland Berger Strategy Consultants (1996-2005). He received degrees in Business Administration from IESE (1994) and Engineering from the *Universidad Politecnica de Catalunya* (1990).

Lionel Assant is Senior Managing Director and European Head of Private Equity for The Blackstone Group International Partners LLP, based in London. Since joining Blackstone in 2003, Mr. Assant has been involved in various European investments and investment opportunities. He serves as a Director of Intertrust, Armacell, Rhodia Acetow, Clarion Events, Schenck Process and the National Exhibition Centre, and is a Trustee of Impetus-PEF. Mr. Assant served on the boards of Gerresheimer, Klockner Pentaplast, Mivisa, United Biscuits, Alliance Automotive Group and Tangerine. Before joining Blackstone, Mr. Assant was an Executive Director at

Goldman Sachs where he worked for seven years in the Mergers & Acquisitions, Asset Management and Private Equity divisions. Mr. Assant graduated from the Ecole Polytechnique with a Master's degree in Economics.

Haide Hong is a Managing Director for The Blackstone Group International Partners LLP and a member of Blackstone's Private Equity Group based in London. Since joining Blackstone in 2013, Mr. Hong has been involved in Blackstone's investments in Clarion Events, Intertrust, Merlin/LEGOLAND and Scout24. He serves as director of Clarion Events and the National Exhibition Centre. Before joining Blackstone, Mr. Hong was a Vice President at Providence Equity, where he was involved with the analysis and execution of private equity investments in the telecom, media, technology and education sectors. Prior to that, Mr. Hong was an Associate at Lehman Brothers, where he worked in the Mergers & Acquisitions division. Mr. Hong graduated from the University of Cambridge with a BA in Economics.

Miguel García Gómez is a Senior Associate for The Blackstone Group International Partners LLP and a member of Blackstone's Private Equity Group based in London. Since joining Blackstone in 2014, Mr. García Gómez has been involved in Blackstone's investments in Rhodia Acetow, Center Parcs, Tangerine and the National Exhibition Centre. Before joining Blackstone, Mr. García Gómez was a Summer Analyst at Goldman Sachs. Mr. García Gómez received a BA and MSc in Civil Engineering from the Universidad Politécnica de Madrid and graduated from École des Hautes Etudes Commerciales de Paris with a Master's degree in Management and Finance.

Cirsa

Management Body

As of the date of the Offering Memorandum, Cirsa's management body consists of the joint and several directors: Joaquim Agut, Chief Executive Officer of the Group, and Antonio Hostench, responsible for corporate development and strategy of the Group.

Executive and Divisional Officers of the Group

The following table presents, as of the date of the Offering Memorandum, the Group's executive and divisional officers:

Name	Age	Title
Joaquim Agut	65	Chief Executive Officer
Business Divisions		
Carlos López Reboredo	61	Manager, Slots Division
Josep Maria Casas	61	Manager, B2B Division
Carlos Font	57	Manager, Casinos Division
Manel Estany	56	Manager, Bingo Division
Corporate Areas		
Isaac Lahuerta	61	General Manager, Corporate Areas
David Royo	60	Chief Financial Officer
Miquel Vizcaino	56	Legal
Xavier Cots	58	Human Resources
Antonio Hostench	51	Corporate Development and Strategy

Set forth below is certain biographical information concerning the above individuals not otherwise described:

Carlos López Reboredo (Manager, Slots Division) joined Cirsa in 2015. Mr. López previously served as General Manager for EGASA, a leading slot machine operator in Spain. He received a degree in Economics from the Universidad Santiago de Compostela (1980) and a degree in Management from ESADE (2009).

Jose M. Casas (Manager, B2B Division) joined Cirsa in October 2006. Prior to joining Cirsa, Mr. Casas served as Supply Chain Manager in GE Power Controls in Europe and Plant Manager in Papelera del Besós. He received a Master's degree in Industrial Engineering from the *Universidad Politecnica de Catalunya* (1981).

Carlos Font (Manager, Casinos Division) joined Cirsa in March 2007. Prior to joining Cirsa, he served as a senior manager of Grupo Corporativo ONO S.A., Biocentury S.L. and the Joyco Group. He received a degree in Business Administration from ESADE.

Manel Estany (Manager, Bingo Division) joined Cirsa in 2009. Prior to joining Cirsa, Mr. Estany served as Marketing Manager for Moet Hennessy Spain and as General Manager for La Sirena. He received a degree in Business Administration from ESADE (1986).

Isaac Lahuerta (General Manager, Corporate Areas) joined Cirsa in 1999. Prior to joining Cirsa, he served as Managing Director of Banco Santander de Negocios (1989-1993) and as General Manager International Division of Ferrovial (1993-1997). He received degrees in Business Administration from ESADE (1986) and Engineering from ETSICC (1980).

David Royo (Director, Chief Financial Officer) joined Cirsa in 2000. Prior to joining Cirsa, Mr. Royo served as Managing Director of Financial Planning for Grupo Financiero Serfin (1992-1997) and as Managing Director of Grupo Financiero Bancrecer (1997-1999). He received a degree in Business Administration from ESADE (1982).

Miquel Vizcaino (Director, Legal) joined Cirsa in 1990. Prior to joining Cirsa, Mr. Vizcaino served as Legal Counselor of Gilabert Servicios S.L. (1987-1990). He received a degree in Business Law from IE (1987) and a degree in Law from *Universidad Autónoma de Barcelona* (1986).

Xavier Cots (Director, Human Resources) joined Cirsa in 2000. Prior to joining Cirsa, he served as Director of Human Resources of Gates Vulca (1996-1998) and as Director of Human Resources Europe for BIC Graphic Europe S.L. (1998-2000). He received a degree in Law from U.O.C. (2005), a degree in Business Administration from *Universidad de* Barcelona (1985) and a degree in Human Resources Management from EADA (1993).

The business address for each of the members of the board of directors and senior management of Cirsa is Carretera de Castellar, 298, Terrasa (Barcelona), Spain.

Compensation

Current Compensation

For the year ended December 31, 2018, we paid an aggregate of approximately €4.6 million to our directors and executive and divisional officers, including cash compensation for salary and bonuses. In addition, company cars have been provided for certain of our directors and executive and divisional officers.

Management Participation Program

On July 3, 2018, we implemented a management participation program pursuant to which shares in LHMC Topco S.à r.l. are held indirectly by certain members of our current or future management. The terms of the program are included in a shareholders' agreement. Certain of the key provisions of the shareholders' agreement include:

1. customary tag along and drag along rights, warranties, participation and cooperation obligations of the managers;

2. "good" and "bad" leaver provisions;

3. subscription rights and anti-dilution rights; and

4. restrictions on transfers of shares.

PRINCIPAL SHAREHOLDERS

The Issuer is a wholly owned subsidiary of the Company, a holding company which is indirectly controlled by Blackstone, which is the indirect principal shareholder of our holding company's voting stock. As of the date of the Offering Memorandum, Blackstone beneficially owned 97.2% of the equity of the Company, and 2.8% is beneficially owned by certain members of the Group's management team. Following the Original Acquisition, Cirsa is now a wholly owned subsidiary of the Company and a sister company of the Issuer.

The Blackstone Group L.P. (NYSE: BX) is one of the world's leading investment firms. Blackstone's alternative asset management businesses include investment vehicles focused on private equity, real estate, public debt and equity, non-investment grade credit, real assets and secondary funds, all on a global basis.

Through its different investment businesses, as of March 31, 2019, Blackstone had total assets under management of over $511.8 billion. This is comprised of $159.0 billion in private equity funds, $140.3 billion in real estate funds, $80.2 billion in hedge fund solutions and $132.3 billion in credit businesses.

Blackstone has a strong track record in owning leading companies in the gaming sector both in online gaming and casinos, as evidenced by its investments in JOA (the French casino group) and the Cosmopolitan Hotel in Las Vegas, USA.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Material agreements between the Group and Nortia

Transitional Services Agreement

On January 1, 2010, the Cirsa Group and Nortia entered into a transitional services agreement (the "*TSA*") on an arms' length basis, pursuant to which the Cirsa Group provides certain services (including, without limitation, IT, accounting, audit, treasury, legal, and human resources services) to Nortia and its affiliates, payments for which amounted to €0.8 million in 2017 and €0.5 million in 2018. Following completion of the Original Acquisition, the TSA was terminated on March 31, 2019. Under the TSA, Nortia paid a monthly amount of approximately €118,000 to the Group in consideration for the services provided under the TSA.

Transactions with Management

The Original Acquisition

Certain members of the Managing Board and other selected executives have received a transaction bonus from the Original Sellers after closing of the Original Acquisition, and have reinvested at least 90% of such bonus after tax in LHMC Topco S.à r.l.

Management Participation Program

On July 3, 2018, we implemented a management participation program related to the reinvestment of certain selected managers of the Group at the level of an indirect shareholder of the Issuer.

Transactions with Blackstone

Support and Services Agreement

On July 3, 2018, we entered into a support and services agreement with Blackstone Management Partners L.L.C. ("*BMP*"), an affiliate of Blackstone, our indirect parent and Blackstone Capital Partners VII L.P. Under the support and services agreement, we engage BMP to arrange for Blackstone's portfolio operations group to provide support services customarily provided by Blackstone's portfolio operations group to Blackstone's private equity portfolio companies of a type and amount determined by such portfolio services group to be warranted and appropriate. In addition, pursuant to the support and services agreement, Blackstone, without discrete compensation, actively monitors the operations of the Group and evaluate strategic transactions and other initiatives that Blackstone views as potentially beneficial for the Group. Under this arrangement, the Group pays or reimburses BMP and its affiliates for out-of-pocket costs and expenses incurred by BMP and its affiliates and indemnifies BMP and its affiliates and related parties, in each case, in connection with the provision of such services under the support and services agreement.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of the material terms of our principal financing arrangements after giving effect to the Transactions. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. We recommend you refer to the actual agreements for further details, copies of which are available upon request.

Existing Notes

Overview

On July 2, 2018, the Issuer issued senior secured notes due 2022 under the Existing Indenture, comprising €663,000,000 aggregate principal amount of euro denominated Senior Secured Notes due 2023 (the "*Existing Fixed Rate Euro Notes*"), €425,000,000 aggregate principal amount of euro denominated Floating Rate Senior Secured Notes due 2023 (the "*Existing Floating Rate Notes*") and $550,000,000 aggregate principal amount of dollar-denominated Senior Secured Notes due 2023 (the "*Existing Dollar Notes*" and, together with the Existing Fixed Rate Euro Notes, the "*Existing Fixed Rate Notes*" and, the Existing Fixed Rate Notes together with the Existing Floating Rate Notes, the "*Existing Notes*"), which remain outstanding as of the date of the Offering Memorandum and had an aggregate principal amount of €1,568.3 million (euro equivalent) as of December 31, 2018. See "*Capitalization*."

The Existing Notes will mature on December 20, 2023.

The proceeds from the issuance of the Existing Notes were on-lent by the Issuer to the Company pursuant to the Existing Proceeds Loan Agreements, which the Company used, together with certain shareholder contributions, to (i) finance the Original Acquisition (including the repayment of certain existing indebtedness of Cirsa and its subsidiaries) and (ii) pay costs, expenses and fees in connection with the Original Acquisition and the offering of the Existing Notes.

Interest Rate

The Existing Fixed Rate Euro Notes accrue interest at a rate of 6.250% per annum. Interest on the Existing Fixed Rate Euro Notes is payable semi-annually in arrears on each June 20 and December 20, accruing from December 20, 2018.

The Existing Dollar Notes accrue interest at a rate of 7.875% per annum. Interest on the Existing Dollar Notes is payable semi-annually in arrears on each June 20 and December 20, accruing from December 20, 2018.

The Existing Floating Rate Notes accrue interest at a rate of three-month EURIBOR plus 575 basis points per annum, reset quarterly. Interest on the Existing Floating Rate Notes is payable quarterly in arrears on each March 20, June 20, September 20 and December 20, accruing from December 20, 2018.

Prepayments and Redemption

Each series of the Existing Fixed Rate Notes may be redeemed in whole or in part at any time on or after June 20, 2020, at established redemption prices. Prior to June 20, 2020, each series of the Existing Fixed Rate Notes may be redeemed, in whole or in part, at the Issuer's option, at a redemption price equal to 100% of the principal amount of such series of Existing Fixed Rate Notes, plus accrued and unpaid interest and additional amounts, if any, plus the applicable "make whole" premium. Prior to June 20, 2020, the Issuer will also be entitled, at its option, to redeem up to 40% of the aggregate principal amount of each series of the Existing Fixed Rate Notes (including additional notes of the same series) with the net cash proceeds from certain equity offerings at the established redemption price for such series. In addition, at any time prior to June 20, 2020, the Issuer may, during each twelve month period commencing with the issue date of the Existing Notes, redeem up to 10% of the

aggregate principal amount of the Existing Dollar Notes at a redemption price equal to 103% of the principal amount redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of redemption.

The Existing Floating Rate Notes may be redeemed in whole or in part at any time on or after June 20, 2019, at established redemption prices. Prior to June 20, 2019, the Existing Floating Rate Notes may be redeemed, in whole or in part, at the Issuer's option, at a redemption price equal to 100% of the principal amount of such Existing Floating Rate Notes, plus accrued and unpaid interest and additional amounts, if any, plus the applicable "make whole" premium.

The Issuer may also redeem all, but not less than all, of the Existing Notes upon the occurrence of certain changes in applicable tax law, that became effective after July 2, 2018.

Upon the occurrence of certain events constituting a change of control or upon the occurrence of certain asset sales, the Issuer may be required to make an offer to repurchase the Existing Notes.

Guarantees

The Issuer's obligations under the Existing Notes are guaranteed on a senior secured basis by the same guarantors that will guarantee the Notes.

Security

The Existing Notes are secured by the same collateral that will secure the Notes.

Certain Covenants and Events of Default

The Existing Indenture contains a number of covenants which, among other things, restrict, subject to certain exceptions, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends on, redeem capital stock and, in the case of restricted subsidiaries of the Company (other than the Issuer or a Guarantor) make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- sell, lease or transfer certain assets;
- enter into arrangements that impose encumbrances or restrictions on the ability of the restricted subsidiaries to pay dividends or make other payments to the Issuer, the Company or its restricted subsidiaries that are Guarantors;
- enter into certain transactions with affiliates;
- merge or consolidate with other entities; and
- impair the security interests for the benefit of the holders of the Existing Notes.

Revolving Credit Facility

Overview and Structure

In connection with the offering of the Existing Notes, the Company and the Issuer entered into a €200,000,000 Revolving Credit Facility Agreement on June 22, 2018, as amended on August 8, 2018, with, among others, Deutsche Bank AG, London Branch as facility agent, Deutsche Bank Trust Company Americas as security agent, and Deutsche Bank AG, London Branch, Barclays Bank PLC, UBS Limited, Credit Suisse International, Jefferies Finance LLC and Banco Bilbao Vizcaya Argentaria, S.A., as arrangers, the Company and the Issuer each as original borrower and original guarantor.

The Revolving Credit Facility Agreement comprises a €200,000,000 Revolving Credit Facility which may be utilized by any current or future borrower thereunder in euros, pounds sterling, U.S. dollars or any other currency which is readily available and freely convertible into euro or which has been approved by all the Lenders having a commitment under the Revolving Credit Facility, by the drawing of cash advances, the issuance of letters of credit and/or the establishment of ancillary facilities.

The Revolving Credit Facility may be used for (directly or indirectly) financing or refinancing the general corporate purposes and/or working capital requirements of the Group.

In addition, the Company may elect to request additional facilities, either as new facilities or additional tranches of the Revolving Credit Facility or to issue bonds, notes or term loans (each an "*Additional Facility*"). The Company and the lenders providing an Additional Facility may agree to certain terms applicable to such Additional Facility, including the margin, the termination date and the availability period (where relevant, subject to parameters as set out in the Revolving Credit Facility Agreement).

The Revolving Credit Facility may be utilized from July 3, 2018, the date of completion of the Original Acquisition (the "*Closing Date*"), until the date falling one month prior to the maturity date of the Revolving Credit Facility.

Interest and Fees

Loans under the Revolving Credit Facility initially bear interest at rates per annum equal to EURIBOR, for loans denominated in euro, or for loans denominated in a currency other than euro, LIBOR plus a margin of 3.00% per annum (which shall be subject to reduction in accordance with a ratchet linked to the senior secured first lien leverage ratio).

A Revolving Credit Facility letter of credit fee is payable at a rate of the margin applicable to the Revolving Credit Facility from time to time on the outstanding amount of each letter of credit issued under the Revolving Credit Facility for the period from the date of the issue of that letter of credit until its expiry date.

The margin applicable to an Additional Facility will be agreed between the Company and the lenders of that Additional Facility (subject to certain parameters set out in the Revolving Credit Facility Agreement).

A commitment fee is payable on the aggregate undrawn and uncanceled amount of the Revolving Credit Facility from the Closing Date to the end of the availability period for the Revolving Credit Facility at a rate of 30% of the margin applicable to the Revolving Credit Facility from time to time. The commitment fee is payable quarterly in arrear during the relevant part of the availability period, on the last date of availability of the Revolving Credit Facility and on the date the Revolving Credit Facility is canceled in full or on the date on which a lender cancels its commitment thereunder.

Default interest is calculated as an additional 1% on the overdue amount. The Company is also required to pay customary agency fees to the facility agent and the security agent in connection with the Revolving Credit Facility.

Repayments

Each loan under the Revolving Credit Facility will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism applicable to amounts being drawn on the same date.

All outstanding amounts under the Revolving Credit Facility will be repaid on the date falling six months prior to the maturity date of the Notes. The termination date for a facility under an additional facility commitment is the date agreed between the Company and the relevant lenders, *provided* that it shall be no earlier than the maturity date for the Revolving Credit Facility. Amounts made available under the Revolving Credit Facility may be repaid and re-borrowed during the availability period for the facilities, subject to certain conditions.

Voluntary Prepayment and Mandatory Prepayment

The Revolving Credit Facility Agreement allows for voluntary prepayments (subject to minimum amounts). The Revolving Credit Facility Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender under the Revolving Credit Facility Agreement upon a Change of Control or illegality.

Guarantees

The Guarantors have (subject to certain limitations) provided guarantees of all amounts payable to the finance parties under the Revolving Credit Facility Agreement.

The Revolving Credit Facility Agreement requires that, if on the last day of a financial year of the Group, the Guarantors represent less than 80% of the consolidated EBITDA of the Group (which shall exclude EBITDA of any member of the Group that is not required to become a Guarantor by reason of the agreed security principles or which has negative EBITDA), within 120 days of the last permitted date for delivery of the annual financial statements for that financial year, subject to agreed security principles, additional restricted subsidiaries of the Company are required to become additional guarantors of the Revolving Credit Facility Agreement until the 80% guarantor coverage requirement is met. Furthermore, the Revolving Credit Facility Agreement requires that each subsidiary of the Company that is a material company (being a Restricted Subsidiary of the Company that has earnings before interest, tax, depreciation and amortization representing 5% or more of unconsolidated EBITDA of the Group tested with reference to the most recent annual financial statements) will be required, subject to agreed security principles, to become a guarantor under the Revolving Credit Facility Agreement within 120 days of the last permitted date for delivery of the annual financial statements for that financial year.

Security

The Revolving Credit Facility was initially secured (subject to certain exceptions) by the same Collateral as the Existing Notes. In addition, any material subsidiary or other member of the Group which becomes a guarantor of the Revolving Credit Facility is required (subject to agreed security principles) to grant security over certain of its assets in favor of the security agent under the Revolving Credit Facility.

Representations and Warranties

The Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, power and authority, binding obligations, non-conflict with laws, constitutional documents or other binding obligations, authorizations and no default.

Covenants

The Revolving Credit Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments) that are set forth in the Existing Indenture and will be set forth in the Indenture. In addition, the Revolving Credit Facility Agreement contains a financial covenant (see "*—Financial Covenant*").

The Revolving Credit Facility Agreement also requires certain members of the Group to observe certain affirmative covenants relating to maintenance of guarantor and security coverage and further assurances.

The Revolving Credit Facility Agreement contains an information covenant that is the same as that set forth in the Indenture under which, among other things, the Issuer is required to deliver to the facility agent, annual financial statements, quarterly financial statements and compliance certificates.

Financial Covenant

The Revolving Credit Facility Agreement requires the Issuer to comply with a senior secured first lien leverage ratio on the last day of each period of twelve months ending on a quarter date (each a "*Relevant Period*"). The senior secured first lien leverage ratio on the last day of each Relevant Period shall not exceed 7.52:1 with the first test date being at the end of the third full quarter after the Closing Date. The financial covenant will not be tested nor required to be satisfied where the relevant utilizations under the Revolving Credit Facility on the relevant quarter date on which the Relevant Period ends do not exceed 40% of the total commitments under the Revolving Credit Facility. The Company is permitted to prevent or cure breaches of the financial covenant following receipt by the Group in cash of any new equity or permitted subordinated shareholder debt as if EBITDA for the Relevant Period shall be increased by the amount of that new equity or subordinated shareholder debt. No more than five equity cures may be taken into account during the term of the Revolving Credit Facility and different equity cure amounts may not be taken into account on more than two consecutive quarter end dates among any consecutive four quarter end dates. The Company may also cure breaches of the financial covenant by repaying utilizations under the Revolving Credit Facility to 40% or below of the total commitments under the Revolving Credit Facility. Breaching the specified financial covenant will result only in a drawstop event, and not an event of default.

Events of Default

The Revolving Credit Facility Agreement contains events of default which are, with certain adjustments, the same as those applicable to the Notes and set forth in the section entitled "*Description of the Notes—Events of Default and Remedies."* In addition, the Revolving Credit Facility Agreement contains the following events of default (which are subject to certain materiality exceptions and cure periods):

- non-payment;
- inaccuracy of a representation or statement when made; and

unlawfulness, repudiation, rescission, invalidity or unenforceability of the Revolving Credit Facility Agreement or any other finance documents entered into in connection with it.

Intercreditor Agreement

General

To establish the relative rights of certain of its creditors under its financing arrangements, the Company and the Issuer (together with any other entity which accedes to the Intercreditor Agreement as a debtor, the "*Debtors*") are parties to the Intercreditor Agreement dated June 22, 2018, with, among others, Deutsche Bank

AG, London Branch as the facility agent under the Revolving Credit Facility Agreement (the "*Agent*"), the Security Agent and Deutsche Trustee Company Limited, as trustee of the Existing Notes. Deutsche Trustee Company Limited, as trustee of the Notes (the "*Trustee*"), will accede to the Intercreditor Agreement on or about the Issue Date.

The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the collateral providers, when payments can be made in respect of certain debt of the Debtors, when Enforcement Action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

The Intercreditor Agreement additionally provides for Hedge Counterparties and Operating Facility Lenders (each as defined herein) to receive guarantees and indemnities from the Debtors on substantially the same terms (including the relevant limitations) as such guarantees and indemnities are provided by the obligors to the finance parties under the Senior Credit Facilities Agreement.

Capitalized terms set forth and used in this section entitled "*—Intercreditor Agreement*" have the same meanings as set forth in the Intercreditor Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum.

Definitions

The following defined terms are used in this summary of the Intercreditor Agreement:

"*Available Restricted Payment Amounts*" means, at any time, any amounts which any member of the Group may pay a Holding Company of the Company in accordance with the terms of the Senior Credit Facilities Agreement.

"*Creditors*" means the Senior Secured Creditors, the High Yield Creditors, the Senior Parent Creditors, the Hedge Counterparties, the intra-group lenders and the investors in the Group.

"*Debt Document*" means each Secured Debt Document, the security documents and any agreement evidencing the terms of the intra-group liabilities, investor liabilities and any other document designated as such by the Security Agent and the Company.

"*Enforcement Action*" means

(a) in relation to any liabilities:

  (i) 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 Secured Creditor, a High Yield Creditor or a Senior Parent Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, any of the Debt Documents);

  (ii) the making of any declaration that any liabilities are payable on demand;

  (iii) the making of a demand in relation to a liability that is payable on demand;

  (iv) the making of any demand against any member of the Group in relation to any guarantee liabilities of that member of the Group;

(v) the exercise of any right to require any member of the Group to acquire any liability (including exercising any put or call option against any member of the 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 Credit Facilities Agreement (or any other similar or equivalent provision of any of the Secured Debt Documents) and/or any other acquisition of liabilities, acquisition or transaction which any member of the Group is not prohibited from entering into by the terms of the Secured Debt Documents and excluding any mandatory offer arising as a result of a change of control or asset sale or special redemption event under any escrow or similar arrangement (howsoever described) as set out in the Notes finance documents or the Senior Parent Notes finance documents (or any other similar or equivalent provision of any of the Secured Debt Documents);

(vi) the exercise of any right of set-off, account combination or payment netting against any member of the Group in respect of any liabilities other than the exercise of any such right:

(A) as close-out netting by a Hedge Counterparty or by a hedging ancillary lender;

(B) as payment netting by a Hedge Counterparty or by a hedging ancillary lender;

(C) as inter-hedging agreement netting by a Hedge Counterparty;

(D) as inter-hedging ancillary document netting by a hedging ancillary lender; and/or

(E) which is otherwise permitted by the terms of any of the Secured Debt Documents, in each case to the extent that the exercise of that right gives effect to a permitted payment; and

(vii) the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group to recover any liabilities;

(b) the premature termination or close-out of any hedging transaction under any hedging agreement, save to the extent permitted by the Intercreditor Agreement;

(c) 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 security);

(d) the entry into any composition, compromise, assignment or similar arrangement with any member of the Group which owes any liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the liabilities (other than any action permitted under the Intercreditor Agreement or any debt buy-back, tender offer, exchange offer or similar or equivalent arrangement not otherwise prohibited by the Debt Documents); or

(e) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, examiner, administrator or similar officer) in relation to the winding up, dissolution, examinership, administration or reorganization of any member of the Group which owes any liabilities, or has given any security, guarantee, indemnity or other assurance against loss in respect of any of the liabilities, or any of such member of the Group's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Group, or any analogous procedure or step in any jurisdiction;

except that the following shall not constitute Enforcement Action:

(i) the taking of any action falling 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; or

(ii) a Senior Secured Creditor, a High Yield Creditor or a Senior Parent Creditor 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 or (c) requesting judicial interpretation of any provision of any Debt Document to which it is party with no claim for damages; or

(iii) bringing legal proceedings against any person in connection with any securities violation, securities or listing regulations or common law fraud; or

(iv) to the extent entitled by law, the taking of any action against any creditor (or any agent, trustee or receiver acting on behalf of that creditor) to challenge the basis on which any sale or disposal is to take place pursuant to the powers granted to those persons under any relevant documentation; or

(v) any person consenting to, or the taking of any other action pursuant to or in connection with, any merger, consolidation, reorganization or any other similar or equivalent step or transaction initiated or undertaken by a member of the Group (or any analogous procedure or step in any jurisdiction) that is not prohibited by the terms of the Secured Debt Documents to which it is a party.

"*Final Discharge Date*" means the later to occur of the Senior Discharge Date, the Permitted Second Lien Financing Discharge Date, the High Yield Discharge Date and the Senior Parent Discharge Date.

"*First/Second Lien Discharge Date*" means the later to occur of the Senior Discharge Date and the Permitted Second Lien Financing Discharge Date.

"*Hedge Counterparty*" means any person that executes or accedes to the Intercreditor Agreement as a Hedge Counterparty.

"*Hedging Liabilities*" means the liabilities owed by a Debtor to Hedge Counterparties in respect of certain hedging agreements.

"*High Yield Credit Participation*" means the principal amount of outstanding High Yield Notes liabilities held by that holder of High Yield Notes.

"*High Yield Creditor*" means the holders of the High Yield Notes and each High Yield Notes Trustee.

"*High Yield Discharge Date*" means the first date on which all High Yield Notes liabilities have been fully and finally discharged.

"*High Yield Notes*" means high yield notes, exchange notes, debt securities and/or other debt instruments issued by a High Yield Notes Issuer which are notified to the Security Agent by the Company in writing as

indebtedness to be treated as "High Yield Notes" for the purposes of the Intercreditor Agreement, subject to certain requirements.

"*High Yield Notes Issuer*" means in relation to any High Yield Notes, the person which is the immediate Holding Company of the Company or any direct subsidiary of that Holding Company which is not a member of the Group.

"*High Yield Notes Trustee*" means any entity acting as trustee under any issue of High Yield Notes (to the extent it has acceded in such capacity to the Intercreditor Agreement in accordance with its terms) in each case as the context requires.

"*Majority High Yield Creditors*" means at any time, those High Yield Creditors whose High Yield Credit Participations at that time aggregate to more than 66⅔% of the total aggregate amount of all High Yield Credit Participations at that time.

"*Majority Permitted Second Lien Financing Creditors*" means, in relation to any Permitted Second Lien Financing Debt, the requisite number or percentage of Permitted Second Lien Financing Creditors under the Permitted Second Lien Financing Agreement on whose instructions the Second Lien Creditor Representative is required to act in relation to the relevant matter.

"*Majority Permitted Senior Financing Creditors*" means, in relation to any Permitted Senior Financing Debt, the requisite number or percentage of Permitted Senior Financing Creditors under the Permitted Senior Financing Agreement on whose instructions the Senior Creditor Representative is required to act in relation to the relevant matter.

"*Majority Second Lien Creditors*" means, at any time those Permitted Second Lien Financing Creditors whose Second Lien Credit Participations at that time aggregate more than 66⅔% of the Total Second Lien Credit Participations (as defined below).

"*Majority Senior Lenders*" means, at any time, subject to certain provisions of the Senior Credit Facilities Agreement, a Senior Lender or Senior Lenders commitments under the Senior Credit Facilities Agreement that aggregate at least 66⅔% of the total commitments under the Senior Credit Facilities.

"*Notes/Permitted Financing Credit Participations*" means the aggregate of all senior secured credit participations at any time of the Notes Creditors and the Permitted Senior Financing Creditors.

"*Notes Creditors*" means the holders of the Notes and each trustee under any such issue of Senior Notes.

"*Operating Facility*" means any facility or financial accommodation (including, without limitation, any overdraft or other current account facility, any foreign exchange facility, any guarantee, bonding, documentary or standby letter of credit facility, any credit card or automated payments facility, any short term loan facility any derivatives facility, any cash pooling arrangement or other cash facility) provided to a member of the Group by an Operating Facility Lender which is notified to the Security Agent by the Company in writing as a facility or financial accommodation to be treated as an "Operating Facility" for the purposes of the Intercreditor Agreement.

"*Operating Facility Document*" means, at the election of the Company, any document relating to or evidencing an Operating Facility.

"*Operating Facility Lender*" means any person that executes or accedes to the Intercreditor Agreement as an Operating Facility Lender, subject to certain requirements.

"*Operating Facility Liabilities*" means the liabilities owed by any Debtor to the Operating Facility Lenders under or in connection with the Operating Facility Documents.

"*Permitted Parent Financing Agreement*" means, in relation to any Permitted Parent Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Parent Financing Debt is made available or, as the case may be, issued.

"*Permitted Parent Financing Creditors*" means, in relation to any Permitted Parent Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Parent Financing Debt from time to time (including the applicable Senior Parent Creditor Representative).

"*Permitted Parent Financing Debt*" means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Company in writing as indebtedness to be treated as "Permitted Parent Financing Debt" for the purposes of the Intercreditor Agreement, *provided* that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined herein) and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt have agreed to become a party to the Intercreditor Agreement in such capacity, in each case unless already a party in that capacity.

"*Permitted Parent Financing Documents*" means, in relation to any Permitted Parent Financing Debt, the Permitted Parent Financing Agreement, any fee letter entered into under or in connection with the Permitted Parent Financing Agreement and any other document or instrument relating to that Permitted Parent Financing Debt and designated as such by the Company and the Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt.

"*Permitted Parent Financing Liabilities*" means all liabilities of any Debtor to any Permitted Parent Financing Creditors under or in connection with the Permitted Parent Financing Documents.

"*Permitted Second Lien Financing Agreement*" means, in relation to any Permitted Second Lien Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Second Lien Financing Debt is made available or, as the case may be, issued.

"*Permitted Second Lien Financing Arranger Liabilities*" means all liabilities of any Debtor to any arranger under or in connection with the Permitted Second Lien Financing Documents.

"Permitted Second Lien Financing Creditors" means, in relation to any Permitted Second Lien Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Second Lien Financing Debt from time to time (including the applicable Second Lien Creditor Representative).

"*Permitted Second Lien Financing Debt*" means any indebtedness incurred by a member of the Group which is notified to the Security Agent by the Company in writing as indebtedness to be treated as "Permitted Second Lien Financing Debt" for the purposes of the Intercreditor Agreement, *provided* that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined herein) and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Second Lien Financing Debt have agreed to become a party to the Intercreditor Agreement in such capacity, in each case unless already a party in that capacity.

"*Permitted Second Lien Financing Discharge Date*" means the first date on which the Permitted Second Lien Financing Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Permitted Second Lien Financing Creditors are under no further obligation to provide financial accommodation to any of the Debtors under any of the Permitted Second Lien Financing Documents.

"*Permitted Second Lien Financing Documents*" means, in relation to any Permitted Second Lien Financing Debt, the Permitted Second Lien Financing Agreement, any fee letter entered into under or in connection with the Permitted Second Lien Financing Agreement and any other document or instrument relating to that Permitted

Second Lien Financing Debt and designated as such by the Company and the Second Lien Creditor Representative under that Permitted Second Lien Financing Debt.

"*Permitted Second Lien Financing Liabilities*" means all liabilities of any Debtor to any Permitted Second Lien Financing Creditor under or in connection with the Permitted Second Lien Financing Documents.

"*Permitted Senior Financing Agreement*" means, in relation to any Permitted Senior Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Senior Financing Debt is made available or, as the case may be, issued.

"*Permitted Senior Financing Creditors*" means, in relation to any Permitted Senior Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Senior Financing Debt from time to time (including the applicable Senior Creditor Representative).

"*Permitted Senior Financing Debt*" means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Company in writing as indebtedness to be treated as "Permitted Senior Financing Debt" for the purposes of the Intercreditor Agreement *provided* that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined herein) and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt have agreed to become a party to the Intercreditor Agreement in each case to the extent not already a party in that capacity.

"*Permitted Senior Financing Documents*" means, in relation to any Permitted Senior Financing Debt, the Permitted Senior Financing Agreement, any fee letter entered into under or in connection with the Permitted Senior Financing Agreement and any other document or instrument relating to that Permitted Senior Financing Debt and designated as such by the Company and the Senior Creditor Representative under that Permitted Senior Financing Debt.

"*Permitted Senior Financing Liabilities*" means all liabilities of any Debtor to any Permitted Senior Financing Creditors under or in connection with the Permitted Senior Financing Documents.

"*Primary Creditors*" means the Senior Secured Creditors, the High Yield Creditors and the Senior Parent Creditors.

"*Second Lien Agent Liabilities*" means all liabilities owed by the Debtors to any Second Lien Creditor Representative under or in connection with Permitted Second Lien Financing Documents.

"*Second Lien Borrower*" means any member of the Group which is a borrower or issuer of any Permitted Second Lien Financing Debt.

"*Second Lien Creditor Representative*" means in relation to any Permitted Second Lien Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Second Lien Financing Debt.

"*Second Lien Guarantor*" means any member of the Group which provides a guarantee or other assurance against loss of any Permitted Second Lien Financing Debt.

"*Secured Debt Documents*" means the Senior Credit Facilities finance documents, the Notes finance documents, the Permitted Senior Financing Documents, the hedging agreements regulated by the Intercreditor Agreement, the Operating Facility finance documents, the Permitted Second Lien Financing Documents, the High Yield Notes finance documents, the Senior Parent Notes finance documents and/or the Permitted Parent Financing Documents.

"*Secured Party*" means the Security Agent, any receiver or delegate and each of the agents, the arrangers, the Senior Secured Creditors, the High Yield Creditors and the Senior Parent Creditors.

"*Senior Agent Liabilities*" means all liabilities owed by the Debtors to the Agent under or in connection with the Senior Credit Facilities finance documents.

"*Senior Creditor Representative*" means in relation to any Permitted Senior Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt.

"*Senior Creditors*" means the Senior Lenders and the Hedge Counterparties.

"*Senior Debt Documents*" means the Senior Credit Facilities finance documents, the Notes finance documents, the Permitted Senior Financing Documents and/or Permitted Second Lien Financing Documents.

"*Senior Discharge Date*" means the first date on which each of the Senior Creditor liabilities, the Senior Notes liabilities and the Permitted Senior Financing liabilities has been fully discharged.

"*Senior Distress Event*" means, following the occurrence of a senior acceleration event which is continuing, a Senior Agent (other than a Second Lien Creditor Representative) declares by written notice that a 'senior distress event' has occurred.

"*Senior Lender*" means each of the lenders, issuing banks and ancillary lenders under the Senior Credit Facilities Agreement.

"*Senior Lender Liabilities*" means the liabilities owed by the Debtors to the Senior Lenders under the Senior Credit Facilities finance documents.

"*Senior Liabilities*" means the Senior Lender Liabilities, the Hedging Liabilities, the Notes liabilities and the Permitted Senior Financing Liabilities (as applicable).

"*Senior Parent Creditors*" means the Senior Parent Note holders, each trustee under any such issue of Senior Parent Notes and any Permitted Parent Financing Creditors.

"*Senior Parent Creditor Representative*" means in relation to any Permitted Parent Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt.

"*Senior Parent Debt Issuer*" means, in relation to any Senior Parent Notes or Permitted Parent Financing Debt, the member of the Group which is the issuer, or, as the case may be, the borrower of those Senior Parent Notes or that Permitted Parent Financing Debt, *provided* that no member of the Group which is:

(a) an issuer or, as the case may be, a borrower of any outstanding senior term debt, outstanding Notes, outstanding Permitted Senior Financing Debt or outstanding Permitted Second Lien Financing Debt; or

(b) a subsidiary of a member of the Group falling within paragraph (a) above (other than a subsidiary which is a financing vehicle),

may be a Senior Parent Debt Issuer.

"*Senior Parent Discharge Date*" means the first date on which each of the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities has been fully discharged.

"*Senior Parent Notes*" means high yield notes, exchange notes, debt securities and/or other debt instruments issued by a Senior Parent Debt Issuer which are notified to the Security Agent by the Company in writing as indebtedness to be treated as "Senior Parent Notes" for the purposes of the Intercreditor Agreement.

"*Senior Parent Notes Liabilities*" means all liabilities owed by the Debtor to the Senior Parent Notes finance parties under any Senior Parent Notes finance documents (excluding any amounts owed to the Senior Parent Notes Trustee).

"*Senior Parent Notes Trustee*" means any entity acting as trustee under any issue of Senior Parent Notes (to the extent it has acceded in such capacity to the Intercreditor Agreement in accordance with its terms) in each case as the context requires.

"*Senior Secured Creditors*" means the Senior Creditors, the Notes Creditors, any Permitted Senior Financing Creditors and/or any Permitted Second Lien Financing Creditors.

"*Senior Secured Parties*" means the Secured Parties other than the High Yield Creditors and the Senior Parent Creditors.

"*Shared Security*" means any security granted in favor of the Senior Secured Parties which, at the election of the Company, is to secure all or any part of the High Yield Notes liabilities, the Senior Parent Notes Liabilities and/or Permitted Parent Financing Liabilities.

Debt Refinancing

The Intercreditor Agreement permits (subject to its terms) any of the liabilities under the Debt Documents to be refinanced, replaced, increased or otherwise restructured in whole or in part including by way of Permitted Senior Financing Debt, Permitted Second Lien Financing Debt and/or Permitted Parent Financing Debt or the issue of additional Notes and/or High Yield Notes or the establishment of new or additional Operating Facilities (each a "*Debt Refinancing*").

Each party to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of the then current Secured Debt Documents and/or take such other action as is required by the Company in order to facilitate such a Debt Refinancing including changes to, the taking of, or the release and retake of any guarantee or security, subject to certain conditions. At the option of the Company, a Debt Refinancing may be made available on a basis which is senior to, *pari passu* with or junior to any of the other liabilities, shall be entitled to benefit from all or any of the security, may be made available on a secured or unsecured basis (subject to certain restrictions) and may be effected in whole or in part by way of a debt exchange, non-cash rollover or other similar or equivalent transaction, in each case unless otherwise prohibited by the Debt Financing Agreements.

In the event of any refinancing or replacement of all or any part of the Senior Lender Liabilities (or any such refinancing or replacement indebtedness from time to time), the Company shall be entitled to require that the definition of Instructing Group is amended such that the relevant refinancing or replacement indebtedness is treated in the same manner as the Senior Credit Facilities (meaning that for the purpose of calculating the voting entitlement of any person, at the option of the Company all or any part of the relevant refinancing or replacement indebtedness may be treated as Senior Secured Credit Participations of the Senior Creditors and not Notes/ Permitted Financing Credit Participations).

Ranking and Priority

Priority of Debts

Subject to the provisions set out in the caption "*—High Yield Notes, Senior Parent Liabilities and Security*" below, the Intercreditor Agreement provides that the liabilities owed by the Debtors (other than any Senior Parent Debt Issuer to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(a) first, the Senior Lender Liabilities, the Notes liabilities, the Permitted Senior Financing Liabilities, the Hedging Liabilities, the Operating Facility Liabilities, the Permitted Second Lien Financing Liabilities, the Senior Arranger Liabilities, the Permitted Second Lien Financing Arranger Liabilities, the Senior Agent Liabilities, the Second Lien Agent Liabilities, amounts due to the Trustee, amounts due to the High Yield Notes Trustee and amounts due to the Senior Parent Notes Trustee *pari passu* and without any preference among them; and

(b) second, the High Yield Notes liabilities, the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities *pari passu* and without any preference among them.

The liabilities owed by any Senior Parent Debt Issuer (to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank *pari passu* in right and priority of payment without any preference among them.

Priority of Security

The Intercreditor Agreement provides that the security provided by a member of the Group shall secure the liabilities (but only to the extent that such security is expressed to secure those liabilities) in the following order:

(a) first, the Senior Lender Liabilities, the Notes Liabilities, the Permitted Senior Financing Liabilities, the Hedging Liabilities, the Operating Facility Liabilities, the Senior Arranger Liabilities, the Senior Agent Liabilities, the Second Lien Agent Liabilities, amounts due to the Trustee, amounts due to the High Yield Notes Trustee and amounts due to the Senior Parent Notes Trustee pari passu and without any preference among them;

(b) second, the Permitted Second Lien Financing Liabilities and the Permitted Second Lien Financing Arranger Liabilities pari passu and without any preference among them; and

(c) third (to the extent of any Shared Security), the High Yield Notes liabilities, the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities pari passu and without any preference among them.

High Yield Notes, Senior Parent Liabilities and Security

The High Yield Notes liabilities owed by a High Yield Notes Issuer are senior obligations of that High Yield Notes Issuer. Notwithstanding the preceding sentence, until the First/Second Lien Discharge Date, the High Yield Notes Creditors may not take any steps to appropriate the assets of a member of the Group subject to the security documents in connection with any Enforcement Action, other than as expressly permitted by the Intercreditor Agreement. For the avoidance of doubt, this paragraph shall not impair the right of the High Yield Notes Creditors to institute suit for the recovery of any payment due by a High Yield Notes Issuer in respect of the High Yield Notes liabilities.

The Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities owed by a Senior Parent Debt Issuer (to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower) are senior obligations of that Senior Parent Debt Issuer. Notwithstanding the preceding sentence, until the First/Second Lien Discharge Date, the Senior Parent Notes Creditors and the Permitted Parent Financing Creditors may not take any steps subject to the security documents in connection with any Enforcement Action, other than as expressly permitted by the Intercreditor Agreement.

For the avoidance of doubt, this paragraph shall not impair the right of the Senior Parent Notes Creditors and/or the Permitted Parent Financing Creditors to institute suit for the recovery of any payment due by a Senior Parent Debt Issuer in respect of the Senior Parent Notes Liabilities and/or the Permitted Parent Financing Liabilities (in each case to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower).

Intra-Group Liabilities and Investor Liabilities

The Intercreditor Agreement provides that the intra-group liabilities and the liabilities of the Group to an investor are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors and the Operating Facility Lenders, but does not purport to rank any of those liabilities as between themselves.

Except in certain circumstances following the occurrence of an Insolvency Event in relation to any relevant member of the Group which has incurred investor liabilities, members of the Group are not permitted to make payments of investor liabilities to the extent prohibited by the Debt Financing Agreements until after the Final Discharge Date.

Additional and/or Refinancing Debt

The Creditors and the Operating Facility Lenders acknowledge in the Intercreditor Agreement that the Debtors (or any of them) may wish to incur incremental borrowing liabilities (including guarantees of such liabilities) or refinance or replace borrowing liabilities (including incurring guarantee liabilities in respect of such refinancing or replacement). Such liabilities are intended to rank *pari passu* with any other liabilities and/or share *pari passu* in any security and/or to rank behind any other liabilities and/or to share in any security behind any such other liabilities and/or in the case of the Notes and any credit facilities liabilities, share senior in any security.

The Creditors and the Operating Facility Lenders undertake in the Intercreditor Agreement (at the cost of the Debtors) to co-operate with the Company and the Debtors with a view to enabling and facilitating such financing, refinancing or replacement and such sharing in the security (provided it is not prohibited by the terms of the Debt Financing Agreements at such time) to take place in a timely manner. In particular, but without limitation, each of the secured parties authorizes and directs each of its respective agents and the Security Agent to execute any amendment to or replacement of the Intercreditor Agreement and such other Debt Documents and/or (subject to certain pre-conditions) release and retake of security required by the Company to reflect, enable and/or facilitate any such arrangements.

Restrictions Relating to Senior Secured Liabilities

The Company and the Debtors may make payments of the senior secured liabilities at any time.

The Intercreditor Agreement provides that the Senior Secured Creditors, the Operating Facility Lenders, the Company and the Debtors may at any time amend or waive the terms of the finance documents in relation to the Senior Credit Facilities, the Notes, the Permitted Senior Financing Debt, Permitted Second Lien Financing Debt and/or any Operating Facility in accordance with their respective terms from time to time (and subject only to any consent required under them).

Security and Guarantees: Senior Secured Creditors

The Senior Lenders and the Notes Creditors and the Operating Facility Lenders may take, accept or receive the benefit of:

(a) any security from any member of the Group in respect of any of the Senior Lender liabilities or Notes liabilities in addition to the shared security *provided* that, to the extent legally possible and subject to certain agreed security principles:

(i) the security provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

(ii) all amounts actually received or recovered by any Senior Secured Creditor or Operating Facility Lender with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "*—Application of Proceeds*"; and

(iii) any such security may only be enforced in accordance with the provisions set out under the caption "*—Manner of Enforcement—Security Held by Other Creditors*";

(b) any guarantee, indemnity or other assurance against loss from any member of the Group regarding any of the Senior Liabilities in addition to those in:

(i) the Senior Credit Facilities Agreement, any Indenture, any Permitted Senior Financing Document, any Permitted Second Lien Financing Document or any Operating Facility Document;

(ii) the Intercreditor Agreement; or

(iii) 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, or expressed to be given to, all the senior secured parties in respect of their senior secured liabilities,

provided that (except for any guarantee, indemnity or other assurance against loss permitted to be given to any ancillary lender or issuing bank), to the extent legally possible, and subject to certain agreed security principles,

(A) the guarantee provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity); and

(B) such guarantee, indemnity or assurance against loss is expressed to be subject to the Intercreditor Agreement;

(c) any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:

(i) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or

(ii) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Senior Lender Liabilities, Operating Facility Liabilities, Notes

liabilities, Permitted Senior Financing Liabilities and/or Permitted Second Lien Financing Liabilities (in each case *provided* that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of this Agreement).

Restriction on Enforcement: Senior Lenders, Operating Facility Lenders, Notes Creditors and Permitted Senior Financing Creditors.

The Intercreditor Agreement provides that no Senior Lender, Operating Facility Lender, Notes Creditor or Permitted Senior Financing Creditor may take Enforcement Action referred to in paragraphs (c) and (e) of that definition without the prior written consent of an Instructing Group (as defined herein) other than as described under the caption "*—Enforcement of Security*" below.

Notwithstanding the above restriction or anything to the contrary in the Intercreditor Agreement, after the occurrence of certain specified insolvency events (each an "*Insolvency Event*") in relation to the Company or a Debtor, each Senior Lender, Operating Facility Lender, Notes Creditor and/or Permitted Senior Financing Creditor may, to the extent it is permitted to do so under the relevant Debt Documents, take Enforcement Action referred to in paragraph (e) of that definition and/or claim in the winding up, dissolution, administration, reorganization or similar insolvency event or process in relation to that Debtor for liabilities owing to it (*provided* that no Senior Secured Creditor or Operating Facility Lender may direct the Security Agent to enforce the common security in any manner).

Option to Purchase: Notes Creditors and Permitted Senior Financing Creditors

Notes Creditors holding at least a simple majority of the Notes liabilities or Permitted Senior Financing Creditors holding at least a simple majority of the Permitted Senior Financing Liabilities (the "*Senior Secured Acquiring Creditors*") may, after the occurrence of an acceleration event which is continuing, by giving not less than ten (10) days' notice to the Security Agent (with the first notice to prevail in the event that more than one set of Creditors serves such a notice), require the transfer to them (or to a nominee or nominees), in accordance with the applicable transfer provisions of the Intercreditor Agreement, of all, but not part, of the rights, benefits and obligations in respect of the Senior Lender Liabilities and the Operating Facility Liabilities (a "*Senior Liabilities Transfer*") subject to satisfaction of the conditions to doing so set out in the Intercreditor Agreement.

Subject to the Intercreditor Agreement, the Senior Secured Acquiring Creditors may only require a Senior Liabilities Transfer if, at the same time, they require a transfer of the hedging liabilities in accordance with the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no Senior Liabilities Transfer may be required to be made.

At the request of a Senior Agent (on behalf of the Senior Secured Acquiring Creditors), the Agent, the Hedge Counterparties and the Operating Facility Lenders shall notify that Senior Agent of the foregoing payable sums in connection with such transfer.

Instructing Group

The term "*Instructing Group*" means at any time

(a) prior to the Senior Discharge Date:

(i) in relation to any instructions to the Security Agent in connection with paragraphs (c) or (e) of the definition of Enforcement Action:

(A) those Senior Secured Creditors (other than the Senior Creditors and the Permitted Second Lien Financing Creditors) whose Senior Secured Credit

Participations at that time aggregate to more than 66⅔% of the aggregate Senior Secured Credit Participations of the Notes Creditors and the Permitted Senior Financing Creditors at that time; and/or

(B) prior to the Senior Lender Discharge Date, the Majority Senior Creditors,

in each case as applicable in accordance with the provisions set out under the caption "*—Consultation Period*"; or

(ii) in relation to any other matter:

(A) those Senior Secured Creditors (other than the Senior Creditors and the Permitted Second Lien Financing Creditors) whose Senior Secured Credit Participations at that time aggregate to more than 66⅔% of the aggregate Senior Secured Credit Participations of the Notes Creditors and the Permitted Senior Financing Creditors at that time; and/or

(B) prior to the Senior Lender Discharge Date, the Majority Senior Creditors;

(b) on or after the Senior Discharge Date but before the Permitted Second Lien Financing Discharge Date, and subject—always to the provisions set out under the caption "*—Restrictions on Enforcement by Permitted Second Lien Financing Creditors*," those Permitted Second Lien Financing Creditors whose Second Lien Credit Participations at that time aggregate to more than 66⅔% of the Total Second Lien Credit Participations at that time; and

(c) on or after the First/Second Lien Discharge Date but before the Senior Parent Discharge Date and the High Yield Discharge Date, and subject—always to the provisions set out under the caption "*—Restrictions on Enforcement by Senior Parent Creditors*," the Majority High Yield Creditors or the Majority Senior Parent Creditors.

In this definition of "*Instructing Group*":

"*Majority Senior Creditors*" means, at any time, those Senior Creditors whose Senior Credit Participations at that time aggregate more than 66⅔% of the total aggregate amount of all Senior Credit Participations at the time.

"*Majority Senior Parent Creditors*" means, at any time, those Senior Parent Creditors whose Senior Parent Credit Participations at that time aggregate to more than 66⅔% of the total aggregate amount of all Senior Parent Credit Participations at that time.

"*Second Lien Credit Participations*" means in relation to a Permitted Second Lien Financing Creditor, the aggregate amount of its commitments under each Permitted Second Lien Financing Agreement (drawn or undrawn) and/or the principal amount of outstanding Permitted Second Lien Financing Debt held by that Permitted Second Lien Financing Creditor (as applicable and without double counting).

"*Senior Credit Participations*" means, in relation to a Senior Creditor, its aggregate commitments under the Senior Credit Facilities Agreement and its participation in relation to hedging agreements.

"*Senior Lender Discharge Date*" means the first date on which all Senior Lender Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Senior Lenders are under no further obligation to provide financial accommodation to any of the Debtors under any of the Senior Credit Facilities Finance Documents.

"*Senior Parent Credit Participation*" means:

(a) in relation to a Senior Parent Note holder, the principal amount of outstanding Senior Parent Notes Liabilities held by that Senior Parent Note holder; and

(b) in relation to a Permitted Parent Financing Creditor, the aggregate amount of its commitments under each Permitted Parent Financing Agreement (drawn or undrawn and calculated in a manner consistent with the senior commitments) and/or the principal amount of outstanding Permitted Parent Financing Debt held by that Permitted Parent Financing Creditor (as applicable and without double counting).

"*Senior Secured Credit Participation*" means:

(a) in relation to a Senior Creditor, its Senior Credit Participation in relation to the Senior Credit Facilities Agreement and the hedging agreements only;

(b) in relation to a holder of the Notes, the principal amount of outstanding Notes liabilities held by that holder of the Notes; and

(c) in relation to a Permitted Senior Financing Creditor, the aggregate amount of its commitments under each Permitted Senior Financing Agreement (drawn or undrawn and calculated in a manner consistent with the senior commitments) and/or the principal amount of outstanding Permitted Senior Financing Debt held by that Permitted Senior Financing Creditor (as applicable and without double counting).

"*Total Second Lien Credit Participations*" means the aggregate of all Second Lien Credit Participations at any time.

Restrictions Relating to Permitted Second Lien Financing Creditors and Permitted Second Lien Financing Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the Senior Discharge Date, no Debtor shall (and the Company shall ensure that no member of the Group will) make any payment of, or exercise any set-off against, the Permitted Second Lien Financing Liabilities at any time unless:

(a) that payment or set-off is permitted by the provisions set out below under the captions "*—Permitted Second Lien Financing Liabilities Payments*," the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Permitted Second Lien Financing Debt as permitted by the Intercreditor Agreement; or

(b) the taking or receipt of that payment or exercise of that set-off is permitted by the provisions set out below under the caption "*—Permitted Second Lien Enforcement*."

Permitted Second Lien Financing Liabilities Payments

Prior to the Senior Discharge Date, any member of the Group may, directly or indirectly, make payments with respect to the Permitted Second Lien Financing Liabilities at any time:

(a) if:

(i) the payment is of:

(A) any of the principal amount of the Permitted Second Lien Financing Liabilities which is either (1) not prohibited from being paid by the Senior Credit Facilities Agreement, the Indenture, any Permitted Senior Financing Agreement or any Permitted Second Lien Financing Agreement; or (2) paid on or after the final maturity date of the relevant Permitted Second Lien Financing Liabilities (subject to certain conditions); or

(B) any other amount which is not an amount of principal or capitalized interest;

(ii) no Second Lien Payment Stop Notice (as defined below) is outstanding; and

(iii) no payment default under the Senior Credit Facilities finance documents, the Notes finance documents or any Permitted Senior Financing Documents (the "*Senior Payment Default*") has occurred and is continuing;

(b) if the Majority Senior Lenders, the Trustee and the Majority Permitted Senior Financing Creditors or the Creditor Representative in respect of that Permitted Senior Financing Debt (as applicable) (the "*Required Senior Consent*") give prior consent to that payment being made; or

(c) if the payment is of Second Lien Agent Liabilities;

(d) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(e) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Permitted Second Lien Financing Documents (including in relation to any reporting or listing requirements under such documents);

(f) if the payment is funded directly or indirectly with Permitted Second Lien Financing Debt, Permitted Parent Financing Debt and/or the proceeds of any indebtedness incurred under or pursuant to any Permitted Second Lien Financing Document, High Yield Notes and/or Senior Parent Notes;

(g) if the payment is funded directly or indirectly with the proceeds of an equity contribution or Available Restricted Payment Amounts; or

(h) of any other amount not exceeding €5,000,000 (or its equivalent) in aggregate in any financial year of the Company *provided* that any such amount not so applied may be carried forward and utilized in the subsequent financial year.

On or after the Senior Discharge Date, the Debtors may make payments to the Permitted Second Lien Financing Creditors in respect of the Permitted Second Lien Financing Liabilities in accordance with the terms of the Permitted Second Lien Financing Documents, as applicable.

Payment Blockage Provisions—Restrictions on Enforcement by Permitted Second Lien Financing Creditors

Until the Senior Discharge Date, except with the Required Senior Consent, no Debtor shall make (and the Company shall procure that no other member of the Group shall make), and no Permitted Second Lien Financing Creditor may receive from any other member of the Group, any payment with respect to the Permitted Second Lien Financing Liabilities then due in accordance with Permitted Second Lien Financing Documents (other than, for the avoidance of doubt, a roll-up or capitalization of any amount and Second Lien Agent Liabilities, and payments permitted under (b) to (f) under the caption "*—Permitted Second Lien Financing Liabilities Payments*") if:

(a) a Senior Payment Default is continuing; or

(b) an insolvency event of default under the Senior Credit Facilities Agreement, the Indenture and/or any Permitted Senior Financing Agreement (a "*Material Event of Default*") is continuing, from the date which is one Business Day after the date on which any of the Agent, the Trustee and any Senior Creditor Representative (together, the "*Senior Agents*") delivers a notice (a "*Second Lien Payment Stop Notice*") specifying the event or circumstance in relation to that Material Event of Default to the Company, the Security Agent, the High Yield Notes Trustee, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative until the earliest of:

(i) the date falling 120 days after delivery of that Second Lien Payment Stop Notice;

(ii) in relation to payments of Permitted Second Lien Financing Liabilities, if a Second Lien Standstill Period is in effect at any time after delivery of that Second Lien Payment Stop Notice, the date on which that Second Lien Standstill Period expires;

(iii) the date on which the relevant Material Event of Default has been remedied or waived in accordance with the Senior Credit Facilities Agreement, the Indenture or any Permitted Senior Financing Agreement (as applicable);

(iv) the date on which the Senior Agent which delivered the relevant Second Lien Payment Stop Notice delivers a notice to the Company, the Security Agent and the Second Lien Agents cancelling the Second Lien Payment Stop Notice;

(v) the Senior Discharge Date; and

(vi) the date on which the Security Agent or a Second Lien Agent takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

Unless each of the Second Lien Agents waives this requirement, (i) a new Second Lien Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Second Lien Payment Stop Notice; and (ii) no Second Lien Payment Stop Notice may be delivered by a Senior Agent in reliance on a Material Event of Default more than 45 days after the date that Senior Agent received notice of that Material Event of Default.

The Senior Agents may only serve one Second Lien 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 Agents to issue a Second Lien Payment Stop Notice in respect of any other event or set of circumstances. No Second Lien Payment Stop Notice may be served by an Agent in respect of a Material Event of Default which had been notified to the Agents at the time at which an earlier Second Lien Payment Stop Notice was issued.

Any failure to make a payment due under the Permitted Second Lien Financing Documents as a result of the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Payment Default shall not prevent

(i) the occurrence of an Event of Default (as defined under a Permitted Second Lien Financing Agreement) as a consequence of that failure to make a payment in relation to the relevant Second Lien Debt Document; or (ii) the issue of a Second Lien Enforcement Notice on behalf of the Permitted Second Lien Financing Creditors.

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 Permitted Second Lien Financing Document by the operation of the provisions set out under each section above under the caption "*—Restrictions Relating to Permitted Second Lien Financing Creditors and Permitted Second Lien Financing 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 Permitted Second Lien Financing Documents shall continue notwithstanding the issue of a Second Lien Payment Stop Notice.

Cure of Payment Stop—Permitted Second Lien Financing Creditors

If:

(a) at any time following the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Payment Default, that Second Lien Payment Stop Notice ceases to be outstanding and/or, as the case may be, the Senior Payment Default ceases to be continuing; and

(b) any Debtor then promptly pays to the Permitted Second Lien Financing Creditors an amount equal to any payments which had accrued under the Permitted Second Lien Financing Documents and which would have been payments under Permitted Second Lien Financing Documents but for that Second Lien Payment Stop Notice or Senior Payment Default, then any Event of Default (including any cross-default or similar provision under any other Debt Document) which may have occurred as a result of that suspension of payments shall be waived and any Second Lien 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 Permitted Second Lien Financing Creditors or any other Creditor or Operating Facility Lender.

Restrictions on Enforcement by Permitted Second Lien Financing Creditor

Until the Senior Discharge Date, except with the prior consent of or as required by an Instructing Group:

(a) no Permitted Second Lien Financing Creditor shall direct the Security Agent to enforce or otherwise require the enforcement of any security; and

(b) no Permitted Second Lien Financing Creditor shall take or require the taking of any Enforcement Action in relation to the Permitted Second Lien Financing Liabilities,

except as permitted under the provisions set out below under the caption "*—Permitted Second Lien Enforcement*" below; *provided*, *however*, that no such action required by the Security Agent need be taken except to the extent the Security Agent is otherwise entitled under the Intercreditor Agreement to direct such action.

Permitted Second Lien Enforcement

Subject to the provisions set out under the caption "*—Enforcement on behalf of Permitted Second Lien Financing Creditors*," the restrictions set out under the caption "*—Payment Blockage Provisions—Restrictions on Enforcement by Permitted Second Lien Financing Creditors*" above will not apply if:

(a) an Event of Default (as defined under a Second Lien Financing Agreement, a "*Second Lien Event of Default*") (the "*Relevant Second Lien Default*") is continuing;

(b) each Senior Agent has received a notice of the Relevant Second Lien Default specifying the event or circumstance in relation to the Relevant Second Lien Default from the relevant Second Lien Agent;

(c) a Second Lien Standstill Period (as defined below) has elapsed; and

(d) the Relevant Second Lien Default is continuing at the end of the relevant Second Lien Standstill Period.

Promptly upon becoming aware of a Second Lien Event of Default, the relevant Second Lien Agent may by notice (a "*Second Lien Enforcement Notice*") in writing notify the Senior Agents of the existence of such Second Lien Event of Default.

Second Lien Standstill Period

In relation to a Relevant Second Lien Default, a Second Lien Standstill Period shall mean the period (the "*Second Lien Standstill Period*") beginning on the date (the "*Second Lien Standstill Start Date*") the relevant Senior Agent serves a Second Lien Enforcement Notice on each of the Senior Agents in respect of such Second Lien Event of Default and ending on the earlier to occur of:

(a) the date falling 120 days after the Second Lien Standstill Start Date;

(b) the date the Senior Secured Parties (other than the Permitted Second Lien Financing Creditors) take any Enforcement Action in relation to a particular Second Lien Borrower or Second Lien Guarantor; *provided*, *however*, that if a Second Lien Standstill Period ends pursuant to this paragraph, the Permitted Second Lien Financing Creditors may only take the same Enforcement Action in relation to the relevant Second Lien Borrower or Second Lien Guarantor as the Enforcement Action taken by the Senior Secured Parties (other than the Permitted Second Lien Financing Creditors) against such Second Lien Borrower or Second Lien Guarantor and not against any other member of the Group;

(c) the date of an Insolvency Event in relation to the relevant Second Lien Borrower or a particular Second Lien Guarantor against whom Enforcement Action is to be taken;

(d) the expiry of any other Second Lien Standstill Period outstanding at the date such first-mentioned Second Lien Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(e) the date on which the consent of each of the Agent (acting on the instructions of the Majority Senior Lenders), the Trustee (acting on behalf of the holders of the Notes) and any Senior Creditor Representative (acting on the instructions the Majority Permitted Senior Financing Creditors) has been obtained; and

(f) a failure to pay the principal amount outstanding under any Permitted Second Lien Financing Debt, as the case may be, at the final stated maturity of the amounts outstanding on that Permitted Second Lien Financing Debt, as the case may be (*provided* that, unless the Senior Lender Discharge Date has occurred or as otherwise agreed by the Majority Senior Lenders and the Company, such final stated maturity does not fall on a date prior to the date falling one month after the original maturity date of the original Notes).

Subsequent Second Lien Facility Defaults

The Permitted Second Lien Financing Creditors may take Enforcement Action under the provisions set out in caption "*—Permitted Second Lien Enforcement*" in relation to a Relevant Second Lien Default even if, at the end of any relevant Second Lien Standstill Period or at any later time, a further Second Lien Standstill Period has begun as a result of any other Second Lien Event of Default.

Enforcement on Behalf of Permitted Second Lien Financing Creditors

If the Security Agent has notified the Second Lien Agent(s) that it is enforcing security created pursuant to any security document over shares of a Second Lien Borrower or a Second Lien Guarantor, no Permitted Second Lien Financing Creditor may take any action referred to under the provisions set out under the caption "*—Permitted Second Lien Enforcement*" against that Second Lien Borrower or Second Lien Guarantor (or any Subsidiary of that Second Lien Borrower or Second Lien Guarantor) while the Security Agent is taking steps to enforce that Security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Option to Purchase: Permitted Second Lien Financing Creditors

Subject to the following paragraphs, any of the Second Lien Agent(s) (on behalf of the Permitted Second Lien Financing Creditors) may, after an acceleration event under any of the Senior Credit Facilities Agreement, the Indenture or in relation to any Permitted Senior Financing Debt which is continuing, by giving not less than 10 days' notice to the Security Agent, require the transfer to the Permitted Second Lien Financing Creditors (or to a nominee or nominees) of all, but not part, of the rights, benefits and obligations in respect of the Senior Lender Liabilities, the Notes liabilities, any Permitted Senior Financing Liabilities and the Operating Facility Liabilities subject to satisfaction of the conditions to doing so set out in the Intercreditor Agreement.

Subject to the terms of the Intercreditor Agreement, a Second Lien Agent (on behalf of all the Permitted Second Lien Financing Creditors) may only require a transfer of senior secured liabilities if, at the same time, they require a transfer of hedging liabilities regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of senior secured liabilities may be required to be made.

At the request of a Second Lien Agent (on behalf of all the Permitted Second Lien Financing Creditors), the Agent, any relevant Trustee, any relevant Senior Creditor Representative, the Hedge Counterparties and the Operating Facility Lenders shall notify the Second Lien Agents of the foregoing payable sums in connection with such transfer.

Restrictions Relating to High Yield Creditors and High Yield Notes Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the First/Second Lien Discharge Date, the Company shall procure that no member of the Group will) make any payment of, or exercise any set-off against any High Yield Notes liabilities unless:

(a) that payment or set-off is permitted by the provisions set out below under the caption "*—Permitted High Yield Payments,*", the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the High Yield Notes as permitted by the Intercreditor Agreement;

(b) taking or receipt of that payment or exercise of that set-off is permitted by the provisions set out below under the caption "*—Restrictions on Enforcement by High Yield Creditors*"; or

(c) create or permit to subsist any security over any assets of any member of the Group or give any guarantee (and neither the High Yield Notes Trustee nor any High Yield Creditor may, accept the benefit of any such security or guarantee from any member of the Group) for, or in respect of, any High Yield Notes liabilities other than:

(i) guarantees by a member of the Group of any obligations of the Group under the High Yield Notes;

(ii) any security granted over the shares in the Company and/or any security granted by the High Yield Notes Issuer over any High Yield Notes proceeds loan (without prejudice to paragraph (iv) below);

(iii) any other security or guarantee provided by a member of the Group (the "*Credit Support Provider*") *provided* that, to the extent legally possible:

(A) the Credit Support Provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

(B) all amounts actually received or recovered by the High Yield Notes Trustee or the High Yield Creditor with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "*—Application of Proceeds*";

(C) any such security may only be enforced in accordance with the provisions set out under the caption "*—Manner of Enforcement—Security Held by Other Creditors*;" and

(D) such guarantee is expressed to be subject to the Intercreditor Agreement;

(iv) the Shared Security; and

(v) any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:

(A) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a

member of the Group prior to release of those amounts to a member of the Group; or

(B) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Senior Lender Liabilities, Operating Facility Liabilities, Notes liabilities and/or any Permitted Senior Financing Liabilities (in each case *provided* that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

Permitted High Yield Payments

Prior to the First/Second Lien Discharge Date, any member of the Group may, directly or indirectly, make payments with respect to the High Yield liabilities then due in accordance with the High Yield Notes finance documents (such payments, collectively, "*Permitted High Yield Payments*"):

(a) if:

(i) the payment is of:

(A) any of the principal amount of the High Yield Notes liabilities which is either (1) not prohibited from being paid by the Senior Credit Facilities Agreement, the Indenture, Permitted Senior Financing Agreement or any Permitted Second Lien Financing Agreement; or (2) paid on or after the final maturity date of the relevant High Yield Notes liabilities (subject to certain conditions); or

(B) any other amount which is not an amount of principal or capitalized interest or a corresponding amount under the High Yield Notes proceeds loan;

(ii) no High Yield Payment Stop Notice (as defined herein) is outstanding;

(iii) no Senior Payment Default has occurred and is continuing; and

(iv) no payment default under the Permitted Second Lien Financing Agreement or any Permitted Second Lien Financing Documents has occurred and is continuing;

(b) if the Required Senior Consent has been obtained and the Majority Permitted Second Lien Financing Creditors or the Creditor Representative in respect of that Permitted Second Lien Financing Debt (as applicable) (the "*Required Second Lien Consent*") give prior consent to that payment being made;

(c) if the payment is of certain amounts due to the High Yield Notes Trustee for its own account;

(d) if the payment is made by the relevant High Yield Notes Issuer and funded directly or indirectly with amounts which have not been received by that High Yield Notes Issuer from a member of the Group;

(e) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(f) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the High Yield Notes finance documents (including in relation to any reporting or listing requirements under such documents);

(g) if the payment is funded directly or indirectly with indebtedness incurred under or pursuant to any High Yield Notes;

(h) if the payment is funded directly or indirectly with the proceeds of a new investment or Available Restricted Payment Amounts; or

(i) of any other amount not exceeding €5,000,000 (or its equivalent) in aggregate in any financial year of the Company *provided* that any such amount not so applied may be carried forward and utilised in the subsequent financial year.

On or after the First/Second Lien Discharge Date, the Debtors may make payments to the High Yield Notes Creditors in respect of the High Yield Notes liabilities, in accordance with the High Yield Notes finance documents.

Payment Blockage Provisions

Until the Senior Discharge Date, except with the Required Senior Consent, and until the Permitted Second Lien Financing Discharge Date, except with the Required Second Lien Consent, the Company shall procure that no other member of the Group shall make, and no High Yield Creditor nor the High Yield Notes Issuer in its capacity as an investor may receive from any other members of the Group, any Permitted High Yield Payment or a corresponding payment under the High Yield Notes proceeds loan (other than certain amounts due to the High Yield Notes Trustee for its own account, costs and expenses of any holder of security in relation to the protection, preservation or enforcement of such security, payments funded by amounts not received from another member of the Group or payments funded by High Yield Notes) if:

(a) a Senior Payment Default is continuing; or

(b) an event of default under the Senior Credit Facilities Agreement, the Indenture and/or any Permitted Senior Financing Agreement (a "*Senior Event of Default*") (other than a Senior Payment Default) is continuing, from the date which is one business day after the date on which any Senior Agent delivers a payment stop notice (a "*High Yield Payment Stop Notice*") specifying the event or circumstance in relation to that Senior Event of Default to the Company, the Security Agent and the High Yield Notes Trustee, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative until the earliest of:

(i) the date falling 179 days after delivery of that High Yield Payment Stop Notice;

(ii) in relation to payments of the High Yield Notes liabilities, if a High Yield Standstill Period is in effect at any time after delivery of that payment stop notice, the date on which that standstill period expires;

(iii) the date on which the relevant Senior Event of Default has been remedied or waived in accordance with the Senior Credit Facilities Agreement, the Indenture or any Permitted Senior Financing Agreement (as applicable);

(iv) the date on which the Senior Agent which delivered the relevant High Yield Payment Stop Notice delivers a notice to the Company, the Security Agent, the High Yield Notes Trustee, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative cancelling the High Yield Payment Stop Notice;

(v) the First/Second Lien Discharge Date; and

(vi) the date on which the Security Agent or any High Yield Notes Trustee takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

Unless the High Yield Notes Trustee waives this requirement, (i) a new High Yield Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior High Yield Payment Stop Notice; and (ii) no High Yield Payment Stop Notice may be delivered by a Senior Agent in reliance on a Senior Event of Default more than 45 days after the date that Senior Agent received notice of that Senior Event of Default.

The Senior Agents may only serve one High Yield 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 Agents to issue a High Yield Payment Stop Notice in respect of any other event or set of circumstances. No High Yield Payment Stop Notice may be served by a Senior Agent in respect of a Senior Event of Default which had been notified to the Agents at the time at which an earlier High Yield Payment Stop Notice was issued.

Any failure to make a payment due under the High Yield Notes finance documents as a result of the issue of a High Yield Payment Stop Notice or the occurrence of a Senior Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined in the High Yield Notes finance documents) as a consequence of that failure to make a payment in relation to the relevant High Yield Notes finance documents; or (ii) the issue of a High Yield Enforcement Notice (as defined herein) on behalf of the High Yield Creditors.

Payment Obligations and Capitalization of Interest Continue

Neither the relevant High Yield Notes Issuer nor any other Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under the High Yield Notes finance documents by the operation of the provisions set out under each section above under the caption "*—Restrictions Relating to High Yield Creditors and High Yield Notes 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 High Yield Notes finance documents shall continue notwithstanding the issue of a High Yield Payment Stop Notice.

Cure of Payment Stop

If:

(a) at any time following the issue of a High Yield Payment Stop Notice or the occurrence of a Senior Payment Default, that High Yield Payment Stop Notice ceases to be outstanding and/or, as the case may be, the Senior Payment Default ceases to be continuing; and

(b) the relevant High Yield Notes Issuer or the relevant Debtor then promptly pays to the High Yield Creditors an amount equal to any payments which had accrued under the High Yield Notes finance documents and which would have been permitted High Yield payments but for that High Yield Payment Stop Notice or Senior Payment Default,

then any Event of Default (including any cross default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived and any High Yield 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 High Yield Creditors or any other Creditor or Operating Facility Lender.

Restrictions on Amendments and Waivers

The Intercreditor Agreement provides that the High Yield Creditors, the High Yield Notes Issuers and other Debtors may amend or waive the terms of the High Yield Notes finance documents in accordance with their respective terms from time to time (and subject only to any consent required under them).

Restrictions on Enforcement by High Yield Creditors

Until the First/Second Lien Discharge Date, except with the prior consent of or as required by an Instructing Group:

(a) no High Yield finance party shall direct the Security Agent to enforce, or otherwise require the enforcement of, any Shared Security; and

(b) no High Yield finance party shall take or require the taking of any Enforcement Action in relation to the guarantees by a member of the Group of any of the obligations of any member of the Group under the High Yield Notes finance documents, except as permitted under the provisions set out under the caption "*—Permitted High Yield Enforcement*" below, *provided, however*, that no such action required by the Security Agent need be taken except to the extent the Security Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

Permitted High Yield Enforcement

The restrictions set out in the caption "*—Restrictions on Enforcement by High Yield Creditors*" above will not apply if:

(a) an Event of Default (as defined in the High Yield Notes finance documents, each a "*High Yield Event of Default*") (the "*Relevant High Yield Default*") is continuing;

(b) each Senior Agent has received a notice of the Relevant High Yield Default specifying the event or circumstance in relation to the Relevant High Yield Default from the High Yield Notes Trustee;

(c) a High Yield Standstill Period (as defined below) has elapsed; and

(d) the Relevant High Yield Default is continuing at the end of the relevant High Yield Standstill Period.

Promptly upon becoming aware of a High Yield Event of Default, the High Yield Notes Trustee may by notice (a "*High Yield Enforcement Notice*") in writing notify the Senior Agents of the existence of such High Yield Event of Default.

High Yield Standstill Period

In relation to a Relevant High Yield Default, a High Yield Standstill Period shall mean the period (the "*High Yield Standstill Period*") beginning on the date (the "*High Yield Standstill Start Date*") the relevant High Yield Notes Trustee serves a High Yield Enforcement Notice on each of the Senior Agents in respect of such High Yield Event of Default and ending on the earlier to occur of:

(a) the date falling 179 days after the High Yield Standstill Start Date;

(b) the date the Senior Secured Parties take any Enforcement Action in relation to a particular guarantor of the High Yield Notes (a "*High Yield Guarantor*"), *provided, however*, that if a High

Yield Standstill Period ends pursuant to this paragraph, the High Yield Creditors may only take the same Enforcement Action in relation to the High Yield Guarantor as the Enforcement Action taken by the Senior Secured Parties against such High Yield Guarantor and not against any other member of the Group;

(c) the date of an Insolvency Event in relation to a particular High Yield Guarantor against whom Enforcement Action is to be taken;

(d) the expiry of any other High Yield Standstill Period outstanding at the date such first-mentioned High Yield Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(e) the date on which the consent of each of the Agent (acting on the instructions of the Majority Senior Lenders), the Trustee (acting on behalf of the holders of the Notes), any Senior Creditor Representative (acting on the instructions of the Majority Permitted Senior Financing Creditors) and any Second Lien Creditor Representative (acting on the instructions of the Majority Permitted Second Lien Financing Creditors) has been obtained; and

(f) a failure to pay the principal amount outstanding on any High Yield Notes at the final stated maturity of the amounts outstanding on the High Yield Notes (*provided* that, unless the Senior Lender Discharge Date has occurred or as otherwise agreed by the Majority Senior Lenders and the Company, such final stated maturity has not been amended to fall on a date which would have breached any of the Senior Financing Agreements which remain in full force if it had been the original final maturity date for such High Yield Notes liabilities).

Subsequent High Yield Event of Default

The High Yield Notes finance parties, as applicable, may take Enforcement Action under the provisions set out in caption "*—Permitted High Yield Enforcement*" above in relation to a Relevant High Yield Default even if, at the end of any relevant High Yield Standstill Period or at any later time, a further High Yield Standstill Period has begun as a result of any other High Yield Event of Default.

Enforcement on behalf of High Yield Creditors

If the Security Agent has notified the High Yield Notes Trustee that it is enforcing security created pursuant to any security document over shares of a High Yield Guarantor, no High Yield Creditor may take any action referred to under the provisions set out under the caption "*—Permitted High Yield Enforcement*" above against that High Yield Guarantor while the Security Agent is taking steps to enforce that security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Option to Purchase: High Yield Creditors

Subject to the following paragraphs, any of the High Yield Notes Trustee (on behalf of the High Yield Creditors) may, after an acceleration event under any of the Senior Credit Facilities Agreement, the Notes or in relation to any Permitted Senior Financing Debt which is continuing, by giving not less than 10 days' notice to the Security Agent, require the transfer to the High Yield Creditors (or to a nominee or nominees) of all, but not part, of the rights, benefits and obligations in respect of the senior secured liabilities and the Operating Facility Liabilities subject to satisfaction of the conditions to doing so set out in the Intercreditor Agreement and the Security Agent has not first received an equivalent notice from the Senior Parent Notes Trustee or any Senior Parent Creditor Representative.

Subject to the Intercreditor Agreement, the High Yield Notes Trustee (on behalf of all the High Yield Creditors) may only require a transfer of senior secured liabilities if, at the same time, they require a transfer of hedging liabilities regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of senior secured liabilities may be required to be made.

At the request of the High Yield Notes Trustee (on behalf of all the High Yield Creditors), the Agent, the Trustee, any relevant Senior Creditor Representative, the Hedge Counter-parties and the Operating Facility Lenders shall notify the High Yield Trustee of the foregoing payable sums in connection with such transfer.

Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the First/Second Lien Discharge Date, the Debtors shall not (and the Company shall procure that no member of the Group will) make any payment of, or exercise any set-off against any Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities unless:

(a) that payment or set-off is permitted by the provisions set out below under the caption "*—Permitted Senior Parent Payments,*" the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Senior Parent Notes or the Permitted Parent Financing Debt as permitted by the Intercreditor Agreement;

(b) taking or receipt of that payment or exercise of that set-off is permitted by the provisions set out below under the caption "*—Payment Obligations and Capitalization of Interest Continue—Restrictions on Enforcement by Senior Parent Creditors*"; or

(c) create or permit to subsist any security over any assets of any member of the Group or give any guarantee (and the Senior Parent Notes Trustee or Senior Parent Creditor Representative, as the case may be, may not, and no Senior Parent Creditor may, accept the benefit of any such security or guarantee from any member of the Group) for, or in respect of, any Senior Parent Notes Liabilities or any Permitted Parent Financing Liabilities other than:

(i) guarantees by a member of the Group of any obligations of the Group under the Senior Parent Notes finance documents and/or the Permitted Parent Financing Documents;

(ii) any security granted by the Company over the shares directly held by it in its immediate subsidiary and/or any security granted by the Senior Parent Debt Issuer over any loan or other indebtedness owed to it from another Debtor (without prejudice to paragraph (iv) below);

(iii) any other security or guarantee provided by a member of the Group (the "*Credit Support Provider*"); *provided* that, to the extent legally possible:

(A) the Credit Support Provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

(B) all amounts actually received or recovered by the Senior Parent Notes Trustee, the Senior Parent Creditor Representative or the Senior Parent Creditors, as the case may be, with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "*—Application of Proceeds*";

(C) any such security may only be enforced in accordance with the provisions set out under the caption "*—Manner of Enforcement—Security Held by Other Creditors*"; and

(D) such guarantee is expressed to be subject to the Intercreditor Agreement;

(iv) the Shared Security; and

(v) any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:

(A) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or

(B) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Senior Lender Liabilities, Operating Facility Liabilities, Notes liabilities and/or any Permitted Senior Financing Liabilities (in each case *provided* that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

Permitted Senior Parent Payments

Prior to the First/Second Lien Discharge Date, any member of the Group may, directly or indirectly, make payments with respect to the Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities then due in accordance with the finance documents in relation to the Senior Parent Notes and the Permitted Parent Financing Debt (such payments, collectively, "*Permitted Senior Parent Payments*"):

(a) if:

(i) the payment is of:

(A) any of the principal amount of the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities which is either (1) not prohibited from being paid by the Senior Credit Facilities Agreement, the Indenture, Permitted Senior Financing Agreement or any Permitted Second Lien Financing Agreement; or (2) paid on or after the final maturity date of the relevant Senior Parent Notes Liabilities and Permitted Parent Financing Liabilities (subject to certain conditions); or

(B) any other amount which is not an amount of principal or capitalized interest;

(ii) no Senior Parent Payment Stop Notice (as defined herein) is outstanding;

(iii) no Senior Payment Default has occurred and is continuing; and

(iv) no payment default under the Permitted Second Lien Financing Agreement or any Permitted Second Lien Financing Documents has occurred and is continuing;

(b) if the Required Senior Consent and the Required Second Lien Consent have been obtained;

(c) if the payment is of certain amounts due to the Senior Parent Notes Trustee for its own account;

(d) if the payment is made by the relevant Senior Parent Debt Issuer and funded directly or indirectly with amounts which have not been received by that Senior Parent Debt Issuer from another member of the Group;

(e) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(f) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Senior Parent Notes Indenture and any Permitted Parent Financing Documents (including in relation to any reporting or listing requirements under such documents);

(g) if the payment is funded directly or indirectly with Permitted Parent Financing Debt and/or the proceeds of any indebtedness incurred under or pursuant to Senior Parent Notes;

(h) if the payment is funded directly or indirectly with the proceeds of a new investment or Available Restricted Payment Amounts; or

(i) of any other amount not exceeding €5,000,000 (or its equivalent) in aggregate in any financial year of the Company *provided* that any such amount not so applied may be carried forward and utilized in the subsequent financial year.

On or after the First/Second Lien Discharge Date, the Debtors may make payments to the Senior Parent Creditors in respect of the Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities, in accordance with the Senior Parent Notes Indenture and the Permitted Parent Financing Documents, as applicable.

Payment Blockage Provisions

Until the Senior Discharge Date, except with the Required Senior Consent, and until the Permitted Second Lien Financing Discharge Date, except with the Required Second Lien Consent, no Senior Parent Debt Issuer shall make (and the Company shall procure that no other member of the Group shall make), and neither the Senior Parent Notes Trustee, any holder of Senior Parent Notes or the Permitted Parent Financing Creditors may receive from any other members of the Group, any Permitted Senior Parent Payment (other than certain amounts due to the Senior Parent Notes Trustee for its own account, costs and expenses of any holder of security in relation to the protection, preservation or enforcement of such security, payments funded by amounts not received from another member of the Group or payments funded by Permitted Parent Financing Debt or Senior Parent Notes) if:

(a) a Senior Payment Default is continuing; or

(b) an event of default under the Senior Credit Facilities Agreement, the Indenture and/or any Permitted Senior Financing Agreement (a "*Senior Event of Default*") (other than a Senior Payment Default) is continuing, from the date which is one business day after the date on which any Senior Agent delivers a payment stop notice (a "*Senior Parent Payment Stop Notice*") specifying the event or circumstance in relation to that Senior Event of Default to the Company, the Security Agent, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative until the earliest of:

(i) the date falling 179 days after delivery of that Senior Parent Payment Stop Notice;

(ii) in relation to payments of the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities, if a Senior Parent Standstill Period is in effect at any time after delivery of that payment stop notice, the date on which that standstill period expires;

(iii) the date on which the relevant Senior Event of Default has been remedied or waived in accordance with the Senior Credit Facilities Agreement, the Indenture or any Permitted Senior Financing Agreement (as applicable);

(iv) the date on which the Senior Agent which delivered the relevant Senior Parent Payment Stop Notice delivers a notice to the Company, the Security Agent, the Senior Parent Notes Trustee and the Senior Parent Creditor Representative cancelling the Senior Parent Payment Stop Notice;

(v) the First/Second Lien Discharge Date; and

(vi) the date on which the Security Agent, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

Unless the Senior Parent Notes Trustee and any Senior Parent Creditor Representative waive this requirement, (i) a new Senior Parent Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Parent Payment Stop Notice; and (ii) no Senior Parent Payment Stop Notice may be delivered by a Senior Agent in reliance on a Senior Event of Default more than 45 days after the date that Senior Agent received notice of that Senior Event of Default.

The Senior Agents may only serve one Senior Parent 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 Agents to issue a Senior Parent Payment Stop Notice in respect of any other event or set of circumstances. No Senior Parent Payment Stop Notice may be served by a Senior Agent in respect of a Senior Event of Default which had been notified to the Agents at the time at which an earlier Senior Parent Payment Stop Notice was issued.

Any failure to make a payment due under the Senior Parent Notes Indenture and any Permitted Parent Financing Documents as a result of the issue of a Senior Parent Payment Stop Notice or the occurrence of a Senior Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined in the Senior Parent Notes Indenture or any Permitted Parent Financing Documents, as applicable) as a consequence of that failure to make a payment in relation to the relevant Senior Parent Notes Indenture and any Permitted Parent Financing Documents; or (ii) the issue of a Senior Parent Enforcement Notice (as defined herein) on behalf of the Senior Parent Creditors.

Payment Obligations and Capitalization of Interest Continue

Neither the relevant Senior Parent Debt Issuer nor any other Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under the Senior Parent Notes Indenture and any Permitted Parent Financing Document by the operation of the provisions set out under each section above under the caption "*—Restrictions Relating to Senior Parent Creditors and Senior Parent 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 Parent Notes Indenture and any Permitted Parent Financing Document shall continue notwithstanding the issue of a Senior Parent Payment Stop Notice.

Cure of Payment Stop

If:

(a) at any time following the issue of a Senior Parent Payment Stop Notice or the occurrence of a Senior Payment Default, that Senior Parent Payment Stop Notice ceases to be outstanding and/or, as the case may be, the Senior Payment Default ceases to be continuing; and

(b) the relevant Senior Parent Debt Issuer or the relevant Debtor then promptly pays to the Senior Parent Creditors an amount equal to any payments which had accrued under the Senior Parent Notes Indenture and any Permitted Parent Financing Document and which would have been Permitted Senior Parent Payments but for that Senior Parent Payment Stop Notice or Senior Payment Default,

then any Event of Default (including any cross default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived and any Senior Parent 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 Parent Creditors or any other Creditor or Operating Facility Lender.

Restrictions on Amendments and Waivers

The Intercreditor Agreement provides that the Senior Parent Creditors, the Senior Parent Debt Issuers and other Debtors may amend or waive the terms of the Senior Parent Notes finance documents and/or the Permitted Parent Financing Documents in accordance with their respective terms from time to time (and subject only to any consent required under them).

Restrictions on Enforcement by Senior Parent Creditors

Until the First/Second Lien Discharge Date, except with the prior consent of or as required by an Instructing Group:

(a) no Senior Parent Creditor shall direct the Security Agent to enforce, or otherwise require the enforcement of, any Shared Security; and

(b) no Senior Parent Creditor shall take or require the taking of any Enforcement Action in relation to the guarantees by a member of the Group of any of the obligations of any member of the Group under the Senior Parent Notes finance documents and/or Permitted Parent Financing Documents,

except as permitted under the provisions set out under the caption "*—Permitted Senior Parent Enforcement*" below, *provided, however*, that no such action required by the Security Agent need be taken except to the extent the Security Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

Permitted Senior Parent Enforcement

The restrictions set out in the caption "*—Payment Obligations and Capitalization of Interest Continue—Restrictions on Enforcement by Senior Parent Creditors*" above will not apply if:

(a) an Event of Default (as defined in the Senior Parent Notes Finance Documents and any Permitted Parent Financing Agreement, as applicable, each a "*Senior Parent Event of Default*") (the "*Relevant Senior Parent Default*") is continuing;

(b) each Senior Agent has received a notice of the Relevant Senior Parent Default specifying the event or circumstance in relation to the Relevant Senior Parent Default from the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (as the case may be);

(c) a Senior Parent Standstill Period (as defined below) has elapsed; and

(d) the Relevant Senior Parent Default is continuing at the end of the relevant Senior Parent Standstill Period.

Promptly upon becoming aware of a Senior Parent Event of Default, the Senior Parent Notes Trustee or any Senior Parent Creditor Representative, as the case may be, may by notice (a "*Senior Parent Enforcement Notice*") in writing notify the Senior Agents of the existence of such Senior Parent Event of Default.

Senior Parent Standstill Period

In relation to a Relevant Senior Parent Default, a Senior Parent Standstill Period shall mean the period Date (the "*Senior Parent Standstill Period*") beginning on the date (the "*Senior Parent Standstill Start Date*") the relevant Senior Parent Notes Trustee or any Senior Parent Creditor Representative serves a Senior Parent Enforcement Notice on each of the Senior Agents in respect of such Senior Parent Event of Default and ending on the earlier to occur of:

(a) the date falling 179 days after the Senior Parent Standstill Start Date;

(b) the date the Senior Secured Parties take any Enforcement Action in relation to a particular guarantor of the Senior Parent Notes and/or any Permitted Parent Financing Debt (a "*Senior Parent Guarantor*"), *provided, however*, that if a Senior Parent Standstill Period ends pursuant to this paragraph, the Senior Parent Creditors may only take the same Enforcement Action in relation to the Senior Parent Guarantor as the Enforcement Action taken by the Senior Secured Parties against such Senior Parent Guarantor and not against any other member of the Group;

(c) the date of an Insolvency Event in relation to the relevant Senior Parent Debt Issuer or a particular Senior Parent Guarantor against whom Enforcement Action is to be taken;

(d) the expiry of any other Senior Parent Standstill Period outstanding at the date such first-mentioned Senior Parent Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(e) the date on which the consent of each of the Agent (acting on the instructions of the Majority Senior Lenders), the Trustee (acting on behalf of the holders of the Notes), any Senior Creditor Representative (acting on the instructions of the Majority Permitted Senior Financing Creditors) and any Second Lien Creditor Representative (acting on the instructions of the Majority Permitted Second Lien Financing Creditors) has been obtained; and

(f) a failure to pay the principal amount outstanding on any Senior Parent Notes or on any Permitted Parent Financing Debt, as the case may be, at the final stated maturity of the amounts outstanding on the Senior Parent Notes or on the Permitted Parent Financing Debt, as the case may be (*provided* that, unless the Senior Lender Discharge Date has occurred or as otherwise agreed by the Majority Senior Lenders and the Company, such final stated maturity has not been amended to fall on a date which would have breached any of the Senior Financing Agreements which remain in full force if it had been the original final maturity date for such Senior Parent Notes Liabilities and/or Permitted Parent Financing Liabilities).

Subsequent Senior Parent Event of Default

The Senior Parent finance parties, as applicable, may take Enforcement Action under the provisions set out in caption "*—Permitted Senior Parent Enforcement*" above in relation to a Relevant Senior Parent Default even if, at the end of any relevant Senior Parent Standstill Period or at any later time, a further Senior Parent Standstill Period has begun as a result of any other Senior Parent Event of Default.

Enforcement on Behalf of Senior Parent Creditors

If the Security Agent has notified the Senior Parent Notes Trustee and any Senior Parent Creditor Representative that it is enforcing security created pursuant to any security document over shares of a Senior Parent Guarantor, no Senior Parent Creditor may take any action referred to under the provisions set out under the caption "*—Permitted Senior Parent Enforcement*" above against that Senior Parent Guarantor while the Security Agent is taking steps to enforce that security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Option to Purchase: Senior Parent Creditors

Subject to the following paragraphs, any of the Senior Parent Notes Trustee and any Senior Parent Creditor Representative (on behalf of the Senior Parent Creditors) may, after an acceleration event under any of the Senior Credit Facilities Agreement, the Notes or in relation to any Permitted Senior Financing Debt which is continuing, by giving not less than 10 days' notice to the Security Agent, require the transfer to the Senior Parent Creditors (or to a nominee or nominees) of all, but not part, of the rights, benefits and obligations in respect of the senior secured liabilities and the Operating Facility Liabilities subject to satisfaction of the conditions to doing so set out in the Intercreditor Agreement and *provided* that the Security Agent has not first received an equivalent notice from the High Yield Notes Trustee.

Subject to the Intercreditor Agreement, the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (on behalf of all the Senior Parent Creditors) may only require a transfer of senior secured liabilities if, at the same time, they require a transfer of hedging liabilities regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of senior secured liabilities may be required to be made.

At the request of the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (on behalf of all the Senior Parent Creditors), the Agent, the Trustee, any relevant Senior Creditor Representative, the Hedge Counterparties and the Operating Facility Lenders shall notify the Senior Parent Notes Trustee and any Senior Parent Creditor Representative of the foregoing payable sums in connection with such transfer.

Effect of Insolvency Event; Filing of Claims

The Intercreditor Agreement provides that, among other things, after the occurrence of an Insolvency Event in relation to any Debtor, or, following an acceleration event which is continuing, any member of the Group, any party entitled to receive a distribution out of the assets of that member of the Group in respect of liabilities owed to that party shall (in the case of any Creditor or Operating Facility Lender, only to the extent that such distribution would otherwise constitute a receipt or recovery of a type subject to the provisions set out in the caption "*—Turnover*" below, and in all cases, if prior to a distress event only if required by the Security Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent and to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the 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 "*—Application of Proceeds*" below.

Subject to certain exceptions, to the extent that any member of the 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 Group, any party which benefited from that set-off shall (in the case of any Creditor or Operating Facility Lender, only to the extent that the relevant discharge would otherwise constitute a receipt or recovery of a type subject to the provisions set out in the caption "*—Turnover*" below, and in all cases, if prior to a distress event only if required by the Security Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent, 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 "*—Application of Proceeds*" below and subject to certain exceptions.

Subject to the provisions set out in the caption "*—Application 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, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the liabilities.

After the occurrence of an Insolvency Event in relation to any Debtor (or, following an acceleration event which is continuing, any member of the Group), each Creditor and each Operating Facility Lender (in the case of a High Yield Creditor or a Senior Parent Creditor, to the extent relating to or affecting the Shared Security or the assets secured by such Security only) irrevocably authorizes the Security Agent, on its behalf, to:

(a) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group;

(b) demand, sue, prove and give receipt for any or all of that member of the Group's liabilities;

(c) collect and receive all distributions on, or on account of, any or all of that member of the Group's liabilities; and

(d) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of the Group's liabilities.

Each Creditor and Operating Facility Lender will (i) do all things that the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) reasonably requests in order to give effect to the matters referred to in this "*—Effect of Insolvency Event; Filing of Claims*" section and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this "*—Effect of Insolvency Event; Filing of Claims*" section or if the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) requests that a Creditor or Operating Facility Lender 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 (acting in accordance with the terms of the Intercreditor Agreement) may reasonably require, although neither the Trustee nor the Senior Parent Notes Trustee shall be under any obligation to grant such powers of attorney) to enable the Security Agent to take such action.

Turnover

Subject to certain exceptions, the Intercreditor Agreement provides that if any Creditor or Operating Facility Lender receives or recovers from any member of the Group:

(a) any payment or distribution of, or on account of or in relation to, any of the liabilities which is prohibited under the Intercreditor Agreement or, following the occurrence of a Senior Distress Event which is continuing, any Senior Lender Liabilities, Hedging Liabilities, Notes liabilities, Permitted Senior Financing liabilities or Operating Facility Liabilities;

(b) other than as referred to in the second paragraph of the caption "*—Effect of Insolvency Event; Filing of Claims*," 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;

(c) notwithstanding paragraphs (i) and (ii) above, other than as referred to in the second paragraph of the caption "*—Effect of Insolvency Event; Filing of Claims*," any amount:

(i) on account of, or in relation to, any of the liabilities after the occurrence of a distress event (including as a result of any litigation or proceedings against a member of the Group other than after the occurrence of an Insolvency Event in respect of that member of the Group); or

(ii) by way of set-off in respect of any of the liabilities owed to it after the occurrence of a distress event,

other than, in each case, any amount received or recovered in accordance with the provisions set out below the caption "*—Application of Proceeds*";

(d) the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption "*—Application of Proceeds*"; or

(e) subject to certain exceptions, 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 Group which is not in accordance with the provisions set out in the caption "*—Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of Group, that Creditor or Operating Facility Lender will, subject to certain exceptions: (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 subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) subject to receiving payment instructions and any other relevant information the Security Agent, 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, subject to receiving payment instructions and any other relevant information from the Security Agent, 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

Enforcement Instructions

The Security Agent may refrain from enforcing the security unless instructed otherwise by (i) an Instructing Group; (ii) if required as set out under the third paragraph of this section, the Majority Second Lien Creditors; or (iii) if required as set out under the fourth paragraph of this section, the Majority High Yield Creditors or the Majority Senior Parent Creditors.

Subject to the security having become enforceable in accordance with its terms (i) an Instructing Group; (ii) to the extent permitted to enforce or to require the enforcement of the security prior to the Senior Discharge Date under the provisions under the caption "*—Restrictions Relating to Permitted Second Lien Financing Liabilities and Permitted Second Lien Financing Liabilities*" above, the Majority Second Lien Creditors; or (iii) to the extent permitted to enforce or to require the enforcement of the security prior to the First/Second Lien Discharge Date under the provisions under the caption "*—Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities"* and "*—Restrictions Relating to High Yield Creditors and High Yield Notes Liabilities*," the Majority High Yield Creditors or the Majority Senior Parent Creditors may give or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the security as they see fit.

Prior to the Senior Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor to make a distressed disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Second Lien Creditors are then entitled to give to the Security Agent under the provisions under the caption "*—Restrictions Relating to Permitted Second Lien Financing Creditors and Permitted Second Lien Financing Liabilities*" above.

Prior to the First/Second Lien Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor to make a distressed disposal and the Majority Second Lien Creditors have first had the opportunity to give such instruction, the Security Agent shall give effect to any instructions to enforce the Shared Security which the Majority High Yield Creditors or the Majority Senior Parent Creditors are then entitled to give to the Security Agent under the provisions under the caption "*—Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*" and "*—Restrictions Relating to High Yield Creditors and High Yield Notes Liabilities*" above.

Subject to certain provisions of the Intercreditor Agreement, no secured party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the security documents except through the Security Agent.

Manner of Enforcement

If the security is being enforced as set forth above under the caption "*—Enforcement of Security—Enforcement Instructions*," the Security Agent shall enforce the security in such manner (including, without limitation, the selection of any administrator, examiner or equivalent officer of any Debtor to be appointed by the Security Agent) as:

(a) an Instructing Group; or

(b) prior to the Senior Discharge Date, if (i) the Security Agent has, pursuant to the third paragraph of the "*—Enforcement of Security*" section, given effect to instructions given by the Majority Second Lien Creditors to enforce the security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Second Lien Creditors,

(c) prior to the First/Second Lien Discharge Date, if (i) the Security Agent has, pursuant to the fourth paragraph of the "*—Enforcement of Security*" section, given effect to instructions given by the Majority Senior Parent Creditors or the Majority High Yield Creditors to enforce the security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority High Yield Creditors or the Majority Senior Parent Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent sees fit.

Exercise of Voting Rights

To the fullest extent permitted under applicable law, each Creditor (other than the Trustee and the Senior Parent Notes Trustee, and in the case of a High Yield Creditor or a Senior Parent Creditor, to the extent relating to or affecting the Shared Security or the assets secured by the Shared Security) and each Operating Facility Lender agrees 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 Group as instructed by the Security Agent. The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group. Notwithstanding the foregoing, no party can exercise or require any other Creditor or Operating Facility Lender to exercise such power of voting or representation to waive, reduce, discharge, extend the due date for payment or otherwise reschedule any of the liabilities owed to that Creditor or Operating Facility Lender.

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the secured parties and the Debtors waives all rights it may otherwise have to require that the security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

Security Held by Other Creditors

If any security is held by a Creditor or Operating Facility Lender other than the Security Agent, then that Creditor or Operating Facility Lender may only enforce that security in accordance with instructions given by an Instructing Group pursuant to the terms of the Intercreditor Agreement (and for this purpose references to the Security Agent shall be construed as references to that Creditor or Operating Facility Lender).

Consultation Period

(a) Subject to paragraph (d) below, before giving any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or take certain other Enforcement Action referred to in paragraph (a)(i) of the definition of Instructing Group, the Agent(s) of the Creditors represented in the Instructing Group concerned (and, if applicable, any relevant Hedge Counterparties) shall consult with each other Agent, each other Hedge Counterparty, each Operating Facility Lender and the Security Agent in good faith about the instructions to be given by the Instructing Group for a period of not less than 30 days from the date on which details of the proposed instructions are received by such Agents, Hedge Counterparties, Operating Facility Lenders and the Security Agent (or such shorter period as each Agent, Hedge Counterparty, Operating Facility Lender and the Security Agent shall agree) (the "*Consultation Period*"), and only following the expiry of a Consultation Period shall the Instructing Group be entitled to give any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or take certain other Enforcement Action referred to in paragraph (a)(i) of the definition of Instructing Group.

(b) Subject to paragraph (c) below, in the event conflicting instructions are received from any Instructing Group, the Security Agent shall enforce the security, refrain or cease from enforcing the security or, as the case may be, take certain other Enforcement Action referred to in paragraph (a)(i) of the definition of Instructing Group in accordance with the instructions given by an Instructing Group (in each case *provided* that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the security documents) and the terms of all instructions given by any other Instructing Group shall be deemed revoked.

(c) Prior to the Senior Lender Discharge Date, if:

(i) the Senior Creditors have not been fully repaid within six months of the end of the first Consultation Period;

(ii) the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action referred to in paragraph (a)(i) of the definition of Instructing Group within three months of the end of the first Consultation Period; or

(iii) an Insolvency Event has occurred and the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action referred to in paragraph (a)(i) of the definition of Instructing Group at that time,

then the Security Agent shall follow the instructions given by the Majority Senior Creditors (in each case *provided* that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the security documents).

(d) Subject to paragraph (c) above, no Agent or Hedge Counterparty shall be obliged to consult in accordance with paragraph (a) above and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the security or take any other Enforcement Action referred to in paragraph (a)(i) of the definition of Instructing Group prior to the end of a Consultation Period (in each case *provided* that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the security documents) if:

(i) the security has become enforceable as a result of an Insolvency Event; or

(ii) the Instructing Group or any Agent of the Creditors represented in the Instructing Group determines in good faith (and notifies each other Agent, the Hedge Counterparties and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the security would reasonably be expected to have a material adverse effect on:

(A) the Security Agent's ability to enforce any of the security; or

(B) the realization proceeds of any enforcement of the security,

and, where this paragraph (d) applies:

(1) any instructions shall be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors on behalf of which the relevant Instructing Group is acting in relation to the matters referred to in (A) and (B) above; and

(2) the Security Agent shall act in accordance with the instructions first received.

(e) As soon as reasonably practicable following receipt of any instructions from an Instructing Group to enforce the security, refrain or cease from enforcing the security or, as the case may be, take any other Enforcement Action referred to in paragraph (a)(i) of the definition of Instructing Group, the Security Agent shall provide a copy of such instructions to each Agent, Hedge Counterparty and Operating Facility Lender (unless it received those instructions from that person).

Duties Owed

Pursuant to the Intercreditor Agreement, each of the secured parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the security prior to the First/Second Lien Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to the Senior Parent Creditors in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall, subject to the section entitled Distressed Disposals below, 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.

Proceeds of Disposals

Non-Distressed Disposals

The Security Agent is irrevocably authorized and instructed (at the request and cost of the Company) to promptly release (or procure that any other relevant person releases):

(a) any security (and/or any other claim relating to a Debt Document) over any asset which is the subject of:

  (i) a disposal not prohibited by the terms of the Senior Credit Facilities Agreement, the Indenture, any Permitted Senior Financing Agreement, the High Yield Notes indenture, the Senior Parent Notes Indenture any Permitted Parent Financing Agreement and any Permitted Second Lien Financing Agreement (each a "*Debt Financing Agreement*") (including a disposal to a member of the Group, but without prejudice to any obligation of any member of the Group in a Debt Financing Agreement to provide replacement security); or

  (ii) any other transaction not prohibited by the terms of any Debt Financing Agreement pursuant to which that asset will cease to be held or owned by a member of the Group;

(b) any security (and/or any other claim relating to a Debt Document) over any document or other agreement requested in order for any member of the Group to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Debt Financing Agreement);

(c) any security (and/or any other claim relating to a Debt Document) over any asset of any member of the Group which has ceased to be a Debtor (or will cease to be a Debtor simultaneously with such release) (in each case to the extent not prohibited by the terms of any Debt Financing Agreement); and

(d) any security (and/or any other claim relating to a Debt Document) over any other asset to the extent that such release is in accordance with the terms of the Debt Financing Agreements.

In the case of a disposal of shares or other ownership interests in a Debtor (or any holding company of any Debtor), or any other transaction pursuant to which a Debtor (or any holding company of any Debtor) will cease to be a member of the Group or a Debtor (including in connection with the resignation of that Debtor or the Debtor being designated as an Unrestricted Subsidiary), the Security Agent (on behalf of itself and the Secured Parties) shall (at the request and cost of the relevant Debtor or the Company) promptly release (or procure the release of) that Debtor and its subsidiaries (and its and their assets) from all present and future liabilities under the Secured Debt Documents.

When making any request for a release pursuant to this "*—Non-Distressed Disposals*" section, the Company shall confirm in writing to the Security Agent that:

(a) in the case of any release requested pursuant to paragraph (a), (b) or (c) above, the relevant disposal or other action is not prohibited by the terms of any Debt Financing Agreement; or

(b) in the case of any release requested pursuant to paragraph (d) above, the relevant release is in accordance with terms of the Debt Financing Agreements, and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent shall (at the cost and expense of the relevant Debtor or the Company but without the need for any further consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender, other Secured Party or any Debtor) promptly enter into and deliver such documentation and/or take such other action as the Company (acting reasonably) shall require to give effect to any release or other matter described above.

Without prejudice to the foregoing and for the avoidance of doubt, if requested by the Company in accordance with the terms of any of the Debt Financing Agreements (and *provided* that the requested action is not expressly prohibited by any of the other Debt Financing Agreements), the Security Agent and the other Creditors and Operating Facility Lenders shall (at the cost of the relevant Debtor and/or the Company) promptly execute any guarantee, security or other release and/or any amendment, supplement or other documentation relating to the security documents as contemplated by the terms of any of the Debt Financing Agreements (and the Security Agent is authorized to execute, and will promptly execute if requested by the Company, without the need for any further consent, sanction, authority or further confirmation from any Creditor or Operating Facility Lender, any such release or document on behalf of the Creditors and the Operating Facility Lenders). When making any request pursuant to this paragraph, the Company shall confirm in writing to the Security Agent that such request is in accordance with the terms of a Debt Financing Agreement (and *provided* that the requested action is not expressly prohibited by any of the other Debt Financing Agreements) and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

Notwithstanding anything to the contrary in any Debt Document, nothing in any security document shall operate or be construed so as to prevent any transaction, matter or other step not prohibited by the terms of this Agreement or the Debt Financing Agreements (a "*Permitted Action*"). The Security Agent (on behalf of itself and the Secured Parties) hereby agrees (and is irrevocably authorized and instructed to do so without any consent, sanction, authority or further confirmation from any Party) that it shall (at the cost of the relevant Debtor and/or the Company) promptly execute any release or other document and/or take such other action under or in relation to any Debt Document (or any asset subject or expressed to be subject to any security document) as is requested by the Company (acting reasonably) in order to complete, implement or facilitate a Permitted Action. In the event that the Company makes any request pursuant to and in reliance on the preceding sentence, the Security Agent shall be permitted to request a confirmation from the Company that the transaction, matter or other step is a Permitted Action and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

If any member of the Group is required or permitted under the Senior Debt Documents to apply the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of the Senior Liabilities then no such application of those proceeds shall require the consent of any other party or result in any breach of any High Yield Notes finance documents or any Senior Parent Finance Documents and such application shall discharge in full any obligation to apply those proceeds in prepayment, redemption or other discharge or reduction of any High Yield Notes Liabilities any Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities. This paragraph is without prejudice to any right of any member of the Group to apply any proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities to the extent permitted or contemplated by the Intercreditor Agreement or any other Senior Debt Document.

The Security Agent is irrevocably authorized by each Secured Party to (and will on the request and at the cost of the Company):

(a) release the security; and

(b) release each investor, each Debtor and each other member of the Group from all liabilities, undertakings and other obligations under the Secured Debt Documents, on the Final Discharge Date (or at any time following such date on the request of the Company).

Distressed Disposals

A "*Distressed Disposal*" is a disposal of an asset which is (a) being effected at the request of an Instructing Group in circumstances where the security has become as a result of an acceleration event which is continuing at the time the request was made, (b) being effected by enforcement of security as a result of an acceleration event which is continuing at the time the request was made or (c) being disposed of to a third party subsequent to a distress event.

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 Company and without any consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender, other Secured Party or Debtor):

(a) to release the security 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;

(b) if the asset which is disposed of consists of shares in the capital of a Debtor to release:

  (i) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, its guarantee liabilities and its other liabilities;

  (ii) any security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

  (iii) any other claim of an investor, an intra-group lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor,

  on behalf of the relevant Creditors, Operating Facility Lenders, Debtors and certain creditor representatives;

(c) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release:

  (i) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, its guarantees liabilities and its other liabilities;

  (ii) any security granted by that holding company or any subsidiary of that holding company over any of its assets; and

  (iii) any other claim of any investor, any intra-group lender or another Debtor over that holding company's assets or the assets of any subsidiary of that holding company,

on behalf of the relevant Creditors, Operating Facility Lenders, Debtors and certain creditor representatives;

(d) 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 or the Debtor liabilities owed by that Debtor or holding company or any subsidiary of that Debtor or holding company:

(i) (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

(ii) (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 Operating Facility Lenders and all or part of any other liabilities and the Debtor liabilities,

on behalf of, in each case, the relevant Creditors, Operating Facility Lenders and Debtors;

(e) 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:

(i) 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

(ii) (if the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of Senior 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 "*—Application of Proceeds*" (to the extent that the asset disposed of constitutes charged property) as if those proceeds were the proceeds of an enforcement of the 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 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).

Where borrowing liabilities, guarantee liabilities and/or other liabilities would otherwise be released pursuant to the Intercreditor Agreement, the Creditor or Operating Facility Lender concerned may elect to have those borrowing liabilities, guarantee liabilities and/or other liabilities transferred to the Company in which case the Security Agent is irrevocably authorized (to the extent legally possible and at the cost of the relevant Debtor or the Company and without any consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender, other Secured Party or Debtor) to execute such documents as are required to so transfer those borrowing liabilities, guarantee liabilities and/or other liabilities.

Subject to the immediately following two paragraphs, in the case of a Distressed Disposal effected by or at the request of the Security Agent, unless the consent of each Senior Agent is otherwise obtained, it is a further condition to any release, transfer or disposal that the proceeds of such disposal are in cash (or substantially all in cash) and such sale or disposal is made pursuant to a public auction in respect of which the Primary Creditors are entitled to participate or where a financial advisor 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, *provided* that the liability of such financial advisor may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial advisor unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If prior to the Permitted Second Lien Financing Discharge Date, a Distressed Disposal is being effected such that any Permitted Second Lien Financing Liabilities will be released or disposed of, or any security securing the Permitted Second Lien Financing Liabilities will be released, it is a further condition to the release that either:

(a) each Second Lien Agent has approved the release; or

(b) where shares or assets of a Second Lien Borrower or a Second Lien Guarantor are sold:

  (i) the proceeds of such sale or disposal are in cash (or substantially in cash); and

  (ii) all claims of the Senior Creditors, the Notes Creditors, the Permitted Senior Financing Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any) all of whose shares (other than any minority interest not owned by members of the Group) are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates) and all security under the security documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, *provided* that if each of the Agent, the Trustee and any Senior Creditor Representative (acting reasonably and in good faith):

    (A) determines that the Senior Secured Creditors will recover a greater amount if any such claim is sold or otherwise transferred to the purchaser or one of its Affiliates and not released and discharged; and

    (B) serves a written notice on the Security Agent confirming the same, the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(iii) such sale or disposal is made:

(A) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

(B) where a financial advisor 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, *provided* that the liability of such financial advisor may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial advisor unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If prior to the High Yield Discharge Date and/or the Senior Parent Discharge Date, a Distressed Disposal is being effected such that the High Yield Guarantees and/or the Senior Parent Guarantees (as the case may be) or any Shared Security over the assets of a Senior Parent Debt Issuer, a High Yield Guarantor or any Senior Parent Guarantor will be released, the Senior Parent Notes Liabilities or any Permitted Parent Financing Liabilities will be released, it is a further condition to the release that either:

(a) the High Yield Notes Trustee, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative has approved the release; or

(b) where shares or assets of a High Yield Guarantor on a Senior Parent Guarantor or assets of the Senior Parent Debt Issuer are sold:

(i) the proceeds of such sale or disposal are in cash (or substantially in cash); and

(ii) all claims of the Senior Secured Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any), all of whose shares (other than any minority interest not owned by members of the Group) are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security under the security documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, *provided* that, if each Senior Agent (acting reasonably and in good faith):

(A) determines that the Senior Secured Creditors will recover a greater amount if such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released or discharged; and

(B) serves a written notice on the Security Agent confirming the same,

the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(iii) the such sale or disposal is made:

(A) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

(B) where a financial advisor 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, *provided* that the liability of such financial advisor may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial advisor unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

Application of Proceeds

Order of Application

The Intercreditor Agreement provides that all amounts from time to time received or recovered by the Security Agent pursuant to the terms of the Intercreditor Agreement in relation to any Debt Document or in connection with the realization or enforcement of all or any part of the security (for the purposes of this "*—Application of Proceeds*" section and the "*—Equalization of the Senior Secured Creditors*" section, the "*Recoveries*") shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this "*—Application of Proceeds*" section), in the following order of priority:

(a) in discharging any sums owing to the Agent (in respect of the amounts due to the Agent), any Senior Creditor Representative (in respect of amounts due to the Senior Creditor Representative), any Second Lien Agent (in respect of amounts due to the Second Lien Agent), any Second Lien Creditor Representative (in respect of amounts due to the Second Lien Creditor Representative), any Senior Parent Creditor Representative (in respect of amounts due to the Senior Parent Creditor Representative) or any amounts due to the Trustee, or any amounts due to the High Yield Notes Trustee or amounts due to the Senior Parent Notes Trustee, or any sums owing to the Security Agent, any receiver or any delegate on a pro rata and *pari passu* basis;

(b) in payment of all costs and expenses incurred by any agent, Primary Creditor or Operating Facility Lender in connection with any realization or enforcement of the 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;

(c) in payment to:

(i) the Agent on its own behalf and on behalf of the senior arrangers and the Senior Lenders;

(ii) the Hedge Counterparties; and

(iii) the Operating Facility Lenders;

for application towards the discharge of:

(A) the liabilities of the Debtors owing to the arrangers under or in connection with the Senior Credit Facilities and the Senior Lender Liabilities (in accordance with the terms of the finance documents relating to the Senior Credit Facilities);

(B) the priority Hedging Liabilities (on a pro rata basis between the priority Hedging Liabilities of each Hedge Counterparty); and

(C) the Operating Facility Liabilities (on a pro rata basis between the Operating Facility Liabilities of each Operating Facility Lender)

on a pro rata basis and *pari passu* between the immediately preceding paragraphs (A) to (C) above,

(d) in payment to:

(i) the Trustee on its own behalf and on behalf of the holders of the Notes;

(ii) each Senior Creditor Representative on its own behalf and on behalf of the arrangers with respect to the Permitted Senior Financing Debt and the Permitted Senior Financing Creditors; and

(iii) the Hedge Counterparties for application towards the discharge of:

(A) the Notes liabilities (other than sums owing to the Security Agent) (in accordance with the terms of the Notes finance documents);

(B) the liabilities of the Debtors owed to the arrangers of the Permitted Senior Financing Debt and the Permitted Senior Financing Liabilities (other than the liabilities owing to a Senior Creditor Representative), in accordance with the terms of the Permitted Senior Financing Documents and, if there is more than one Permitted Senior Financing Agreement, on a pro rata basis between the Permitted Senior Financing Debt (in respect of each Permitted Senior Financing Agreement);

(C) the other Hedging Liabilities (on a pro rata basis between the other Hedging Liabilities of each Hedge Counterparty)

on a pro rata basis and *pari passu* between the immediately preceding paragraphs (A) to (C) above;

(e) in payment to each Second Lien Creditor Representative on its own behalf and on behalf of any arranger under or in connection with the Permitted Second Lien Financing Documents and the Permitted Second Lien Financing Creditors, for application towards the discharge of: the Permitted Second Lien Financing Arranger Liabilities and the Permitted Second Lien Financing Liabilities (other than the Second Lien Agent Liabilities) (in accordance with the terms of the Permitted Second Lien Financing Documents and, if there is more than one Permitted Second Lien Financing Agreement, on a pro rata basis between the Permitted Second Lien Financing Debt in respect of each Permitted Second Lien Financing Agreement), on a pro rata basis;

(f) to the extent attributable to the Shared Security, the High Yield Guarantee or the Senior Parent Guarantee, in payment to:

(i) each High Yield Notes Trustee on its own behalf and on behalf of the holders of the High Yield Notes;

(ii) each Senior Parent Notes Trustee on its own behalf and on behalf of the holders of Senior Parent Notes; and

(iii) each Senior Parent Creditor Representative on its own behalf and on behalf of the arrangers under the Permitted Parent Financing Debt and the Permitted Parent Financing Creditors, for application towards the discharge of:

(A) the High Yield Notes Liabilities (other than any sums owing to the Security Agent) (in accordance with the terms of the High Yield Notes finance documents);

(B) the Senior Parent Notes Liabilities (other than any sums owing to the Security Agent) (in accordance with the terms of the Senior Parent Notes finance documents); and

(C) the liabilities of the Debtors owed to the arrangers of the Permitted Parent Financing Debt and the Permitted Parent Financing Liabilities (other than the liabilities owing to a Senior Parent Creditor Representative) (in accordance with the terms of the Permitted Parent Financing Documents and, if there is more than one Permitted Parent Financing Agreement, on a pro rata basis between the Permitted Parent Financing Debt in respect of each Permitted Parent Financing Agreement), on a pro rata basis and *pari passu* between the immediately preceding paragraphs (A) to (C) above;

(g) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(h) the balance, if any, in payment to the relevant Debtor.

The Security Agent is authorized under the Intercreditor Agreement to hold any non-cash consideration received or recovered in connection with the realization or enforcement of all or any part of the security until cash is received for any such non-cash consideration, *provided* that the Security Agent may distribute any such non-cash consideration to a Secured Party which has agreed, on terms satisfactory to the Security Agent, to receive such non-cash consideration and the liabilities owed to that Secured Party shall be reduced by an amount equal to the value of that non-cash consideration upon receipt by that Secured Party of that non-cash consideration.

Liabilities of the Senior Parent Debt Issuer

Subject to the provisions of the Intercreditor Agreement, all amounts from time to time received or recovered by the Security Agent from or in respect of the Senior Parent Debt Issuer pursuant to the terms of any Debt Document (other than in connection with the realization or enforcement of all or any part of the security) shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law in the following order of priority:

(a) in accordance with paragraph (a) of the section captioned "*—Order of Application*;"

(b) in accordance with paragraph (b) of the section captioned "*—Order of Application*;"

(c) in accordance with paragraph (c) of the section captioned "*—Order of Application*;"

(d) in accordance with paragraphs (d) to (f) of the section captioned "*—Order of Application,*" *provided* that payments will be made on a pro rata basis and *pari passu* between each of the payments referred to in paragraphs (d) and (to the extent relating to Liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where the relevant Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower) (f);

(e) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(f) the balance, if any, in payment to the relevant Debtor.

Equalization of the Senior Secured Creditors

The Intercreditor Agreement provides that if, for any reason, any Senior Liabilities or any Operating Facility Liabilities remain unpaid after the enforcement date and the resulting losses are not borne by the Senior Secured Creditors and the Operating Facility Lenders in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Secured Creditors and the Operating Facility Lenders at the enforcement date (or, in the case of Recoveries resulting from the realization or enforcement of all or any part of the security or a transaction in lieu thereof, in a manner reflecting the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*"), the Senior Secured Creditors and the Operating Facility Lenders will make such payments among themselves as the Security Agent shall require to put the Senior Secured Creditors and the Operating Facility Lenders in such a position that (after taking into account such payments) those losses are borne in those proportions (or, as the case may be, to otherwise reflect the order of priority contemplated in the section captioned "*—Application of Proceeds—Order of Application*").

Group Pushdown

An "*IPO Entity*" shall be the Company or any Restricted Subsidiary notified to the Security Agent under the Intercreditor Agreement as the person to be treated as the IPO Entity in relation to an IPO ("*IPO Event*"); *provided* that the IPO Entity shall be a Restricted Subsidiary which will issue shares, or whose shares are to be sold pursuant to that IPO Event (or a holding company of such Restricted Subsidiary) and, *provided*, *further*, that the Company may not designate the Issuer or a subsidiary of Cirsa Gaming Corporation, S.A. as the IPO Entity.

The Intercreditor Agreement provides that on, in contemplation of, or after, an IPO Event of an IPO Entity at the Company's option:

(a) the Group shall comprise only the IPO Entity and its Restricted Subsidiaries from time to time;

(b) the IPO Entity shall take on the Company's role under the Intercreditor Agreement;

(c) none of the representations, warranties, undertakings or other provisions of the Intercreditor Agreement shall apply to any holding company of the IPO Entity (whether in its capacity as a Debtor or otherwise);

(d) no event, matter or circumstance relating to any holding company of the IPO Entity (whether in its capacity as a Debtor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term of the Intercreditor Agreement or a default or an event of default;

(e) each holding company of the IPO Entity shall be irrevocably and unconditionally released from all obligations under the Intercreditor Agreement and the security documents (including any security granted by any such holding company); and unless otherwise notified by the Company:

(i) each person which is party to the Intercreditor Agreement as an investor shall be irrevocably and unconditionally released from the Intercreditor Agreement and all obligations and restrictions under the Intercreditor Agreement (and from the date specified by Midco that person shall cease to be party to the Intercreditor Agreement

as an Investor and shall have no further rights or obligations under the Intercreditor Agreement as an investor); and

(ii) there shall be no obligation or requirement for any person to become party to the Intercreditor Agreement as an investor, such amendments being a "*Group Pushdown*."

In the event that any person is released from or does not become party to the Intercreditor Agreement as an investor as a consequence of the above paragraph, any term of any Debt Document which requires or assumes that any person be an investor or that any liabilities or obligations to such person be subject to the Intercreditor Agreement or otherwise subordinated shall cease to apply.

The Company must provide written notice to the Security Agent in order to implement a Group Pushdown. Such a notice may be revoked prior to the IPO Event to which it relates *provided* that (where requested by an Instructing Group) any security which was released is reinstated and any investor which was released from its obligations under the Intercreditor Agreement accedes again.

The parties to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of it and/or take such other action as is required by the Company to facilitate or reflect any of the matters contemplated by the preceding paragraph and the Security Agent is irrevocably authorized to promptly execute any release or other document and/or take such other action under or in relation to any Debt Document (or any asset subject or expressed to be subject to any security document) as is requested in order to complete, implement or facilitate such matters.

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, it and/or a security document may be amended or waived only with the written consent of:

(a) if the relevant amendment or waiver (the "*Proposed Amendment*") is prohibited by the Senior Credit Facilities Agreement, the Agent (acting on the instructions of the requisite Senior Lenders in accordance with the applicable provisions of the Senior Credit Facilities Agreement);

(b) if any Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Indenture, the Trustee;

(c) if any Permitted Senior Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Financing Agreement, the Senior Creditor Representative in respect of that Permitted Senior Financing Debt (if applicable, acting on the instructions of the Majority Permitted Senior Financing Creditors);

(d) if any Permitted Second Lien Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Second Lien Financing Agreement, the Senior Creditor Representative in respect of that Permitted Second Lien Financing Debt (if applicable, acting on the instructions of the Majority Permitted Second Lien Financing Creditors);

(e) if any High Yield Notes have been issued and the Proposed Amendment is prohibited by the term of the relevant High Yield Notes indenture, the High Yield Notes Trustee;

(f) if any Senior Parent Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Parent Notes Indenture, the Senior Parent Notes Trustee;

(g) if any Permitted Parent Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Parent Financing Agreement, the Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt (if applicable, acting on the instructions of the Majority Permitted Parent Financing Creditors);

(h) if a Hedge Counterparty is providing hedging to a Debtor under a hedging agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty and is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable hedging agreement, as notified by the Company to the Security Agent at the time of the relevant amendment or waiver);

(i) if an Operating Facility Lender is providing one or more facility to a Debtor under an Operating Facility Document, that Operating Facility Lender (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Operating Facility Lender and is an amendment or waiver which is expressed to require the consent of that Operating Facility Lender under the applicable Operating Facility Document, as notified by the Company to the Security Agent at the time of the relevant amendment or waiver);

(j) the investors (as permitted under the Intercreditor Agreement); and

(k) the Company.

Notwithstanding the foregoing, any amendment or waiver of any Secured Debt Document that is made or effected in connection with any Debt Refinancing (see "*—Debt Refinancing*"), any incurrence of additional and/or refinancing debt (as referred to in "*—Ranking and Priority—Additional and/or Refinancing Debt*") or Non-Distressed Disposal (see "*—Proceeds of Disposals—Non-Distressed Disposals*") or in connection with any other provision of any Secured Debt Document (*provided* that such amendment or waiver is not expressly prohibited by the terms of any other Secured Debt Document) shall be binding on all parties to the Intercreditor Agreement.

The Intercreditor Agreement or a security document may be amended by the Company and the Security Agent 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 for the benefit of all or any of the Secured Parties. Any amendment, waiver or consent which relates only to the rights or obligations applicable to creditors under a particular Debt Financing Agreement (and which does not materially and adversely affect the rights or interests of creditors under other Debt Financing Agreements) may be approved with only the consent of the agent in respect of that Debt Financing Agreement and the Company.

Amendments and Waivers: Security Documents

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement 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 security documents which shall be binding on each party.

Subject to the second and third paragraphs of the section captioned "*—Exceptions*" below, 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 security are distributed requires approval as set out under the section captioned "*—Required Consents*."

Exceptions

Subject to the following paragraph of this "*—Exceptions*" section, an amendment, waiver or consent which adversely relates to the express rights or obligations of an agent, an arranger or the Security Agent (in each case in such capacity) may not be effected without the consent of that agent, that arranger or the Security Agent (as the case may be) at such time.

The foregoing shall not apply:

- to any release of 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.

The first paragraph of this "*—Exceptions*" section shall apply to an arranger only to the extent that the arranger liabilities are then owed to that arranger.

Agreement to Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the Debt Documents to the contrary.

Debt of the Group

The following is a summary of certain of our other indebtedness as of December 31, 2018.

	Payments due by period ending December 31,					After December 31,	
(in € millions)	**2019**	**2020**	**2021**	**2022**	**2023**	**2023**	**Total**
Bank loan agreement	27.0	17.7	14.5	11.0	7.9	0.6	78.7
Revolving Credit Facility	—	—	—	—	—	—	—
Local revolving facilities	5.9	—	—	—	—	—	5.9
Receivables financing	0.0	—	—	—	—	—	0.0
Total bank debt	**33.0**	**17.7**	**14.5**	**11.0**	**7.9**	**0.6**	**84.7**
Capital leasing agreements	0.9	0.3	0.1	0.0	—	—	1.4
Existing Notes	2.9	—	—	—	1,522.0	—	1,524.9
Gaming tax deferrals	8.5	—	—	—	—	0.0	8.5
Promissory notes and other loans	11.4	1.2	3.1	1.3	1.9	4.7	23.6
Total	**56.8**	**19.2**	**17.6**	**12.3**	**1,531.7**	**5.3**	**1,643.1**

Bank Loan Agreements

As of December 31, 2018, we were party to 128 bank loan agreements with 17 banks. As of December 31, 2018, the aggregate outstanding principal amount under these loans was €78.7 million with interest rates ranging between 0.9% and 8.0%. The loan agreements typically contain financial maintenance and certain restrictive covenants.

Local Revolving Facilities

As of December 31, 2018, we were party to 54 revolving facilities with 18 banks which agreements provide for, subject to satisfaction of certain drawn down conditions, aggregate borrowings of up to €24.1 million. As of December 31, 2018, the aggregate outstanding principal amount under these credit facilities was €5.9 million with

interest rates ranging between 0.9% and 7.3%. These revolving facilities have an average term of three years, but can be terminated at the discretion of the lender annually.

Receivables Financing

We have entered into financing arrangements under which we obtain loans backed by a portion of our trade receivables. These arrangements do not have a maturity of more than 180 days. As of December 31, 2018, we were party to four receivable financing agreements with four banks which allow for borrowings of up to €3.5 million. As of December 31, 2018, the aggregate outstanding principal amount under these financing arrangements was €0.0 million.

Capital Leasing Agreements

As of December 31, 2018, we were party to 40 capital leasing agreements with 12 financial institutions. Most of these leasing agreements are granted under master leasing agreements that set forth the main terms and conditions of each lease and have a term of three to four years.

At December 31, 2018, the aggregate outstanding principal amount (including accrued interest) of these leasing agreements was €1.4 million.

Gaming Tax Deferrals

In Spain, gaming tax accrues annually and, in most of the Spanish autonomous regions, gaming tax is required to be paid in quarterly installments.

We generally apply for a deferment of the payment of the gaming tax with the tax authorities of the various Spanish autonomous regions in which we operate for a period ranging from three to six months. Typically, gaming taxes may be deferred for three to six months, but, from time to time, some tax authorities expressly authorize the deferment of gaming taxes for a period greater than one year. As of December 31, 2018, our aggregate amount of deferred gaming taxes was €8.5 million.

Promissory Notes

We issue promissory notes from time to time to finance the purchase of gaming assets, primarily slot machine operations. As of December 31, 2018, the aggregate outstanding amount of such promissory notes was €23.6 million. Some of these notes may be secured by the assets of the acquired companies.

DESCRIPTION OF THE NOTES

The following is a description of the €390,000,000 aggregate principal amount of 4.750% Senior Secured Notes due 2025 (the "*Notes*"). The Notes will be issued by Cirsa Finance International S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, under an indenture (the "*Indenture*") to be dated as of the Issue Date between, among others, the Issuer, the Company and Deutsche Trustee Company Limited as Trustee (the "*Trustee*"), in a private transaction that is not subject to the registration requirements of the Securities Act. See "*Transfer Restrictions*." The terms of the Notes include those stated in the Indenture and will not be qualified under nor will they incorporate provisions by reference, or be subject, to the U.S. Trust Indenture Act of 1939 (as amended). Holders are referred to the Indenture for a statement thereof.

The proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer to fund the acquisition of Giga Game System Operation, S.L.U. and certain of its subsidiaries (the "*New Target Group*"), for general corporate purposes and to pay fees and expenses in connection with the Transactions, as set forth in this Offering Memorandum under the caption "*Use of Proceeds*."

Pending the consummation of the acquisition of the New Target (the "*New Acquisition*") and the satisfaction of certain other conditions as described below, concurrently with the closing of the offering of the Notes, the Issuer will, on or about the Issue Date, deposit the gross proceeds of the issuance of the Notes into a segregated bank account (the "*Deposit Account*"). In the event that, (i) the New Acquisition Completion Date (as defined herein) does not take place on or prior to September 30, 2019 (the "*Longstop Date*"), (ii) in the good faith judgment of the Issuer, the New Acquisition will not be consummated on or prior to the Longstop Date, (iii) the New Acquisition Agreement (as defined herein) terminates at any time on or prior to the Longstop Date or (iv) there is an event of bankruptcy, insolvency or court protection (as set out in clause (6) under "*—Events of Default and Remedies*") with respect to the Company or the Issuer on or prior to the Longstop Date, the Notes will be redeemed at a price equal to 100% of the initial issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to (but not including) the Special Mandatory Redemption Date (as defined below). See "*—Deposit of Proceeds; Special Mandatory Redemption*."

Upon the issuance of the Notes, on or about the Issue Date, the Notes will be obligations of the Issuer and will be guaranteed on a senior secured basis by the Issuer's direct parent, Cirsa Enterprises, S.L.U. (the "*Parent Guarantee*"), a limited liability company incorporated under the laws of Spain (the "*Company*") and the Subsidiary Guarantors (as defined herein), in each case, subject to the Agreed Security Principles. The Guarantors that are Restricted Subsidiaries of the Company are referred to herein as the "Subsidiary Guarantors," and each guarantee provided by such a Subsidiary Guarantor, a "Subsidiary Guarantee."

In this "*Description of the Notes*", the term "Issuer" refers only to Cirsa Finance International S.à r.l. and any successor obligor to Cirsa Finance International S.à r.l. on the Notes, and not to its direct parent, the Company, and the term "Company" refers only to Cirsa Enterprises, S.L.U. and any successor obligor to Cirsa Enterprises, S.L.U. on its guarantee of the Notes and not to any of its Subsidiaries. You can find the definitions of certain terms used in this description under *"—Certain Definitions*."

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below), and in the case of certain conflicts between the terms of the Indenture and the Intercreditor Agreement, the terms of the Intercreditor Agreement will prevail. 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 Other Indebtedness—Intercreditor Agreement*" for a description of certain terms of the Intercreditor Agreement.

The following is a summary of the material provisions of the Indenture and the Notes, and refers to the Intercreditor Agreement and the other Collateral Documents. This description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all provisions of the Indenture, the Notes, the Intercreditor Agreement and the other Collateral Documents, respectively. Because this description is a summary, it may not contain all the information that is important to you. You should read the Indenture, the Notes, the Intercreditor Agreement and the other Collateral Documents in their entirety. Copies of such documents are available as described under "*Where You Can Find Other Information*."

Brief Description of the Notes and the Guarantees

The Notes will be:

- senior obligations of the Issuer, secured by the Collateral described below on a first-priority basis (or treated as such pursuant to the terms of the Intercreditor Agreement) along with obligations under the Existing Notes, the Senior Credit Facilities, certain Hedging Obligations and certain other future indebtedness (although any liabilities in respect of obligations under the Senior Credit Facilities, certain Hedging Obligations and certain other future indebtedness that are secured by the Collateral, designated hereunder as Priority Payment Lien Obligations, will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral and certain distressed disposals);

- *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including the Existing Notes and the Senior Credit Facilities;

- senior in right of payment to any Subordinated Indebtedness of the Issuer;

- effectively senior to any existing or future unsecured obligations of the Issuer, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes; and

- guaranteed by the Guarantors, which guarantees may be subject to the guarantee limitations described in "*Limitations on Validity and Enforceability of Guarantees and Security*".

The Parent Guarantee of the Notes will be:

- the senior obligation of the Company, secured by the Collateral described below on a first-priority basis along with obligations under the Existing Notes, the Senior Credit Facilities and certain Hedging Obligations (although any liabilities in respect of obligations under the Senior Credit Facilities and certain Hedging Obligations that are secured by the Collateral, designated hereunder as Priority Payment Lien Obligations, will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral and certain distressed disposals);

- senior in right of payment to any Subordinated Indebtedness of the Company, including any future Subordinated Shareholder Funding;

- effectively senior to any existing or future unsecured obligations of the Company, to the extent of the value of the Collateral that is available to satisfy the obligations under the Parent Guarantee;

- effectively senior to any existing or future obligations of the Company secured on a basis junior to the Parent Guarantee, to the extent of the value of the Collateral that is available to satisfy the obligations under the Parent Guarantee; and

- subject to limitations described in "*Limitations on Validity and Enforceability of Guarantees and Security*".

The Subsidiary Guarantees of the Notes will be:

- the senior obligations of the relevant Subsidiary Guarantor, which will be secured by the Collateral described below on a first-priority basis along with obligations under the Existing Notes, the Senior Credit Facilities, certain Hedging Obligations and certain other future indebtedness (although any liabilities in respect of obligations under the Senior Credit Facilities, certain Hedging Obligations and certain other future indebtedness that are secured by the Collateral, designated hereunder as Priority Payment Lien Obligations, will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral and certain distressed disposals);

- *pari passu* in right of payment with all existing and future Indebtedness of the relevant Subsidiary Guarantor that is not subordinated in right of payment to the Notes, including the Existing Notes and the Senior Credit Facilities;

- senior in right of payment to any Subordinated Indebtedness of the relevant Subsidiary Guarantor;

- effectively senior to any existing or future unsecured obligations of the relevant Subsidiary Guarantor, to the extent of the value of the Collateral that is available to satisfy the obligations under the Subsidiary Guarantee;

- effectively senior to any existing or future obligations of the relevant Subsidiary Guarantor secured on a basis junior to its Subsidiary Guarantee, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes; and

- subject to limitations described in "*Limitations on Validity and Enforceability of Guarantees and Security*".

Principal and Maturity

The Issuer will issue €390.0 million aggregate principal amount of Notes on the Issue Date. The Notes will mature on May 22, 2025. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000, in excess thereof.

The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of 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.

Interest

Interest on the Notes will accrue at the rate of 4.750% per annum and will be payable in cash, semi-annually in arrears on June 20 and December 20 of each year, commencing on December 20, 2019 to Holders of record on the immediately preceding Business Day, respectively. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of the original issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date. The interest amount will be calculated by applying the applicable rate to the aggregate principal outstanding of the Notes.

Additional Notes

From time to time, subject to the Issuer's compliance with the covenants described under the headings "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and "*—Certain Covenants—Liens*", the Issuer is permitted to issue additional Notes, which shall have terms substantially identical to the Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate delivered by the Issuer to the Trustee ("*Additional Notes*"):

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes will be issued and will mature;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) if other than in minimum denominations of €100,000 and in integral multiples of €1,000, in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed; and

(8) the ISIN, Common Code or other securities identification numbers with respect to such Additional Notes.

Such Additional Notes will be treated, along with all other Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of the Notes*", references to "Notes" shall be deemed to include references to the Notes initially issued on the Issue Date as well as any Additional Notes.

In order for any Additional Notes to have the same ISIN or Common Code, as applicable, as the Notes, such Additional Notes must be fungible with the Notes for U.S. federal income tax purposes.

Methods of Receiving Payments on the Notes

Principal, premium, if any, interest and Additional Amounts (as defined below), if any, on the Global Notes (as defined below) will be payable at the specified office or agency of the Paying Agent; *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 nominee of the common depositary for the accounts of Euroclear or Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, interest and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of the Paying Agent (as defined below) maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by bank transfer to the Person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent, Transfer Agent and Registrar for the Notes*."

Paying Agent, Transfer Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes. The initial Paying Agent for the Notes will be Deutsche Bank AG, London Branch (as "*Principal Paying Agent*"). The Issuer will also maintain one or more transfer agents (each, a "*Transfer Agent*") to facilitate transfer of Definitive Registered Notes on behalf of the Issuer, and the initial Transfer Agent will be Deutsche Bank Luxembourg S.A.

The Issuer will also maintain one or more registrars (each, a "*Registrar*"). The initial Registrar will be Deutsche Bank Luxembourg S.A. The Registrar will maintain a register reflecting ownership of the Global Note and Definitive Registered Notes (as defined herein) outstanding from time to time (the "*Register*").

Upon written notice to the Trustee, the Issuer may change any Paying Agent, Transfer Agent or Registrar for the Notes without prior notice to the Holders of the Notes. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange (the "*Exchange*") and admitted to trading on the Euro MTF Market and the rules of this exchange so require, the Issuer will publish a notice of any change of Paying Agent, Transfer Agent or Registrar in a newspaper having a general circulation in Luxembourg (currently expected to be the *Luxemburger Wort*) or the website of the Exchange (*www.bourse.lu*) to the extent and in the manner permitted by such rules.

Transfer and Exchange

The Notes will initially be issued in the form of registered notes in global form without interest coupons, as follows:

- The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the "*144A Global Notes*").

- The 144A Global Notes will, upon issuance, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

- The Notes sold to non-U.S. persons outside the United States pursuant to Regulation S under the Securities Act will initially be represented by 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, upon issuance, 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 "*Transfer Restrictions*." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes (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 to the Transfer Agent by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the Issue Date of the Notes, ownership of Regulation S Book-Entry Interests will be limited to Persons that have accounts with Euroclear or Clearstream or Persons who hold interests through such participants, and any sale or transfer of such interest to U.S. Persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of 144A Book-Entry Interests only upon delivery to the Transfer Agent by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a Person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 aggregate principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer Restrictions.*"

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in aggregate principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish to the Registrar appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, as applicable, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of such Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of such 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 applicable to such Notes; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer (each, as defined below).

The Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent will be entitled to treat the Holder as the owner of Notes for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

Immediately after the issuance of the Notes, all of the Company's Subsidiaries will be Restricted Subsidiaries. In the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," the Company will be permitted to designate Restricted Subsidiaries (other than the Issuer) as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Deposit of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will, on or about the Issue Date, deposit with a bank an amount equal to the gross proceeds of the Notes sold on the Issue Date into the Deposit Account. The Deposit Account will be established with an Initial Purchaser or one or more of their respective banking affiliates and will be segregated from the Issuer's other funds and will be controlled by the Issuer. The Issuer will assign as security its rights, title and interest in the credit balance in the Deposit Account to the Trustee for the benefit of the Holders pursuant to security documents dated the Issue Date between the Issuer and the Trustee (such grant of security, the "*Deposit Account Charge*"), which Deposit Account Charge will provide that the funds will be segregated and held for the purposes specified herein. The initial funds deposited in the Deposit Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Deposit Account (less any property or funds paid to the bank holding the Deposit Account as ordinary course charges or fees incurred in connection with the Deposit Account) are referred to, collectively, as the "*Deposited Property*." See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The proceeds of the offering of the Notes will be placed in a Deposit Account and if the Deposit Account release conditions are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes. No third party escrow agent shall control the Deposit Account*."

Before the Deposited Property may be removed from the Deposit Account (the "*Release*"), the Issuer must determine, on or before the Longstop Date, that:

(1) the New Acquisition will be consummated promptly following the release of the Deposited Property; and

(2) as of the Release Date (as defined below), there are no events of bankruptcy, insolvency or court protection (as set out in clause (6) under "*—Events of Default and Remedies*") with respect to the Company or the Issuer.

The Release will occur as soon as reasonably practicable following the determination described above (the date of such determination, the "*Release Date*"). Upon the Release, the Deposited Property may be paid out at the Issuer's discretion and for the purposes described under "*Use of Proceeds*".

In the event that (i) the New Acquisition Completion Date does not take place on or prior to the Longstop Date, (ii) in the good faith judgment of the Issuer, the New Acquisition will not be consummated on or prior to the Longstop Date, (iii) the New Acquisition Agreement terminates at any time on or prior to the Longstop Date or (iv) there is an event of bankruptcy, insolvency or court protection (as set out in clause (6) under "*—Events of Default and Remedies*") with respect to the Company or the Issuer on or prior to the Longstop Date (the date of any such event being the "*Special Termination Date*"), the Issuer will redeem the entire outstanding aggregate principal amount of the Notes (the "*Special Mandatory Redemption*") at a price (the "*Special Mandatory Redemption Price*") equal to 100% of the initial issue price of the Notes, plus accrued but unpaid

interest and Additional Amounts, if any, from the Issue Date to (but not including) 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).

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 and the Paying Agent, and will provide that the Notes shall be redeemed at least five Business Days after such notice is given by the Issuer (the "*Special Mandatory Redemption Date*"). On the Special Mandatory Redemption Date, the Issuer shall pay to the Paying Agent for payment to each Holder the Special Mandatory Redemption Price for such Holder's Notes and shall be entitled to use the Deposited Property to make such payments. Notice of such Special Mandatory Redemption shall be given to the Holders of the Notes at least five Business Days before the Special Mandatory Redemption Date.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Deposited Property, the Company will be required to fund, or procure the funding for, the accrued and unpaid interest, and Additional Amounts, if any, owing to the holders of the Notes.

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee for the benefit of the Holders a security interest over the Deposited Property. Receipt by the Trustee from the Issuer of either an Officer's Certificate in connection with the Release or a notice of Special Mandatory Redemption shall constitute deemed consent by the Trustee for the release of the Deposited Property from the Deposit Account Charge.

The Issuer from time to time, but not more than twice, may open one or more replacement or additional accounts at an alternative bank or banks, which in each case must be an Initial Purchaser or one or more of their respective banking affiliates, and may transfer any portion of the Deposited Property to any such replacement or additional accounts (a "*Transfer*") without such Transfer being deemed a Release, *provided* that the Issuer provides a substantially equivalent security interest to the Trustee for the benefit of the Holders over such replacement or additional account or accounts if such security interest was initially granted in connection with the original Deposit Account and *provided* that use of the funds from any such account shall be subject to the same conditions as applied to the original Deposit Account. In such an event, any replacement or alternative accounts into which Deposited Property is transferred shall be deemed to be a Deposit Account. Receipt by the Trustee from the Issuer of an Officer's Certificate in connection with a Transfer shall constitute deemed consent by the Trustee for the transfer of the Deposited Property from the Deposit Account to a new Deposit Account.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Official List of the Exchange, and if and to the extent that the rules of the Exchange so require, the Issuer will notify the Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption. In addition, to the extent and in the manner permitted by such rules, the Issuer will publish the relevant notices in a leading newspaper having general circulation in Luxembourg (currently expected to be the *Luxemburger Wort*) or the website of the Exchange (*www.bourse.lu*).

The Proceeds Loan

On or about the New Acquisition Completion Date, the Issuer will lend to the Company, pursuant to one or more proceeds loans (the "*Proceeds Loan*"), the proceeds of the issuance of the Notes. Pursuant to certain Collateral Documents, the Issuer will grant security interests in respect of the receivables under the Proceeds Loan to secure the Notes on a senior basis, which will also secure the Existing Notes and the Senior Credit Facilities on the same basis. See "—*Security*."

It is anticipated that funds received by the Company as payments of interest under the Proceeds Loan will be used to service the interest payments under the Notes. The Proceeds Loan may have a variable interest rate that allows for higher or lower interest payments from time to time and the principal on the Proceeds Loan may be repaid in order to service interest payments on the Notes. In addition, subsidiaries of the Company may

upstream further funds as needed by means of dividends or loans. The Indenture for the Notes will not contain any restrictions on the ability of the Issuer or the Company to amend the terms of the Proceeds Loan. Under Spanish law, the obligations of the Company under the Proceeds Loan between the Issuer and the Company will be classified as subordinated claims of the Company, meaning that in an insolvency proceeding, such claims would be subordinated to the preferential and ordinary claims of the Company. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Issuer may not be able to recover any amounts under its Proceeds Loan because its rights to receive payments under such Proceeds Loan is subordinated to all third party liabilities of the Company.*"

Guarantees

The obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control (as defined below), will (subject to the Agreed Security Principles) be guaranteed, jointly and severally on a senior secured basis, by the Company and certain of its subsidiaries (each, a "*Guarantor*").

The Guarantors, the type of Guarantee and their respective jurisdictions of incorporation are as follows:

Company.	Parent Guarantee	Madrid (Spain)
Cirsa Gaming Corporation, S.A.	Subsidiary Guarantee	Catalonia (Spain)
Cirsa International Business Corporation, S.L.U. ("*CIBC*")	Subsidiary Guarantee	Madrid (Spain)
Uniplay, S.A.U.	Subsidiary Guarantee	Madrid (Spain)
Cirsa Interactive Corporation, S.L.U.	Subsidiary Guarantee	Catalonia (Spain)
Universal de Desarrollos Electrónicos, S.A.U.	Subsidiary Guarantee	Catalonia (Spain)
Genper, S.A.U.	Subsidiary Guarantee	Catalonia (Spain)
Comercial de Desarrollos Electrónicos, S.A.U.	Subsidiary Guarantee	Catalonia (Spain)
Global Game Machine Corporation, S.A.U.	Subsidiary Guarantee	Catalonia (Spain)
Casino Nueva Andalucía Marbella, S.A.U.	Subsidiary Guarantee	Marbella (Spain)
Juegomatic, S.A.U.	Subsidiary Guarantee	Malaga (Spain)
Promociones e Inversiones de Guerrero, S.A.P.I. de C.V.	Subsidiary Guarantee	Mexico
Integración Inmobiliaria World de México, S.A. de C.V.	Subsidiary Guarantee	Mexico
Gaming & Services de Panama S.A.	Subsidiary Guarantee	Panama

As of and for the year ended December 31, 2018, the Guarantors represented 37.2% of the Group's revenue, 54.5% of the Group's Adjusted EBITDA (excluding the negative EBITDA of the Company and Cirsa Gaming Corporation, S.A., which are holding companies) and 29.5% of the Group's total assets (excluding goodwill assets).

The Parent Guarantee and the Subsidiary Guarantees also benefit the Senior Credit Facilities and the Existing Notes. The obligations of a Guarantor under its Guarantee are contractually limited under the applicable Guarantee to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, financial assistance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such limitations, see "*Limitations on Validity and Enforceability of Guarantees and Security*." In particular, the Guarantees of the Cirsa Group Guarantors incorporated in Spain are limited to the value of proceeds from the Existing Notes that were used to refinance the Cirsa Group's then existing indebtedness (approximately €985 million) plus the value of the Notes (and any additional Notes so long as they do not infringe Spanish financial assistance laws) and will not guarantee those obligations or liabilities which, if guaranteed, will constitute an infringement of Spanish financial assistance laws in accordance with Articles 143.2 and 150 of the Spanish Companies Act. In addition, under Spanish law, the financial assistance restrictions referred to above in relation to Cirsa Group Guarantors incorporated in Spain may also apply to the Cirsa Group Guarantors that are not incorporated in Spain. The Indenture will limit all Guarantees of the Cirsa Group Guarantors to the value of proceeds from the Existing Notes that were used to refinance the Cirsa Group's existing indebtedness plus the value of the Notes (and any Additional Notes so long as they do not infringe Spanish financial assistance laws). See "*Risk Factors—Risks Related to the Notes, the Guarantees*

and the Collateral—The Collateral may not be sufficient to secure the obligations under the Notes" and "*Limitations on Validity and Enforceability of Guarantees and Security—Spain*."

In addition, as described below under "*—Certain Covenants—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries and Additional Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary of the Company (other than the Issuer) that guarantees the Senior Credit Facilities or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory limitations, regulatory requirements or restrictions, financial assistance, corporate benefit, capital maintenance rules, liquidity protection rules, fraudulent preference, "earnings stripping", "controlled foreign corporation", "thin capitalization" rules, tax restrictions, retention of title claims, employee consultation or approval requirements and similar principles. Each Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of applicable law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See *"Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Laws relating to fraudulent preference, fraudulent conveyance and corporate benefit may adversely affect the validity and enforceability of the Guarantees or security interests"* and *"Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Enforcement across multiple jurisdictions may be difficult and the laws of certain jurisdictions may provide you with less protection than U.S. bankruptcy law."*

Under the Indenture, the Guarantee of a Guarantor will be released:

- except in the case of the Parent Guarantee, upon a sale or other disposition (including by way of consolidation or merger) of ownership interests in the Guarantor (directly or through a parent company) such that the Guarantor does not remain a Restricted Subsidiary of the Company, or the sale or other disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary of the Company), in each case, otherwise permitted by the Indenture;

- except in the case of the Parent Guarantee, the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;

- upon payment in full of principal, interest and all other obligations in respect of the Notes issued under the Indenture or defeasance or discharge of the Notes, as provided in "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*";

- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;

- as described under "*—Amendment, Supplement and Waiver*"; or

- in the case only of the Parent Guarantee, pursuant to the provisions described below under "*—IPO Pushdown*".

Upon any occurrence giving rise to a release of a Guarantee, as specified above, the Trustee, subject to receipt of an Officer's Certificate from the Issuer or Guarantor, will execute any documents delivered to it by the Issuer in order to evidence or effect such release, discharge and termination in respect of such Guarantee. None of the Issuer, the Trustee or any Guarantor will be required to make a notation on the Notes to reflect any such release, discharge or termination.

Substantially all the operations of the Company and the Issuer are conducted through their Subsidiaries. Claims of creditors of Subsidiaries that are not Subsidiary Guarantors, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred shareholders and minority shareholders (including (without limitation) the minority shareholders of Winner Group, S.A. and Orlando Italia, S.r.l., the "*Minority Shareholders*") of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders. The Notes and each Guarantee therefore will be effectively subordinated to creditors (including trade creditors), preferred shareholders and Minority Shareholders of Subsidiaries of the Company other than the Issuer and the Guarantors. As at December 31, 2018, after giving effect to the Transactions, the Company's subsidiaries that will not guarantee the Notes would have had €91.4 million of indebtedness outstanding. Although the Indenture will limit the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries of the Company, the limitations will be subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the incurrence by such Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*".

Security

The Collateral

Pursuant to the Collateral Documents, the Company and certain of its Restricted Subsidiaries (as applicable) will grant in favor of Deutsche Bank Trust Company Americas as the security agent under the Indenture and the Senior Credit Facilities Agreement (the "*Security Agent*"), subject to the Intercreditor Agreement, the Agreed Security Principles, perfection requirements and any Permitted Liens, within 120 days of the Issue Date, liens and security interests on an equal and ratable priority basis, over those assets listed below, which will secure the Notes:

(a) the entire issued Capital Stock of the following companies;

Issuer	Luxembourg
Company	Madrid (Spain)
Cirsa Gaming Corporation, S.A.	Catalonia (Spain)
CIBC	Madrid (Spain)
Uniplay, S.A.U.	Madrid (Spain)
Global Game Machine Corporation, S.A.U.	Catalonia (Spain)
Juegomatic, S.A.U.	Malaga (Spain)
Promociones e Inversiones de Guerrero, S.A.P.I de C.V.	Mexico
Gaming & Services de Panama S.A.	Panama
Cirsa Italia Holding, S.p.A.	Italy

(b) material long-term intra-group receivables of the Company and the Issuer (including receivables of the Company in respect of the on-loan of Existing Notes proceeds to Cirsa and receivables of the Issuer in respect of the Proceeds Loan and any additional proceeds loan);

(c) material operating bank accounts of the Company and the Issuer; and

(d) monetary rights, claims and receivables of the Company under the Original Acquisition Agreement.

(together, the "*Collateral*").

Notwithstanding the foregoing, certain assets will not be pledged (or the Liens not perfected) in accordance with the Agreed Security Principles, including:

- if providing such security would be prohibited by general statutory limitations, regulatory requirements or restrictions, financial assistance, corporate benefit, capital maintenance rules, liquidity protection rules, fraudulent preference, "earnings stripping", "controlled foreign corporation" and "thin capitalization" rules, tax restrictions, retention of title claims, employee consultation or approval requirements or similar principles, or if such principles require that the security be limited in amount or otherwise, the security will be limited to the maximum amount permissible without conflicting with applicable law or fiduciary duties of directors if giving such security would expose directors to a material risk of personal liability;

- if the cost of providing security is disproportionate to the benefit accruing to the Holders of the Notes;

- if the level of stamp duty, applicable fees, taxes and other duties for providing additional security is disproportionate to the benefit accruing to the Holders of the Notes;

- if there is material incremental cost involved in creating security over all assets of such grantor of security in a particular category of assets, only the material assets in that category will be subject to security;

- if in certain jurisdictions it may be either impossible or impractical or would unduly disrupt the business of such grantor of security, security will not be taken over such assets;

- if providing such security requires consent before such assets may be secured or where providing such security would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of the Company or any of its Subsidiaries in respect of those assets or require the Company or any of its Subsidiaries to take any action materially adverse to their interests and where (subject to certain conditions being met) such consent cannot be obtained after the use of commercially reasonable efforts;

- if such grantor of security is not wholly owned by the Company or any of its Subsidiaries or if providing security would be outside the applicable grantor's capacity, conflict with fiduciary duties of directors, contravene legal prohibition, contractual restriction or regulatory condition or would cause risk of personal or criminal liability, *provided* that commercially reasonable efforts to overcome any such obstacle has been used;

- if providing such security would substantially restrict the ability of such grantor of security to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture; and

- in the case of security from or over, or over the assets of, any joint venture or similar arrangement, any minority interest or any entity (other than the Company) that is not wholly owned by the Company or any of its Subsidiaries.

Furthermore, in accordance with the Agreed Security Principles, no security or guarantees will be required in jurisdictions other than Spain, Luxembourg, the Republic of Panama and Mexico. The security over 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. In particular, security over the Collateral granted by the subsidiaries of Cirsa incorporated in Spain will be limited to the value of proceeds from the Existing Notes that were used to refinance the Cirsa Group's existing

indebtedness (approximately €985 million) plus the value of the Notes (and any additional Notes so long as they do not infringe Spanish financial assistance laws) and will not secure those obligations or liabilities which, if secured, will constitute an infringement of Spanish financial assistance laws in accordance with Articles 143.2 and 150 of the Spanish Companies Act. In addition, under Spanish law, the financial assistance restrictions referred to above in relation to the Collateral granted by the subsidiaries of Cirsa incorporated in Spain may also apply to subsidiaries of Cirsa not incorporated in Spain. The Indenture will limit all security over the Collateral granted by the subsidiaries of Cirsa to the value of proceeds from the Existing Notes that were used to refinance the Cirsa Group's existing indebtedness plus the value of the Notes (and any Additional Notes so long as they do not infringe Spanish financial assistance laws). See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Collateral may not be sufficient to secure the obligations under the Notes*" and "*Limitations on Validity and Enforceability of Guarantees and Security—Spain*."

The security will only secure the direct borrowing or guarantee obligations of the relevant security provider.

The Agreed Security Principles with respect to the Notes will be interpreted and applied in good faith by the Issuer.

The Collateral also secures the relevant security provider's liabilities under the Existing Notes, the Senior Credit Facilities and may secure its liabilities under certain hedging arrangements, and other indebtedness (including any Additional Notes); *provided*, that, pursuant to the Intercreditor Agreement, lenders under the Senior Credit Facilities, counterparties to designated priority hedging agreements and certain other lenders or creditors with claims designated hereunder as Priority Payment Lien Obligations permitted to be incurred under the covenant *"—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"* and permitted to be secured on the Collateral on a super priority basis to the Notes (see *"—Certain Definitions—Priority Payment Lien Obligations"*) will receive proceeds from the enforcement of the Collateral and certain distressed disposals in priority to holders of the Notes. Subject to certain conditions, including compliance with the covenant described under "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Covenants—Liens*," the Company is permitted to grant security over the Collateral in connection with future issuances of its Indebtedness or Indebtedness of its Restricted Subsidiaries, including any Additional Notes, in each case, as permitted under the Indenture and the Intercreditor Agreement. Any proceeds received upon any enforcement over any Collateral, after all liabilities in respect of Priority Payment Lien Obligations (including liabilities under the Senior Credit Facilities and designated priority hedging) have been discharged from such recoveries, will be applied pro rata in payment of all liabilities in respect of obligations under the Indenture and the Notes and any other Indebtedness of the Company or its Restricted Subsidiaries permitted to be incurred and secured by the Collateral on a *pari passu* basis with the Notes pursuant to the Indenture and the Intercreditor Agreement.

Administration of Security and Enforcement of Liens

The Collateral will be granted to the Security Agent under the Collateral Documents, pursuant to the Intercreditor Agreement, for the benefit of all holders of secured obligations. The enforcement of the Collateral Documents will be subject to the procedures set forth in the Intercreditor Agreement. For a description of certain terms of the Intercreditor Agreement, see "*Description of Other Indebtedness—Intercreditor Agreement*".

The ability of Holders of the Notes to realize upon the Collateral will be subject to various bankruptcy law limitations in the event of the Issuer's, a Guarantor's or the relevant Collateral grantor's or provider's bankruptcy. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law*" and "*Limitations on Validity and Enforceability of Guarantees and Security*".

In addition, the enforcement of the Collateral may be limited to the maximum amount permitted under applicable law to comply with corporate benefit, financial assistance and other laws. As a result of these limitations, the enforceable amounts of the Issuer's obligation under the Notes and a Guarantor's obligations under its Guarantee could be significantly less than the total amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Limitations on Validity and Enforceability of Guarantees and Security.*"

The Collateral Documents will be entered into by the relevant security provider and the Security Agent to the extent permitted by applicable laws. The relevant Collateral Documents or the Intercreditor Agreement may provide for the creation of "parallel debt" obligations in favor of the Security Agent, and certain security interests in such jurisdictions may secure the parallel debt (and not the Indebtedness under the Notes, the Guarantees and the other secured obligations). See *Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law*" and "*Limitations on Validity and Enforceability of Guarantees and Security.*" Subject to the terms of the Collateral Documents, the Issuer, the Guarantors and the other relevant providers or grantors of the Collateral will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes, to freely operate the Collateral, to collect, invest and dispose of any income therefrom and, where applicable, dispose of or use up assets that are Collateral, in each case until such time as the Collateral is enforceable under the terms of the Collateral Documents.

No appraisals of any of the Collateral have been prepared by or on behalf of the Issuer in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral would be sufficient to satisfy the obligations owed to the Holders. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time or at all.

In addition, the Intercreditor Agreement places limitations on the ability of the Security Agent to cause the sale of certain of the Collateral. These limitations may include requirements that some or all of the Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See "*Description of Other Indebtedness—Intercreditor Agreement*."

The Trustee for the Notes has, and by accepting a Note, each Holder will be deemed to have:

- irrevocably appointed the Security Agent to act as its agent under the Intercreditor Agreement and the other relevant documents to which it is a party (including, without limitation, the other Collateral Documents);

- irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights and powers that are specifically given to it under the Intercreditor Agreement or other documents to which it is a party (including, without limitation, the other Collateral Documents), together with any other incidental rights and powers; and (ii) execute each document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf; and

- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below), and each Holder will also be deemed to have authorized the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

Priority

The relative priority with regard to the Collateral as between (a) the lenders under the Senior Credit Facilities and other future indebtedness that is secured by the Collateral, (b) the counterparties under certain hedging contracts, (c) the trustee and the noteholders under the Existing Indenture and (d) the Trustee and the

Holders under the Indenture, is established by the terms of the Intercreditor Agreement and the other Collateral Documents, which provide that the obligations under the Notes will receive proceeds of enforcement of security over the Collateral only after the claims of lenders under the Senior Credit Facilities, certain other future indebtedness and certain designated priority hedging contracts are satisfied. See "*Description of Other Indebtedness—Intercreditor Agreement*." In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See *"—Release of Liens," "—Certain Covenants—Impairment of Security Interest*" and *"—Certain Definitions—Permitted Liens.*"

Release of Liens

The Security Agent will, upon written direction and reasonable request from the Company or the Issuer and at the cost of the Company or the Issuer, take any action required to effectuate any release of Collateral required by a Collateral Document:

(1) upon release of a Guarantee (with respect to the Liens securing such Guarantee granted by such Guarantor) in accordance with the Indenture;

(2) in connection with any disposition of Collateral (with respect to the Lien on such Collateral), directly or indirectly, to (a) any Person other than the Company or any of its Restricted Subsidiaries (but excluding any transaction subject to "*—Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets*") or (b) the Company or any Restricted Subsidiary consistent with the Intercreditor Agreement, so long as the relevant Collateral becomes subject to a substantially equivalent Lien in favor of the Security Agent securing the Notes; and *provided* that, in the case of each of clauses (a) and (b), such disposition is permitted by the Indenture;

(3) automatically without any action by the Trustee, if the Lien granted in favor of any Indebtedness that gave rise to the obligation to grant the Lien over such Collateral pursuant to the covenant described under "*—Certain Covenants—Liens*" is released (other than pursuant to the repayment and discharge thereof); *provided*, that such release would otherwise be permitted by another clause above;

(4) in order to effectuate a merger, consolidation, conveyance or transfer conducted in compliance with the covenant described under *"—Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets*"; and

(5) upon payment in full of principal, interest and all other obligations in respect of the Notes issued under the Indenture or discharge or defeasance thereof in accordance with the Indenture;

(6) as otherwise provided in the Intercreditor Agreement;

(7) as described under "*—Amendment, Supplement and Waiver*;" or

(8) in connection with an IPO Pushdown, as specified in the Indenture.

Each of these releases shall be effected by the Security Agent and, to the extent required or necessary, the Trustee, without the consent of the Holders.

The Company, the Issuer and its Restricted Subsidiaries may also, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to Collateral, including, without limitation, (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property subject to the Lien under the Collateral Documents which has become worn out,

defective or obsolete or not used or useful in the business; (ii) selling, transferring, paying off or using up or otherwise disposing of current assets or intercompany receivables in the ordinary course of business; and (iii) any other action not prohibited by the Indenture, the Collateral Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement.

IPO Pushdown

(a) On, in contemplation of, or following an IPO Event, the Company shall be entitled to require (by written notice to the Trustee (a "*Pushdown Notice*")) that the terms of the Indenture and the Intercreditor Agreement shall operate (with effect from the date specified in the relevant Pushdown Notice) on the basis that: (i) references to the Company and Restricted Subsidiaries (and all related provisions) shall apply only to the IPO Pushdown Entity and its Restricted Subsidiaries from time to time, although the pledge of the shares of the Issuer and Cirsa shall remain in place (unless Cirsa is the IPO Pushdown Entity); (ii) all financial ratio calculations, basket calculations and financial definitions shall exclude any Holding Company of the IPO Pushdown Entity and all reporting obligations shall be assumed at the level of the IPO Pushdown Entity; (iii) each reference in the Indenture or the Intercreditor Agreement to the "Company" shall be deemed to be a reference to the IPO Pushdown Entity (to the extent applicable and unless the context requires otherwise; and *provided*, *further*, that nothing in this paragraph (a), including the deeming construct contemplated by this sub-paragraph (iii) and any action taken by the IPO Pushdown Entity prior to it being deemed to be the Company, shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the Indenture or a Default or an Event of Default); (iv) none of the representations, warranties, undertakings, covenants or Events of Default in the Indenture, the Intercreditor Agreement or the other Collateral Documents shall apply to any entity of which the IPO Pushdown Entity is a Subsidiary (whether in its capacity as a Guarantor or otherwise); (v) no event, matter or circumstance relating to any Holding Company of the IPO Pushdown Entity (whether in its capacity as a Guarantor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the Indenture or a Default or an Event of Default; (vi) each Holding Company of the IPO Pushdown Entity shall be irrevocably and unconditionally released from all obligations under the Indenture, the Intercreditor Agreement and any security granted by any such Holding Company; (vii) Cirsa shall be (or become) a Subsidiary of the IPO Pushdown Entity; (viii) unless otherwise notified by the Company: (A) each Person which is party to the Intercreditor Agreement as an "Investor" shall be irrevocably and unconditionally released from the Intercreditor Agreement and all obligations and restrictions under the Intercreditor Agreement (and from the date specified by the Company, that Person shall cease to be party to the Intercreditor Agreement as an Investor and shall have no further rights or obligations under the Intercreditor Agreement as an Investor); and (B) there shall be no obligation or requirement for any Person to become party to the Intercreditor Agreement as an Investor; and (ix) in the event that any Person is released from or does not become party to the Intercreditor Agreement as an Investor as a consequence of this paragraph (a), any term of the Indenture and/or the Intercreditor Agreement which requires or assumes that any Person be an Investor or that any liabilities or obligations to such Person be subject to the Intercreditor Agreement or otherwise subordinated shall cease to apply. A Pushdown Notice may not be delivered if a Default or Event of Default has occurred and is continuing (disregarding any Default or Event of Default that could be deemed to arise in connection with the transactions contemplated by this provision).

(b) The Trustee, the Security Agent and any other agents party thereto shall be required to enter into any amendment to the Indenture or amendment to or replacement of the Intercreditor Agreement or the other Collateral Documents required by the Company in writing and/or take such other action as is required by the Company in order to facilitate or reflect any of the matters contemplated by paragraph (a) above (collectively, an "*IPO Pushdown*"); *provided*, that such amendment or replacement will not impose any personal obligations on the Trustee or adversely affect the personal rights, protections, duties, liabilities, indemnifications or immunities of the Trustee under the Indenture, Intercreditor Agreement or Collateral Documents. The Trustee, the Security Agent and any other agents party thereto are each irrevocably authorized and instructed by the Holders of the Notes (without any

consent by the Holders of the Notes) to execute any such amended or replacement documents and/or take other such action on behalf of the Holders (and shall do so on the reasonable request of and at the cost of the Company).

(c) For the purpose of this covenant, the "IPO Pushdown Entity" shall be the Company or any Restricted Subsidiary of the Company notified to the Trustee by the Company in writing as the Person to be treated as the IPO Pushdown Entity in relation to the relevant IPO Event; *provided*, that the IPO Pushdown Entity shall be a Restricted Subsidiary which will issue shares, or whose shares are to be sold, pursuant to that IPO Event (or a Holding Company of such Restricted Subsidiary) and, *provided further*, that the Company may not designate the Issuer or a Subsidiary of Cirsa as the IPO Pushdown Entity.

(d) If the Company delivers a Pushdown Notice to the Trustee pursuant to paragraph (a) above in relation to a contemplated IPO Event, it shall be entitled to revoke that Pushdown Notice at any time prior to the occurrence of the relevant IPO Event by written notice to the Trustee. In the event that any Pushdown Notice is revoked in accordance with this paragraph (d): (i) the provisions of sub-paragraphs (a)(i) to (a)(vii) above shall cease to apply in relation to that Pushdown Notice; (ii) if any security has been released pursuant to paragraph (a) above in reliance on that Pushdown Notice, if required by the Trustee by prior written notice to the Company and subject to the Agreed Security Principles, the Company or the relevant Restricted Subsidiary shall as soon as reasonably practicable execute a replacement Collateral Document in respect of that security; and (iii) if any Person party to the Intercreditor Agreement as an "Investor" has been released from the Intercreditor Agreement pursuant to sub-paragraph (a)(vii) above in reliance on that Pushdown Notice, if required by the Trustee by prior written notice to the Company and that Person, that Person shall as soon as reasonably practicable accede to the Intercreditor Agreement as an Investor.

For the avoidance of doubt: (A) nothing in paragraph (d) above shall prohibit or otherwise restrict the Company from delivering a further Pushdown Notice in relation to any actual or contemplated IPO Event; and (B) revocation of a Pushdown Notice shall not, and shall not be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term in the Indenture or the Intercreditor Agreement or a Default or an Event of Default (whether by reason of any action or step taken by any Person, or any matter or circumstance arising or committed, while that Pushdown Notice was effective or otherwise).

Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements

In connection with the incurrence of any Indebtedness by the Company or any of its Restricted Subsidiaries that is permitted to share in the Collateral (and which the Company elects shall share in the Collateral), the Trustee and the Security Agent shall, at the written request of the Company or the Issuer, enter into with the Company, the relevant Restricted Subsidiaries and the holders of such Indebtedness (or their duly authorized representatives) one or more intercreditor agreements or deeds (including a restatement, replacement, amendment or other modification of the Intercreditor Agreement) (an "*Additional Intercreditor Agreement*"), on substantially the same terms as the Intercreditor Agreement (or terms that are not materially less favorable to the Holders) and substantially similar as applies to sharing of the proceeds of security and enforcement of security, priority and release of security; *provided*, that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or adversely affect the personal rights, protections, duties, liabilities, indemnifications or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement. In connection with the foregoing, the Company or the Issuer shall furnish to the Trustee and the Security Agent such documentation in relation thereto as they may reasonably require. As used herein, a reference to the Intercreditor Agreement will also include any Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement, the Trustee shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described herein under "*—Certain Covenants—Limitation on Restricted Payments*".

The Indenture will also provide that, at the written direction of the Company or the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such Intercreditor Agreement that may be incurred by the Company or its Restricted Subsidiaries that is subject to any such Intercreditor Agreement (*provided* that such Indebtedness is incurred in compliance with the Indenture), (3) add Guarantors or other Restricted Subsidiaries to the Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for pledges of the Collateral to secure Additional Notes or to implement any Permitted Liens or (6) make any other change to any such agreement that does not adversely affect the Holders of Notes in any material respect. The Company or the Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under *"—Amendment, Supplement and Waiver*" or as permitted by the terms of such Intercreditor Agreement, and the Company or the Issuer may only direct the Trustee or Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, protections, duties, liabilities, indemnifications or immunities under the Indenture or any Intercreditor Agreement.

The Indenture will also provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have authorized the Trustee and the Security Agent to enter into the Intercreditor Agreement and any Additional Intercreditor Agreement on each Holder's behalf.

Copies of the Indenture and the Intercreditor Agreement are available as described under "*Where You Can Find Other Information*".

Optional Redemption

Except as set forth herein and under "*—Redemption for Taxation Reasons*", "*—Deposit of Proceeds; Special Mandatory Redemption*" and "*—Repurchase at the Option of Holders—Change of Control*", the Notes are not redeemable at the option of the Issuer.

At any time prior to May 22, 2021, the Issuer may redeem up to 10% of the aggregate principal outstanding amount of the Notes (calculated after giving effect to the issuance of any Additional Notes) during each 12-month period commencing from the Issue Date, from time to time, upon not less than 10 nor more than 60 days' prior written notice to the Holders as described under the heading "*—Selection and Notice*", at a redemption price equal to 103% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date occurring on or prior to, but excluding, the redemption date).

In addition, at any time prior to May 22, 2021, the Issuer may redeem the Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior written notice to the Holders as described under the heading "*—Selection and Notice*" at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date occurring on or prior to, but excluding, the redemption date).

At any time and from time to time on or after May 22, 2021, the Issuer may redeem the Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior written notice to the Holders as described under the heading "*—Selection and Notice*", at a redemption price equal to the percentage of principal

amount of the applicable series set forth below plus accrued and unpaid interest to, but excluding, the redemption date:

Twelve month period commencing May 22 in	Notes Percentage
2021	102.3750%
2022	101.1875%
2023 and thereafter	100.0000%

At any time and from time to time prior to May 22, 2021, the Issuer may, at its option, upon notice as described under the heading "—*Selection and Notice*", redeem up to 40% of the aggregate principal amount of the Notes (including Additional Notes) at a redemption price equal to (i) 104.750% of the aggregate principal amount thereof, with an amount equal to or less than the net cash proceeds of one or more Equity Offerings to the extent such net cash proceeds are received by or contributed to the Company, plus (ii) accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date, *provided* that:

(1) the redemption takes place not later than 180 days after the closing of the related Equity Offering; and

(2) not less than 50% of the principal amount of the Notes originally issued on the Issue Date (excluding the principal amount of any Additional Notes) remain outstanding immediately thereafter (unless all such Notes are redeemed substantially concurrently).

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof.

General

Notwithstanding the foregoing, in connection with any tender offer for the Notes, if Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by Holders of the Notes, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice to the Holders of the Notes, given not more than 30 days following such purchase date, to redeem all Notes that remain outstanding following such purchase at a price equal to the price paid to each other Holder in such tender offer (other than any incentive payment for early tenders), plus, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but not including, the redemption date. In determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Notes have validly tendered and not withdrawn Notes in a tender offer or other offer to purchase for all of the Notes, as applicable, Notes owned by an Affiliate of the Issuer or by funds controlled or managed by any Affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer or other offer, as applicable.

Notwithstanding anything else in the Indenture or the Notes, redemption notices may be given more than 60 days prior to a redemption date if the notice is in connection with a defeasance of Notes or a satisfaction and discharge of the Indenture.

Any redemption (other than a Special Mandatory Redemption) may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent. In addition, if such redemption is subject to satisfaction of one or more conditions precedent, such notice may state that, at the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs.

If the Issuer effects an optional redemption of the Notes, it will, for so long as the Notes are listed on the Exchange and the rules of the Exchange so require, inform the Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption. In addition, to the extent and in the manner permitted by such rules, the Issuer will publish the relevant notices in a leading newspaper having general circulation in Luxembourg (currently expected to be the *Luxemburger Wort*) or the website of the Exchange (www.bourse.lu).

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

If a redemption date is not a Business Day, payment may be made on the next succeeding day that is a Business Day, and no interest shall accrue on any amount that would have been otherwise payable on such redemption date if it were a Business Day for the intervening period.

We may repurchase Notes at any time and from time to time in the open market or otherwise.

Sinking Fund

The Issuer will not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes except as set forth under *"—Deposit of Proceeds; Special Mandatory Redemption."*

Selection and Notice

If less 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 unless otherwise required by law or applicable stock exchange or depositary requirements; *provided, however*, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part. If the Notes are not held through Euroclear or Clearstream or Euroclear or Clearstream prescribe no method of selection, on a *pro rata* basis; *provided*, *however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. The Trustee, the Paying Agent and the Registrar will not be liable for any selections made in accordance with this paragraph.

So long as any Notes are listed on the Exchange and the rules of the Exchange so require, any such notice to the Holders of the relevant Notes shall to the extent and in the manner permitted by such rules be posted on the official website of the Exchange (www.bourse.lu) and in addition to such release, not less than 10 days nor more than 60 days prior to the redemption date, the Issuer will deliver, or at the expense of the Issuer, cause to be delivered, such notice to Holders electronically or by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders of the Notes of such series (with a copy to the Trustee and Paying Agent) (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date occurring on or prior to the redemption date) and all Additional Amounts (see "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer or any Guarantor 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 change in, or amendment to, or the introduction of, an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction

(each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the relevant Payor (as defined below) is, or on the next interest payment date in respect of the Notes of such series would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the relevant Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable but not including assignment of the obligation to make payment with respect to the relevant series of Notes). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of the Offering Memorandum, such Change in Tax Law must become effective after the date of the Offering Memorandum. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of the Offering Memorandum, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction. Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which such Payor would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, such Payor will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing to the effect that such Payor has or would become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee shall accept, and will be entitled to conclusively 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.

The foregoing will apply *mutatis mutandis* to any successor to the Issuer and to any jurisdiction in which any successor to the Issuer is incorporated or organized, resident or engaged in business for tax purposes or has a permanent establishment in, or any political subdivision or taxing authority or agency thereof or therein.

Withholding Taxes

All payments made by the Issuer or any Guarantor (a "*Payor*") on the Notes or any Guarantees will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note or Guarantee is made by or on behalf of the Issuer or any Guarantor or any of their agents (including, up until the Release Date, the jurisdiction in which the Deposit Account is located), or any political subdivision or taxing authority or agency thereof or therein; or

(2) any other jurisdiction in which the Payor is incorporated or organized, resident or engaged in business for tax purposes or has a permanent establishment in, or any political subdivision or taxing authority or agency thereof or therein

(each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"),

will at any time be required in respect of any payments made by or on behalf of a Payor with respect to any Note or Guarantee, including payments of principal, redemption price, premium, if any, or interest, the relevant Payor will pay to Holders of the Notes (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments, after such withholding or deduction (including any such deduction or withholding in respect of such Additional Amounts) by any applicable withholding agent, will equal the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, or having a place of management present or deemed present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership, holding or disposition of such Note or the receipt of any payment in respect of the Notes or any Guarantee;

(2) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder or beneficial owner, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes, but only to the extent that the Holder or beneficial owner is legally eligible to provide such certification or other evidence;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment on the Notes or any Guarantee;

(4) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Tax;

(5) any Taxes imposed in connection with a Note presented for payment (where presentation is permitted or required for payment) by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another paying agent;

(6) any Taxes that are imposed or withheld pursuant to (a) Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof, (b) any intergovernmental agreement entered into in connection with the implementation of (a), or (c) any law, regulation or other official guidance enacted in any other jurisdiction relating to an intergovernmental agreement described in (b); or

(7) any combination of the above.

Such Additional Amounts will also not be payable if the payment could have been made without such deduction or withholding if the beneficial owner of the payment had presented the Note for payment (where presentation is permitted or required for payment) within 30 days after the relevant payment was first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period).

In addition, no Additional Amounts shall be paid with respect to any payment to any Holder who is a fiduciary or a partnership (or entity treated as partnership for tax purposes) or other than the beneficial owner of such Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership (or such other entity treated as partnership for tax purposes) or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

The applicable withholding agent will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Issuer and will provide such certified copies to the Trustee. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Principal Paying Agent if the Notes are then admitted for listing on the Official List of the Luxembourg Stock Exchange. For the avoidance of doubt, in no event shall the Trustee be required to determine the amount of withholding taxes attributable to any Holder.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or 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 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 will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in either the Indenture or this "*Description of the Notes*" there are mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary Taxes or any other excise, property or similar Taxes, that arise in any Relevant Taxing Jurisdiction from the execution, issuance, delivery or registration of any Notes, the Indenture, the Proceeds Loan, the Collateral Documents or any other document or instrument in relation thereto, and any such Taxes that arise in any jurisdiction from the enforcement of any Notes, the Indenture, the Collateral Documents or any other document or instrument in relation thereto, and the Payor agrees to indemnify the Holders for any such Taxes paid by such Holders. The foregoing obligations of this paragraph will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is incorporated or organized, resident or engaged in business for tax purposes or has a permanent establishment in, or any political subdivision or taxing authority or agency thereof or therein.

Repurchase at the Option of Holders

Change of Control

The Indenture will provide that if a Change of Control occurs, unless the Issuer has previously or concurrently sent a redemption notice with respect to all the outstanding Notes as described under "*—Optional Redemption*," the Issuer will make an offer to purchase all of the Notes pursuant to the offer described below (the "*Change of Control Offer*") at a price in cash (the "*Change of Control Payment*") equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest, if any, to, but excluding, the date of purchase, subject to the right of Holders of the Notes of record on the relevant record date to receive interest due on the relevant interest payment date occurring on or prior to the purchase date. Within 60 days following any Change of Control, the Issuer will send notice of such Change of Control Offer electronically or by first-class mail, with a copy to the Trustee, to each Holder of Notes to the address of such Holder appearing in the Register or otherwise in accordance with the procedures of Euroclear and Clearstream with the following information:

(1) that a Change of Control Offer is being made pursuant to the covenant entitled "*Change of Control*," and that all Notes validly tendered pursuant to such Change of Control Offer will be accepted for payment by the Issuer;

(2) the purchase price and the purchase date, which will be no earlier than 10 days nor later than 60 days from the date such notice is sent (the "*Change of Control Payment Date*"), except in the case of a conditional Change of Control Offer made in advance of a Change of Control as described below;

(3) that any Note not validly tendered will remain outstanding and continue to accrue interest;

(4) that unless the Issuer defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date;

(5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender such Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of such Notes completed or otherwise in accordance with the procedures of Euroclear and Clearstream, as applicable, to the paying agent specified in the

notice at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their tendered Notes and their election to require the Issuer to purchase such Notes; *provided*, that the paying agent receives, not later than the close of business on the second Business Day prior to the expiration date of the Change of Control Offer, a facsimile transmission or letter setting forth the name of the Holder of the Notes, the principal amount of Notes tendered for purchase, and a statement that such Holder is withdrawing its tendered Notes and its election to have such Notes purchased;

(7) if such notice is delivered 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 and shall describe each such condition, and, if applicable, shall state that, in the Issuer's discretion, the Change of Control Payment Date may be delayed until such time (including more than 60 days after the notice is mailed or delivered, including by electronic transmission) as any or all such conditions shall be satisfied, or that such repurchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the Change of Control Payment Date, or by the Change of Control Payment Date as so delayed; and

(8) any other instructions, as determined by the Issuer, consistent with this Change of Control covenant, that a Holder must follow.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws or regulations are applicable in connection with the repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Indenture by virtue thereof.

On the Change of Control Payment Date, the Issuer will, to the extent permitted by law:

(1) accept for payment all Notes or portions thereof validly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the aggregate Change of Control Payment in respect of all Notes or portions thereof so tendered and not validly withdrawn; and

(3) deliver, or cause to be delivered, to the Registrar or Paying Agent, with a copy to the Trustee, for cancellation the Notes so accepted together with an Officer's Certificate to the Registrar or Paying Agent stating that such Notes or portions thereof have been tendered to and purchased by the Issuer.

The Senior Credit Facilities Agreement and the Existing Indenture provide, and future credit agreements or other agreements relating to Indebtedness to which the Company or the Issuer becomes a party may provide, that certain change of control events with respect to the Company would give creditors a right to repayment or could constitute a default thereunder (including a Change of Control under the Indenture). If we experience a change of control that triggers a default under the Senior Credit Facilities Agreement, the Existing Indenture or any such future Indebtedness, we could seek a waiver of such default or seek to refinance the Senior Credit Facilities, the Existing Notes or such future Indebtedness. In the event we do not obtain such a waiver or do not refinance the Senior Credit Facilities, the Existing Notes or any such future Indebtedness, such default could result in amounts outstanding under the Senior Credit Facilities, the Existing Notes or such future Indebtedness being declared due and payable.

Our ability to pay cash to the Holders of Notes following the occurrence of a Change of Control may be limited by our then-existing financial resources. Therefore, sufficient funds may not be available when necessary to make any required repurchases.

The Change of Control purchase feature of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of us and, thus, the removal of incumbent management. The Change of Control purchase feature is a result of negotiations between the initial purchasers of the Notes and us. We have no present intention to engage in a transaction involving a Change of Control, although it is possible that we could decide to do so in the future. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to incur additional Indebtedness are contained in the covenants described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and "*—Certain Covenants—Liens*". Such restrictions in the Indenture can be waived only with the consent of the Holders of a majority in principal amount of all the Notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford Holders of the Notes protection in the event of a highly leveraged transaction.

The Issuer will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not validly withdrawn under such Change of Control Offer.

Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

The definition of "Change of Control" includes a disposition of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to certain Persons. Although there is a limited body of case law interpreting the phrase "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 assets of the Company and its 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 of Notes may require the Issuer to make an offer to repurchase the Notes as described above.

In addition, the definition of "Change of Control" expressly permits a third party to obtain control of the Issuer in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

The provisions under the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the Holders of a majority in principal amount of all the Notes then outstanding.

If Holders of not less than 90% in aggregate principal amount of all the then outstanding Notes validly tender and do not validly withdraw such Notes in a Change of Control Offer, and the Issuer, or any third party making a Change of Control offer in lieu of the Issuer as described above, purchases all of the Notes validly tendered and not validly withdrawn by Holders of the Notes, the Issuer or such third party will have the right, upon not less than 10 days' nor more than 60 days' prior notice to the Holders of the Notes, *provided* that such notice is given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase on a date (the "*Second Change of Control Payment Date*") at a price in cash equal to the Change of Control Payment in respect of the Second Change of Control Payment Date. In determining whether the Holders of at least 90% of the aggregate principal

amount of all the then outstanding Notes have validly tendered and not withdrawn Notes in a Change of Control Offer to purchase all of the Notes, as applicable, Notes owned by an Affiliate of the Issuer or by funds controlled or managed by any Affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such Change of Control Offer.

Asset Sales

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale, unless:

(1) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value (as determined at the time of contractually agreeing to such Asset Sale) of the assets sold or otherwise disposed of; and

(2) except in the case of a Permitted Asset Swap, at least 75.0% of the consideration for such Asset Sale, together with all other Asset Sales since the Issue Date (on a cumulative basis), received by the Company or such Restricted Subsidiary, as the case may be, is in the form of Cash Equivalents; *provided*, that the amount of:

(a) any liabilities (as shown on the Company's or such Restricted Subsidiary's most recent balance sheet or in the footnotes thereto or, if incurred or increased subsequent to the date of such balance sheet, such liabilities that would have been shown on the Company's or such Restricted Subsidiary's balance sheet or in the footnotes thereto if such incurrence or increase had taken place on or prior to the date of such balance sheet, as determined by the Company) of the Company or such Restricted Subsidiary, other than liabilities that are by their terms subordinated to the Notes, that are (i) assumed by the transferee of any such assets (or a third party in connection with such transfer) pursuant to a written agreement which releases or indemnifies the Company or such Restricted Subsidiary from such liabilities or (ii) otherwise cancelled or terminated in connection with the transaction;

(b) any securities, notes or other obligations or assets received by the Company or such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into Cash Equivalents (to the extent of the Cash Equivalents received) within 180 days following the closing of such Asset Sale; and

(c) any Designated Non-cash Consideration received by the Company or such Restricted Subsidiary in such Asset Sale having an aggregate fair market value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (c) that is at that time outstanding, not to exceed (at the time of the receipt of such Designated Non-cash Consideration or, at the Company's option, at the time of contractually agreeing to such Asset Sale) the greater of (i) €100.0 million and (ii) 25.0% of the LTM EBITDA of the Company,

shall be deemed to be Cash Equivalents for purposes of this provision and for no other purpose.

Within 450 days after the later of (A) the date of any Asset Sale and (B) receipt of any Net Proceeds of such Asset Sale, the Company or such Restricted Subsidiary, at its option, may apply the Net Proceeds from such Asset Sale,

(1) to the extent the Company or any Restricted Subsidiary, as the case may be, elects or is required by the terms of any Indebtedness of a Restricted Subsidiary:

(a) to prepay, repay or purchase any Indebtedness of a non-guarantor Restricted Subsidiary (in each case, other than Indebtedness owed to the Company or any Restricted Subsidiary) or Indebtedness incurred under clause (1) of the second paragraph of the covenant described under *"Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; *provided, however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) (except in the case of any revolving Indebtedness) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased;

(b) to prepay, repay or purchase Pari Passu Indebtedness (as defined below) at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment or purchase; *provided* that the Company shall redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (b) only if the Company either (i) reduces the aggregate principal amount of the Notes on an equal or ratable basis with any such Pari Passu Indebtedness repaid pursuant to this clause (b) by, at its option, (x) redeeming Notes as provided under *"—Optional Redemption*" and/or (y) purchasing Notes through open-market purchases or in privately negotiated transactions (including at prices below par) and/or (ii) makes (at such time or subsequently in compliance with this covenant) an offer to the Holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Asset Sale Offer on an equal or ratable basis with any such Pari Passu Indebtedness repaid pursuant to this clause (b) (which offer shall be deemed to be an Asset Sale Offer for purposes hereof);

(c) to purchase Notes through open-market purchases or in privately negotiated transactions (including at prices below par);

(d) to make (at such time or subsequently in compliance with this covenant) an offer to the Holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Asset Sale Offer (which offer shall be deemed to be an Asset Sale Offer for purposes hereof); or

(e) to redeem any Notes as described under "*—Optional Redemption*"; or

(2) to make (a) an Investment in any one or more businesses; *provided*, that such Investment in any business is in the form of the acquisition of Capital Stock and results in the Company or any of its Restricted Subsidiaries, as the case may be, owning an amount of the Capital Stock of such business such that it constitutes a Restricted Subsidiary, (b) capital expenditures or (c) acquisitions of other assets, in each of (a), (b) and (c), used or useful in a Similar Business; or

(3) to make an Investment in (a) any one or more businesses; *provided*, that such Investment in any business is in the form of the acquisition of Capital Stock and results in the Company or any of its Restricted Subsidiaries, as the case may be, owning an amount of the Capital Stock of such

business such that it constitutes a Restricted Subsidiary, (b) properties or (c) acquisitions of other assets that, in each of (a), (b) and (c), replace the businesses, properties and/or assets that are the subject of such Asset Sale;

provided, that in the case of clauses (2) and (3) above, a binding commitment entered into not later than such 450th day shall be treated as a permitted application of the Net Proceeds from the date of such commitment so long as the Company or such Restricted Subsidiary enters into such commitment with the good faith expectation that such Net Proceeds will be applied to satisfy such commitment within 180 days of such commitment (an "*Acceptable Commitment*") and, in the event any Acceptable Commitment is later cancelled or terminated for any reason before the Net Proceeds are applied in connection therewith, the Company or such Restricted Subsidiary enters into another Acceptable Commitment (as "*Second Commitment*") within 180 days of such cancellation or termination; *provided, further*, that if any Second Commitment is later cancelled or terminated for any reason before such Net Proceeds are applied, then such Net Proceeds shall constitute Excess Proceeds.

If at the time of contractually agreeing to such Asset Sale or, at the Company's election, at the completion of such Asset Sale, and in either case, after giving effect thereto and the expected use of proceeds therefrom, (1) the Consolidated Secured Debt Ratio is equal to or less than 3.0 to 1.00 for the Company's most recently ended four full fiscal quarters for which internal financial statements are available, 50% of the Net Proceeds from any Asset Sale will be deemed to constitute "Excess Proceeds", or (2) the Consolidated Secured Debt Ratio is greater than 3.0 to 1.00 for the Company's most recently ended four full fiscal quarters for which internal financial statements are available, 100% of the Net Proceeds from any Asset Sale will be deemed to constitute "Excess Proceeds". On the 451st day from the later of (1) the date of such Asset Sale and (2) the receipt of such Net Proceeds in connection with the Asset Sale, or at such earlier date that the Company elects, if the aggregate amount of Excess Proceeds exceeds €150.0 million (the "*Excess Proceeds Amount*"), the Company shall be required to make an offer (an "*Asset Sale Offer*") (x) in the case of Net Proceeds from Collateral, to all holders of First Lien Obligations to the extent required by the terms thereof and (y) in the case of any other Net Proceeds, to all holders of First Lien Obligations and all holders of other Indebtedness that ranks *pari passu* with the Notes ("*Pari Passu Indebtedness*"), to the extent required by the terms thereof to purchase the maximum aggregate principal amount of such First Lien Obligations and Pari Passu Indebtedness, as the case may be, that is in an amount equal to at least €100,000, or an integral multiple of €1,000 thereafter, that may be purchased out of the Excess Proceeds at an offer price, in the case of any Notes, in cash in an amount equal to 100% of the principal amount thereof (or accreted value thereof, if less), plus accrued and unpaid interest, if any, to the date fixed for the closing of such offer, and in the case of any other First Lien Obligations and Pari Passu Indebtedness, at the offer price required by the terms thereof but not to exceed 100% of the principal amount thereof (or accreted value thereof, if less), plus accrued and unpaid interest, if any, in accordance with the procedures set forth in the Indenture. The Company will commence an Asset Sale Offer with respect to Excess Proceeds within ten Business Days after the date that Excess Proceeds exceed the Excess Proceeds Amount by delivering to Holders the notice required pursuant to the terms of the Indenture, with a copy to the Trustee. The Company may satisfy the foregoing obligations with respect to any Net Proceeds from an Asset Sale by making an Asset Sale Offer with respect to such Net Proceeds prior to the expiration of the relevant 450 days (or such longer period provided above) or with respect to Excess Proceeds of the Excess Proceeds Amount or less.

To the extent that the aggregate amount of First Lien Obligations and Pari Passu Indebtedness, as the case may be, tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for any purposes not otherwise prohibited under the Indenture. If the aggregate principal amount of First Lien Obligations and Pari Passu Indebtedness, as the case may be, surrendered by such holders thereof exceeds the amount of Excess Proceeds, the Company shall purchase such First Lien Obligations and Pari Passu Indebtedness, as the case may be, on a pro rata basis based on the accreted value or principal amount of such First Lien Obligations and Pari Passu Indebtedness, as the case may be, tendered with adjustments as necessary so that no such First Lien Obligations and Pari Passu Indebtedness, as the case may be, will be repurchased in part in an unauthorized denomination. Upon completion of any such Asset Sale Offer, the amount of Excess Proceeds that resulted in the requirement to make an Asset Sale Offer shall be reset to zero (regardless of whether there are any remaining Excess Proceeds upon such completion). Additionally, the Company may, at its

option, make an Asset Sale Offer using the proceeds from any Asset Sale at any time after the consummation of such Asset Sale. Upon consummation or expiration of any such Asset Sale Offer, any remaining Net Proceeds shall not be deemed Excess Proceeds, and the Company may use such Net Proceeds for any purpose not otherwise prohibited under the Indenture.

Pending the final application of any Net Proceeds pursuant to this covenant, the holder of such Net Proceeds may apply such Net Proceeds temporarily to reduce Indebtedness outstanding under a revolving credit facility, including under the Senior Credit Facilities, or otherwise invest such Net Proceeds in any manner not prohibited by the Indenture.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws or regulations are applicable in connection with the repurchase of the Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Indenture by virtue thereof.

The provisions under the Indenture relative to the Company's obligation to make an offer to repurchase the Notes as a result of an Asset Sale may be waived or modified with the written consent of the Holders of a majority in principal amount of all the Notes then outstanding.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

If on any date following the Issue Date (i) the Notes have an Investment Grade Rating from either of the Rating Agencies and (ii) no Default has occurred and is continuing under the Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "*Covenant Suspension Event*" and the date thereof being referred to as the "*Suspension Date*") then, the covenants specifically listed under the following captions in this "*Description of the Notes*" section of this Offering Memorandum will not be applicable to the Notes (collectively, the "Suspended Covenants") until the occurrence of the Reversion Date (defined below):

(1) "*—Repurchase at the Option of Holders—Asset Sales*";

(2) "*—Limitation on Restricted Payments*";

(3) "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(4) clause (3) of the first paragraph of "*—Merger, Consolidation or Sale of All or Substantially All Assets—The Company*";

(5) "*—Transactions with Affiliates*";

(6) "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*"; and

(7) "*—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries and Additional Guarantees*".

During any period that the foregoing covenants have been suspended, the Company may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the second sentence of the definition of "Unrestricted Subsidiary." The Company will notify the Trustee and the Holders of the Notes in writing of the occurrence of a Covenant Suspension Event.

If and while the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants, the Notes will be entitled to substantially less covenant protection. In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the "*Reversion Date*") both of the Rating Agencies withdraw their Investment Grade Rating or downgrade the rating assigned to the Notes below an Investment Grade Rating (in each case, to the extent given an Investment Grade Rating by such Rating Agency), then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture with respect to future events. The period of time between the Suspension Date and the Reversion Date is referred to in this description as the "Suspension Period". Additionally, upon the occurrence of a Covenant Suspension Event, the amount of Excess Proceeds from any Asset Sales shall be reset to zero. The Trustee shall have no duty to monitor the ratings of the Notes or notify Holders of an occurrence of a Suspension Date or Reversion Date.

During the Suspension Period, the Company and its Restricted Subsidiaries will be entitled to incur Liens to the extent provided for under *"—Liens*" (including, without limitation, Permitted Liens) and any Permitted Liens which may refer to one or more Suspended Covenants shall be interpreted as though such applicable Suspended Covenant(s) continued to be applicable during the Suspension Period (but solely for purposes of the "*—Liens*" covenant and for no other covenant).

Notwithstanding the foregoing, in the event of any such reinstatement, no action taken or omitted to be taken by the Company or any of its Restricted Subsidiaries prior to such reinstatement will give rise to a Default or Event of Default under the Indenture with respect to the Notes, and no Default or Event of Default will be deemed to exist or have occurred as a result of any failure by the Company or any Restricted Subsidiary to comply with any of the Suspended Covenants during the Suspension Period; *provided*, that (1) with respect to Restricted Payments made after such reinstatement, the amount available to be made as Restricted Payments will be calculated as though the covenant described above under *"—Limitation on Restricted Payments*" had been in effect prior to, but not during, the Suspension Period; (2) all Indebtedness incurred, or Disqualified Stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (3) of the second paragraph of "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; (3) any Affiliate Transaction entered into after such reinstatement pursuant to an agreement entered into during any Suspension Period shall be deemed to be permitted pursuant to clause (6) of the second paragraph of the covenant described under *"—Transactions with Affiliates*"; (4) any encumbrance or restriction on the ability of any Restricted Subsidiary that is not a Guarantor or the Issuer to take any action described in clauses (1) through (3) of the first paragraph of the covenant described under *"—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*" that becomes effective during any Suspension Period shall be deemed to be permitted pursuant to clause (a) of the first paragraph of the covenant described under *"—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*"; and (5) no Subsidiary of the Company shall be required to comply with the covenant described under *"—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries and Additional Guarantees*" after such reinstatement with respect to any guarantee entered into by such Subsidiary during any Suspension Period.

Notwithstanding that the Suspended Covenants may be reinstated after the Reversion Date, no Default, Event of Default or breach of any kind will be deemed to exist under the Indenture, the Notes or the Guarantees with respect to the Suspended Covenants, and none of the Company or any of its Subsidiaries shall bear any liability for any actions taken or events occurring during the Suspension Period, or any actions taken at any time pursuant to any contractual obligation arising during any Suspension Period, in each case as a result of a failure to comply with the Suspended Covenants during the Suspension Period (or, upon termination of the Suspension Period or after that time based solely on any action taken or event that occurred during the Suspension Period), and following a Reversion Date, the Company and each Restricted Subsidiary will be permitted, without causing a Default or Event of Default, to honor, comply with or otherwise perform any contractual commitments or obligations arising during any Suspension Period and to consummate the transactions contemplated thereby.

There can be no assurance that the Notes will ever achieve or maintain Investment Grade Ratings.

Limited Condition Transactions

When calculating the availability under any basket or ratio under the Indenture or compliance with any provision of the Indenture in connection with any Limited Condition Transaction and any actions or transactions related thereto (including acquisitions, Investments, the incurrence or issuance of Indebtedness, Disqualified Stock or Preferred Stock and the use of proceeds thereof, the incurrence of Liens, repayments and Restricted Payments), in each case, at the option of the Company (the Company's election to exercise such option, an "*LCT Election*"), the date of determination for availability under any such basket or ratio and whether any such action or transaction is permitted (or any requirement or condition therefor is complied with or satisfied (including as to the absence of any continuing Default or Event of Default)) under the Indenture shall be deemed to be the date (the "*LCT Test Date*") that the definitive agreements for such Limited Condition Transaction are entered into (or, if applicable, the date of delivery of a binding offer, a "certain funds" tender offer, an irrevocable notice, declaration of a Restricted Payment or similar event), and, if after giving pro forma effect to the Limited Condition Transaction and any actions or transactions related thereto (including acquisitions, Investments, the incurrence or issuance of Indebtedness, Disqualified Stock or Preferred Stock and the use of proceeds thereof, the incurrence of Liens, repayments and Restricted Payments) and any related pro forma adjustments, the Company or any of its Restricted Subsidiaries would have been permitted to take such actions or consummate such transactions on the relevant LCT Test Date in compliance with such ratio, test or basket (and any related requirements and conditions), such ratio, test or basket (and any related requirements and conditions) shall be deemed to have been complied with (or satisfied) for all purposes (in the case of Indebtedness, for example, whether such Indebtedness is committed, issued or incurred at the LCT Test Date or at any time thereafter); *provided*, that (a) if financial statements for one or more subsequent fiscal quarters shall have become available, the Company may elect, in its sole discretion, to re-determine all such ratios, tests or baskets on the basis of such financial statements, in which case, such date of redetermination shall thereafter be deemed to be the applicable LCT Test Date for purposes of such ratios, tests or baskets, and (b) except as contemplated in the foregoing clause (a), compliance with such ratios, tests or baskets (and any related requirements and conditions) shall not be determined or tested at any time after the applicable LCT Test Date for such Limited Condition Transaction and any actions or transactions related thereto (including acquisitions, Investments, the incurrence or issuance of Indebtedness, Disqualified Stock or Preferred Stock and the use of proceeds thereof, the incurrence of Liens, repayments and Restricted Payments).

For the avoidance of doubt, if the Company has made an LCT Election, (1) if any of the ratios, tests or baskets for which compliance was determined or tested as of the LCT Test Date would at any time after the LCT Test Date have been exceeded or otherwise failed to have been complied with as a result of fluctuations in any such ratio, test or basket, including due to fluctuations in EBITDA of the Company or the Person subject to such Limited Condition Transaction, such baskets, tests or ratios will not be deemed to have been exceeded or failed to have been complied with as a result of such fluctuations; (2) if any related requirements and conditions (including as to the absence of any continuing Default or Event of Default) for which compliance or satisfaction was determined or tested as of the LCT Test Date would at any time after the LCT Test Date not have been complied with or satisfied (including due to the occurrence or continuation of an Default or Event of Default), such requirements and conditions will not be deemed to have been failed to be complied with or satisfied (and such Default or Event of Default shall be deemed not to have occurred or be continuing); and (3) in calculating the availability under any ratio, test or basket in connection with any action or transaction unrelated to such Limited Condition Transaction following the relevant LCT Test Date and prior to the earlier of the date on which such Limited Condition Transaction is consummated or the date that the definitive agreement or date for redemption, purchase or repayment specified in an irrevocable notice for such Limited Condition Transaction is terminated, expires or passes, as applicable, without consummation of such Limited Condition Transaction, any such ratio, test or basket shall be determined or tested giving pro forma effect to such Limited Condition Transaction.

Certain Compliance Calculations

Notwithstanding anything to the contrary herein, other than for purposes of calculating the Consolidated Total Debt Ratio for purposes of a Specified Change of Control Event, in the event an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) is incurred or issued, any Lien is incurred or other

transaction is undertaken in reliance on a ratio basket based on the Fixed Charge Coverage Ratio, Consolidated Secured Debt Ratio or Consolidated Total Debt Ratio, such ratio(s) shall be calculated with respect to such incurrence, issuance or other transaction without giving effect to amounts being utilized under any other basket (other than a ratio basket based on the Fixed Charge Coverage Ratio, Consolidated Secured Debt Ratio or Consolidated Total Debt Ratio) on the same date. Each item of Indebtedness, Disqualified Stock or Preferred Stock that is incurred or issued, each Lien incurred and each other transaction undertaken will be deemed to have been incurred, issued or taken first, to the extent available, pursuant to the relevant Fixed Charge Coverage Ratio, Consolidated Secured Debt Ratio or Consolidated Total Debt Ratio test.

Notwithstanding anything to the contrary herein, in the event an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) is incurred or issued, any Lien is incurred or other transaction is undertaken in reliance on a ratio basket based on the Fixed Charge Coverage Ratio, Consolidated Secured Debt Ratio or Consolidated Total Debt Ratio, such ratio(s) shall be calculated without regard to the incurrence or repayment of any Indebtedness under any revolving credit facility or letter of credit facility (1) immediately prior to or in connection therewith or (2) used to finance working capital needs of the Company and its Restricted Subsidiaries (as reasonably determined by the Company).

Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(I) declare or pay any dividend or make any payment or distribution on account of the Company's, or any of its Restricted Subsidiaries', Equity Interests (in each case, solely in such Person's capacity as holder of such Equity Interests), including any dividend, payment or distribution payable in connection with any merger, amalgamation or consolidation other than:

  (a) dividends and distributions by the Company payable solely in Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of the Company or in options, warrants or other rights to purchase such Equity Interests (other than Disqualified Stock); or

  (b) dividends and distributions by a Restricted Subsidiary so long as, in the case of any dividend, payment or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary other than a Wholly Owned Subsidiary, the Company or a Restricted Subsidiary receives at least its pro rata share of such dividend, payment or distribution in accordance with its Equity Interests in such class or series of securities;

(II) purchase, redeem, defease or otherwise acquire or retire for value any Equity Interests of the Company or any Holding Company of the Company, including any purchase, redemption, defeasance, acquisition or retirement in connection with any merger, amalgamation or consolidation, in each case held by a Person other than the Company or a Restricted Subsidiary;

(III) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value, in each case, prior to any scheduled repayment, sinking fund payment or maturity, any Subordinated Indebtedness, other than:

  (a) Indebtedness permitted under clauses (7), (8) and (9) of the second paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; or

  (b) the purchase, repurchase or other acquisition of Subordinated Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or final

maturity, in each case due within one year of the date of purchase, repurchase or acquisition;

(IV) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding; or

(V) make any Restricted Investment,

(all such payments and other actions set forth in clauses (I) through (V) above (other than any exceptions thereto) being collectively referred to as "*Restricted Payments*"), unless, at the time of such Restricted Payment:

(1) no Default shall have occurred and be continuing or would occur as a consequence thereof;

(2) immediately after giving effect to such transaction on a pro forma basis, the Company could incur €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (the "*Fixed Charge Coverage Test*"); and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Completion Date (including Restricted Payments permitted by clauses (1) and (6)(c) of the second succeeding paragraph (to the extent not deducted in calculating Consolidated Net Income), but excluding all other Restricted Payments permitted by the second succeeding paragraph), is less than the sum of (without duplication):

(a) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period and including any predecessor of the Company) beginning on July 1, 2018, to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment, or, in the case such Consolidated Net Income for such period is a deficit, minus 100% of such deficit; plus

(b) 100% of the aggregate net cash proceeds and the fair market value of marketable securities or other property received by the Company since immediately after the Original Completion Date from the issue or sale of:

(i) (A) Equity Interests or Subordinated Shareholder Funding of the Company, including Treasury Capital Stock (as defined below), but excluding cash proceeds and the fair market value of marketable securities or other property received from the sale of:

(x) Equity Interests or Subordinated Shareholder Funding to any future, present or former employees, directors, officers, managers, independent contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Company, any Holding Company of the Company or any of the Company's Subsidiaries after the Original Completion Date to the extent such amounts have been applied to Restricted Payments made in accordance with clause (4) of the second succeeding paragraph; and

(y) Designated Preferred Stock; and

(B) to the extent such net cash proceeds, marketable securities or other property are actually contributed to the Company, Equity Interests of any Holding Company of the Company (excluding contributions of the proceeds from the sale of Designated Preferred Stock of any such companies or contributions to the extent such amounts have been applied to Restricted Payments made in accordance with clause (4) of the second succeeding paragraph); or

(ii) Indebtedness of the Company or a Restricted Subsidiary that has been converted into or exchanged for such Equity Interests or Subordinated Shareholder Funding of the Company;

provided, that this clause (3)(b) shall not include the proceeds from (V) the Equity Contribution, (W) Refunding Capital Stock (as defined below) applied in accordance with clause (2) of the second succeeding paragraph, (X) Equity Interests or convertible debt securities of the Company sold to a Restricted Subsidiary, (Y) Disqualified Stock or debt securities that have been converted into Disqualified Stock or (Z) Excluded Contributions or Excluded Amounts; plus

(c) 100% of the aggregate amount of cash and the fair market value of marketable securities or other property contributed to the capital of the Company or a Restricted Subsidiary (including the aggregate principal amount of any Indebtedness of the Company or a Restricted Subsidiary, other than Subordinated Indebtedness, contributed to the Company or a Restricted Subsidiary for cancellation) or that becomes part of the capital of the Company or a Restricted Subsidiary through consolidation or merger following the Original Completion Date (other than (i) contributions by a Restricted Subsidiary or the Company, (ii) the Equity Contribution and (iii) any Excluded Contributions or Excluded Amounts); plus

(d) 100% of the aggregate amount received in cash and the fair market value of marketable securities or other property received by the Company or any Restricted Subsidiary by means of:

(i) the sale or other disposition (other than to the Company or a Restricted Subsidiary) of, or other returns on Investments from, Restricted Investments made by the Company or its Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from the Company or its Restricted Subsidiaries and repayments of loans or advances, and releases of guarantees, which constitute Restricted Investments made by the Company or its Restricted Subsidiaries, in each case after the Original Completion Date; or

(ii) the sale (other than to the Company or a Restricted Subsidiary) of the stock of an Unrestricted Subsidiary or a dividend or distribution (other than an Excluded Contribution) from an Unrestricted Subsidiary,

(other than, in each case, to the extent the Investment was made by the Company or a Restricted Subsidiary pursuant to clause (7) of the second succeeding paragraph or to the extent such Investment constituted a Permitted Investment), in each case, after the Original Completion Date; plus

(e) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger, amalgamation or consolidation of an Unrestricted Subsidiary into the Company or a Restricted Subsidiary or the transfer of all or substantially all of the assets of an Unrestricted Subsidiary to the Company or a Restricted Subsidiary after the Original Completion Date, the fair market value of the Investment in such Unrestricted Subsidiary (or the assets transferred) at the time of the redesignation of such Unrestricted Subsidiary as a Restricted Subsidiary or at the time of such merger, amalgamation, consolidation or transfer of assets, other than to the extent the Investment in such Unrestricted Subsidiary was made by the Company or a Restricted Subsidiary pursuant to clause (7) of the second succeeding paragraph or to the extent such Investment constituted a Permitted Investment; plus

(f) the greater of (a) €67.5 million and (b) 18.5% of the LTM EBITDA of the Company;

in each of clauses (a) through (f) above, excluding, in the case of clauses (b) and (c), net cash proceeds and in the case of clauses (a), (d), (e) and (f), any amounts to the extent such net cash proceeds or amounts, as applicable, have been used to incur Indebtedness or issue Disqualified Stock or Preferred Stock pursuant to clause (12)(a) of the second paragraph of "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*".

Any amounts (such amounts, the "*Excluded Amounts*") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clauses (b) or (c) of the preceding clause (3) will be excluded from such calculation to the extent (1) such amounts result from the receipt of net cash proceeds, property or assets or marketable securities received in contemplation of, or in connection with, an event that constitutes a Specified Change of Control Event, (2) the purpose of, or the effect of, the receipt of such net cash proceeds, property or assets or marketable securities was to reduce the Consolidated Total Debt Ratio of the Company so that a Specified Change of Control Event occurs, which would not have been achieved without the receipt of such net cash proceeds, property or assets or marketable securities and (3) no Change of Control Offer is made in connection with such event in accordance with the requirements of the Indenture.

The foregoing provisions will not prohibit:

(1) the payment of any dividend or other distribution or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or other distribution or the giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or other distribution or redemption payment would have complied with the provisions of the Indenture;

(2) (a) the redemption, repurchase, defeasance, retirement or other acquisition of any Equity Interests, including any accrued and unpaid dividends thereon ("*Treasury Capital Stock*"), Subordinated Shareholder Funding or Subordinated Indebtedness of the Company or any Restricted Subsidiary or any Equity Interests of any Holding Company of the Company, in exchange for, or out of the proceeds of the substantially concurrent sale or issuance (other than to a Restricted Subsidiary) of, Equity Interests or Subordinated Shareholder Funding of the Company or any Holding Company of the Company to the extent contributed to the Company (in each case, other than any Disqualified Stock, the Equity Contribution, Excluded Contributions or Excluded Amounts) ("*Refunding Capital Stock*"), (b) the declaration and payment of dividends on Treasury Capital Stock out of the proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Company or to an employee stock ownership plan or any trust established by the Company or any of its Subsidiaries) of Refunding Capital Stock, and (c) if, immediately prior to the retirement of Treasury Capital Stock, the

declaration and payment of dividends thereon was permitted under clauses (6)(a) or (b) of this paragraph, the declaration and payment of dividends on the Refunding Capital Stock (other than Refunding Capital Stock the proceeds of which were used to redeem, repurchase, retire or otherwise acquire any Equity Interests of any Holding Company of the Company) in an aggregate amount per year no greater than the aggregate amount of dividends per annum that were declarable and payable on such Treasury Capital Stock immediately prior to such retirement;

(3) the prepayment, defeasance, redemption, repurchase, exchange or other acquisition or retirement (a) of Subordinated Indebtedness of the Issuer or a Guarantor made by exchange for, or out of the proceeds of the substantially concurrent sale of, new Indebtedness of the Issuer or a Guarantor or Disqualified Stock of the Issuer or a Guarantor or (b) Disqualified Stock of the Issuer or a Guarantor made by exchange for, or out of the proceeds of the substantially concurrent sale of, Disqualified Stock of the Issuer or a Guarantor, that, in each case, is incurred or issued, as applicable, in compliance with "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" so long as:

(a) the principal amount (or accreted value, if applicable) of such new Indebtedness or the liquidation preference of such new Disqualified Stock does not exceed the principal amount of (or accreted value, if applicable), plus any accrued and unpaid interest on, the Subordinated Indebtedness or the liquidation preference of, plus any accrued and unpaid dividends on, the Disqualified Stock being so prepaid, defeased, redeemed, repurchased, exchanged, acquired or retired for value, plus the amount of any premium (including tender premium) required to be paid under the terms of the instrument governing the Subordinated Indebtedness or Disqualified Stock being so defeased, redeemed, repurchased, exchanged, acquired or retired, defeasance costs and any fees and expenses incurred in connection with the issuance of such new Indebtedness or Disqualified Stock;

(b) such new Indebtedness is subordinated to the Notes or the applicable Guarantee at least to the same extent as such Subordinated Indebtedness so defeased, redeemed, repurchased, exchanged, acquired or retired;

(c) such new Indebtedness or Disqualified Stock has a final scheduled maturity date equal to or later than the final scheduled maturity date of the Subordinated Indebtedness or Disqualified Stock being so defeased, redeemed, repurchased, exchanged, acquired or retired (or, if earlier, a date that is at least 91 days after the maturity date of the Notes); and

(d) such new Indebtedness or Disqualified Stock has a Weighted Average Life to Maturity equal to or greater than the remaining Weighted Average Life to Maturity of the Subordinated Indebtedness or Disqualified Stock being so defeased, redeemed, repurchased, exchanged, acquired or retired (or requires no or nominal payments in cash prior to the date that is at least 91 days after the maturity date of the Notes);

(4) a Restricted Payment to pay for the repurchase, redemption or other acquisition or retirement for value of Equity Interests (other than Disqualified Stock) of the Company or any Holding Company of the Company held by any future, present or former employee, director, officer, member of management or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Company, any of its Subsidiaries or any of its Holding Companies pursuant to any management, director, employee or consultant equity plan or stock option plan or any other management, director, employee or consultant benefit plan or agreement, or any equity subscription or equityholder agreement or any termination agreement

(including, for the avoidance of doubt, any principal and interest payable on any Indebtedness issued by the Company or any Holding Company of the Company in connection with such repurchase, retirement or other acquisition), including any Equity Interest rolled over by management, directors, employees or consultants of the Company or any Holding Company of the Company in connection with the Original Transactions and the Transactions; *provided*, that the aggregate amount of Restricted Payments made under this clause (4) do not exceed in any calendar year €30.0 million (which shall increase to €60.0 million subsequent to the consummation of an IPO Event) (with unused amounts in any calendar year being carried over to succeeding calendar years subject to a maximum (without giving effect to the following proviso) of €50.0 million in any calendar year (which shall increase to €100.0 million subsequent to an IPO Event)); *provided*, *further*, that such amount in any calendar year under this clause may be increased by an amount not to exceed:

(a) the cash proceeds from the sale of Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of the Company and, to the extent contributed to the Company, the cash proceeds from the sale of Equity Interests or Subordinated Shareholder Funding of any of Holding Company of the Company, in each case to any future, present or former employees, directors, officers, members of management, or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Company, any of its Subsidiaries or any of its Holding Companies that occurs after the Original Issue Date (other than the Equity Contribution), to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the payment of Restricted Payments by virtue of clause (3) of the preceding paragraph; plus

(b) the cash proceeds of key man life insurance policies received by the Company or its Restricted Subsidiaries (or any Holding Company of the Company to the extent contributed to the Company) after the Original Issue Date; less

(c) the amount of any Restricted Payments previously made with the cash proceeds described in clauses (a) and (b) of this clause (4);

and *provided*, *further*, that (i) cancellation of Indebtedness owing to the Company or any Restricted Subsidiary from any future, present or former employees, directors, officers, members of management or consultants of the Company (or their respective Controlled Investment Affiliates or Immediate Family Members), any Holding Company of the Company or any of the Company's Restricted Subsidiaries in connection with a repurchase of Equity Interests of the Company or any of its Holding Companies and (ii) the repurchase of Equity Interests deemed to occur upon the exercise of options, warrants or similar instruments if such Equity Interests represent all or a portion of the exercise price thereof or payments, in lieu of the issuance of fractional Equity Interests or withholding to pay other taxes payable in connection therewith, in the case of each of clauses (i) and (ii), will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(5) the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Company or any of its Restricted Subsidiaries or any class or series of Preferred Stock of any Restricted Subsidiary issued in accordance with the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" to the extent such dividends are included in the definition of "Fixed Charges";

(6) (a) the declaration and payment of dividends to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) issued by the Company after the Original Completion Date;

(b) the declaration and payment of dividends to any Holding Company of the Company, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock, the Equity Contribution, Excluded Contributions or Excluded Amounts) issued by such Holding Company after the Original Completion Date; *provided*, that the amount of dividends paid pursuant to this clause (b) shall not exceed the aggregate amount of cash actually contributed to the Company from the sale of such Designated Preferred Stock; or

(c) the declaration and payment of dividends on Refunding Capital Stock that is Preferred Stock in excess of the dividends declarable and payable thereon pursuant to clause (2) of this paragraph;

provided, in the case of each of (a) and (c) of this clause (6), that for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of issuance of such Designated Preferred Stock or the declaration of such dividends on Refunding Capital Stock that is Preferred Stock, after giving effect to such issuance or declaration on a pro forma basis, the Company and its Restricted Subsidiaries on a consolidated basis would have had a Fixed Charge Coverage Ratio of at least 2.00 to 1.00;

(7) [Reserved];

(8) payments made or expected to be made by the Company or any Restricted Subsidiary in respect of withholding or similar taxes payable upon or in connection with exercise or vesting of Equity Interests by any future, present or former employee, director, officer, member of management or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Company or any Restricted Subsidiary or any Holding Company of the Company and any repurchases or withholdings of Equity Interests deemed to occur upon or in connection with exercise or vesting of stock options, warrants or other equity-based awards if such Equity Interests represent all or a portion of the exercise price thereof or payments in lieu of the issuance of fractional Equity Interests, or withholding obligations with respect to, such options, warrants or awards;

(9) the declaration and payment of dividends on, or the purchase, redemption, defeasance or other acquisition or retirement for value of, the Company's common stock (or the payment of dividends to any Holding Company of the Company to fund a payment of dividends on such company's common stock or to fund such company's purchase, redemption, defeasance or other acquisition or retirement for value of such company's common stock), following an IPO Event, in an amount not to exceed the sum of (a) up to 6.0% per annum of the amount of net cash proceeds received by or contributed to the Company in or from any public offering and other than any public sale constituting an Excluded Contribution or Excluded Amounts and (b) an aggregate amount per annum not to exceed 5.0% of Market Capitalization;

(10) Restricted Payments that are made (a) in an amount equal to the amount of Excluded Contributions received following the Original Issue Date or (b) without duplication with clause (a), from the Net Proceeds from an Asset Sale in respect of property or assets acquired after the Original Completion Date, if the acquisition of such property or assets was financed with Excluded Contributions;

(11) Restricted Payments in an aggregate amount taken together with all other Restricted Payments made pursuant to this clause (11) (in the case of Restricted Investments, at the time outstanding (without giving effect to the sale of an Investment to the extent the proceeds of such sale do not consist of, or have not be subsequently sold or transferred for, Cash Equivalents)) not to exceed the greater of (a) €135.0 million and (b) 35.0% of the LTM EBITDA of the Company at such

time (other than any amount that has been used to incur Indebtedness or issue Disqualified Stock or Preferred Stock pursuant to clause (12)(a) of the second paragraph of "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"); *provided, however*, that if any Investment pursuant to this clause (11) is made in any Person that is not a Restricted Subsidiary of the Company at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investments" and shall cease to have been made pursuant to this clause (11);

(12) distributions or payments of Securitization Fees;

(13) any Restricted Payment made in connection with the Original Transactions and the Transactions and the fees and expenses related thereto or used to fund amounts owed in connection with the Original Transactions and the Transactions, including the settlement of any adjustment of purchase price, earnout or similar obligations to the Investors in connection with the Original Transactions and the Transactions;

(14) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness, Disqualified Stock or Preferred Stock:

(a) to the extent required by the agreement governing such Subordinated Indebtedness, Disqualified Stock or Preferred Stock, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Company shall have first complied with the covenant described under "*—Repurchase at the Option of Holders—Change of Control*" and purchased all Notes validly tendered pursuant to the Change of Control Offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness, Disqualified Stock or Preferred Stock and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness, Disqualified Stock or Preferred Stock plus accrued and unpaid interest; or

(b) (i) from Net Proceeds to the extent permitted under "*—Repurchase at the Option of Holders—Asset Sales*", but only if the Company shall have first complied with the covenant described under "*—Repurchase at the Option of Holders—Asset Sales*" and purchased all Notes tendered pursuant to any Asset Sale Offer, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness, Disqualified Stock or Preferred Stock and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness, Disqualified Stock or Preferred Stock plus accrued and unpaid interest;

(c) (i) consisting of Acquired Indebtedness (other than Indebtedness incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness, Disqualified Stock or Preferred Stock plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(15) the declaration and payment of dividends or distributions by the Company to, or the making of loans to, any Holding Company of the Company in amounts required for any Holding Company of the Company to pay, in each case without duplication,

(a) franchise, excise and similar taxes, and other fees and expenses, required to maintain their corporate existence;

(b) consolidated, combined or similar foreign, federal, state or local income or similar taxes of a tax group that includes the Company and/or its Subsidiaries and whose common parent is a Holding Company of the Company, to the extent such income or similar taxes are attributable to the income of the Company and its Restricted Subsidiaries or, to the extent of any cash amounts actually received from its Unrestricted Subsidiaries for such purpose, to the income of such Unrestricted Subsidiaries; *provided*, that in each case the amount of such payments in respect of any fiscal year does not exceed the amount that the Company and/or its Restricted Subsidiaries (and, to the extent permitted above, its Unrestricted Subsidiaries), as applicable, would have been required to pay in respect of the relevant foreign, federal, state or local income or similar taxes for such fiscal year had the Company, its Restricted Subsidiaries and/or its Unrestricted Subsidiaries (to the extent described above), as applicable, paid such taxes separately from any such parent company;

(c) customary salary, bonus, severance, indemnity and other benefits payable to future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants of any Holding Company of the Company to the extent such salaries, bonuses, severance payments, indemnities and other benefits are attributable to the ownership or operation of the Company and its Restricted Subsidiaries;

(d) general corporate operating and overhead costs and expenses (including, without limitation, expenses related to auditing or other accounting or tax reporting matters) of any Holding Company of the Company to the extent such costs and expenses are attributable to the ownership or operation of the Company and its Restricted Subsidiaries and, following the first public offering of the Company's common equity or the common equity of any Holding Company of the Company, listing fees and other costs and expenses attributable to being a publicly traded company of any Holding Company of the Company;

(e) fees and expenses related to any unsuccessful equity or debt offering of such parent entity;

(f) amounts payable pursuant to any Support and Services Agreement (including any amendment thereto or replacement thereof so long as any such amendment or replacement is not materially disadvantageous in the good faith judgment of the board of directors of the Company to the Holders when taken as a whole, as compared to any Support and Services Agreement as in effect immediately prior to such amendment or replacement), solely to the extent such amounts are not paid directly by the Company or its Subsidiaries;

(g) cash payments in lieu of issuing fractional shares or interests in connection with (i) the exercise of warrants, options, other equity-based awards or other securities convertible into or exchangeable for Equity Interests of the Company or any Holding Company of the Company and any dividend, split or combination thereof or any transaction permitted under the Indenture and (ii) any conversion request by a holder of convertible Indebtedness and cash payments in lieu of fractional shares or interests in connection with any such conversion and payments on convertible Indebtedness in accordance with its terms;

(h) to finance Investments that would otherwise be permitted to be made pursuant to this covenant if made by the Company; *provided*, that (A) such Restricted Payment shall be made substantially concurrently with the closing of such Investment, (B) such Holding Company shall, immediately following the closing thereof, cause (1) all property acquired (whether assets or Equity Interests) to be contributed to the capital of the Company or one of its Restricted Subsidiaries or (2) the merger or amalgamation of the Person formed or acquired into the Company or one of its Restricted Subsidiaries (to the extent not prohibited by the covenant described under "*—Merger, Consolidation or Sale of All or Substantially All Assets*" below) in order to consummate such Investment, (C) such Holding Company and its Affiliates (other than the Company or a Restricted Subsidiary) receives no consideration or other payment in connection with such transaction except to the extent the Company or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Indenture, (D) any property received by the Company shall not increase amounts available for Restricted Payments pursuant to clause (3) of the preceding paragraph or be deemed to be an Excluded Contribution and (E) such Investment shall be deemed to be made by the Company or such Restricted Subsidiary pursuant to another provision of this covenant (other than pursuant to clause (10) hereof) or pursuant to the definition of "Permitted Investments" (other than clause (9) thereof); and

(i) amounts that would be permitted to be paid by the Company under clauses (3), (4), (8), (9), (13), (14) and (17) of the covenant described under *"—Transactions with Affiliates*"; *provided*, that the amount of any dividend or distribution under this clause (15)(i) to permit such payment shall reduce, without duplication, Consolidated Net Income of the Company to the extent, if any, that such payment would have reduced Consolidated Net Income of the Company if such payment had been made directly by the Company and increase (or, without duplication of any reduction of Consolidated Net Income, decrease) EBITDA of the Company to the extent, if any, that Consolidated Net Income is reduced under this clause (15)(i) and such payment would have been added back to (or, to the extent excluded from Consolidated Net Income, would have been deducted from) EBITDA of the Company if such payment had been made directly by the Company, in each case, in the period such payment is made;

(16) the distribution, by dividend or otherwise, shares of Capital Stock of an Unrestricted Subsidiary (or a Restricted Subsidiary that owns one or more Unrestricted Subsidiaries and no other material assets), or Indebtedness owed to the Company or a Restricted Subsidiary by an Unrestricted Subsidiary (or a Restricted Subsidiary that owns one or more Unrestricted Subsidiaries and no other material assets), in each case, other than Unrestricted Subsidiaries the primary assets of which are cash and/or Cash Equivalents;

(17) mandatory redemptions of Disqualified Stock issued as a Restricted Payment or as consideration for a Permitted Investment so long as the amount of such redemptions are no greater than the amount that constituted such Restricted Payment or Permitted Investment; and

(18) Restricted Payments; *provided*, that for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of such Restricted Payment, on a pro forma basis, the Company and its Restricted Subsidiaries on a consolidated basis would have had a Consolidated Total Debt Ratio of no more than 3.00 to 1.00;

provided, that at the time of, and after giving effect to, any Restricted Payment permitted under clauses (11) and (18), no Event of Default shall have occurred and be continuing or would occur as a consequence thereof.

For purposes of determining compliance with this covenant, in the event that a proposed Restricted Payment (or a portion thereof) meets the criteria of clauses (1) through (18) above and/or one or more of the clauses contained in the definition of "Permitted Investments," or is entitled to be made pursuant to the first paragraph of this covenant, the Company will be entitled to divide or classify or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment (or a portion thereof) between such clauses (1) through (18) and such first paragraph and/or one or more of the clauses contained in the definition of "Permitted Investments" in any manner that otherwise complies with this covenant.

As of the Issue Date, all of the Company's Subsidiaries will be Restricted Subsidiaries. The Company will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the penultimate sentence of the definition of "Unrestricted Subsidiary". For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Company and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the penultimate sentence of the definition of "Investments." Such designation will be permitted only if a Restricted Payment in such amount would be permitted at such time, pursuant to this covenant or pursuant to the definition of "Permitted Investments," and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants set forth in the Indenture.

Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise (collectively, "incur" and collectively, an "incurrence") with respect to any Indebtedness (including Acquired Indebtedness) and the Company will not issue any shares of Disqualified Stock and will not permit any Restricted Subsidiary to issue any shares of Disqualified Stock or any Restricted Subsidiary that is not a Guarantor or the Issuer to issue Preferred Stock; *provided*, that the Company may incur Indebtedness (including Acquired Indebtedness) or issue shares of Disqualified Stock, and any Restricted Subsidiary may incur Indebtedness (including Acquired Indebtedness), and issue shares of Disqualified Stock and any Restricted Subsidiary that is not a Guarantor or the Issuer may issue shares of Preferred Stock, if the Fixed Charge Coverage Ratio on a consolidated basis of the Company and its Restricted Subsidiaries for the most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or Preferred Stock is issued would have been at least 2.00 to 1.00, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred, or the Disqualified Stock or Preferred Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period; *provided* that the then outstanding aggregate principal amount of Indebtedness (including Acquired Indebtedness), Disqualified Stock and Preferred Stock that may be incurred or issued, as applicable, pursuant to this paragraph (plus any refinancing Indebtedness in respect thereof) by Restricted Subsidiaries that are not Guarantors or the Issuer shall not exceed the greater of (a) €100.0 million and (b) 25.0% of LTM EBITDA of the Company (in each case, determined on the date of such incurrence).

The foregoing limitations will not apply to:

(1) Indebtedness incurred pursuant to any Credit Facility or any refinancing Indebtedness in respect thereof in an aggregate amount not exceeding €275.0 million, plus 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, premia (including tender premia) and other costs and expenses incurred in connection with such refinancing;

(2) the incurrence by the Company and any Guarantor of Indebtedness represented by the Notes (including any Guarantee thereof, but excluding any Additional Notes and any guarantees thereof);

(3) Indebtedness of the Company and its Restricted Subsidiaries in existence on the Issue Date (including the Proceeds Loan, the Existing Proceeds Loan, the Existing Notes and Existing Cirsa Indebtedness but other than Indebtedness described in clauses (1) and (2) above);

(4) Indebtedness consisting of Capitalized Lease Obligations and Purchase Money Obligations, Disqualified Stock and Preferred Stock incurred or issued by the Company or any of its Restricted Subsidiaries to finance the purchase, lease, expansion, construction, installation, replacement, repair or improvement of property (real or personal), equipment or any other asset, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, in an aggregate principal amount (together with any Indebtedness incurred under clause (13) to refinance Indebtedness incurred under this clause (4)) not to exceed the greater of (a) €120.0 million and (b) 30.0% of the LTM EBITDA of the Company (in each case, determined at the date of incurrence or issuance), so long as such Indebtedness, Disqualified Stock or Preferred Stock exists at the date of such purchase, lease, expansion, construction, installation, replacement, repair or improvement or is created within 365 days thereafter (and for the avoidance of doubt, the purchase date for any asset shall be the later of the date of completion of construction or installation and the beginning of the full productive use of such asset);

(5) Indebtedness incurred by the Company or any of its Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit, bank guarantees, banker's acceptances, warehouse receipts, or similar instruments issued or created in the ordinary course of business, including letters of credit in favor of suppliers or trade creditors or in respect of workers' compensation claims, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance or other Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance; *provided*, that upon the drawing of such letters of credit or the incurrence of such Indebtedness, such obligations are reimbursed within 45 Business Days following such drawing or incurrence;

(6) Indebtedness arising from (a) Permitted Intercompany Activities and (b) agreements of the Company or its Restricted Subsidiaries providing for indemnification, adjustment of purchase price, earnouts or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business (including pursuant to the Transactions), assets, Subsidiary or Investment, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition;

(7) Indebtedness of the Company to a Restricted Subsidiary; *provided*, that any such Indebtedness owing to a Restricted Subsidiary that is not a Guarantor or the Issuer is subordinated in right of payment to the Notes; *provided*, *further*, that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Company or another Restricted Subsidiary or any pledge of such Indebtedness constituting a Permitted Lien) shall be deemed, in each case, to be an incurrence of such Indebtedness (to the extent such Indebtedness is then outstanding) not permitted by this clause (7);

(8) Indebtedness of a Restricted Subsidiary to the Company or another Restricted Subsidiary; *provided*, that if a Guarantor or the Issuer incurs such Indebtedness to a Restricted Subsidiary that is not a Guarantor or the Issuer, such Indebtedness is subordinated in right of payment to the Notes or the Guarantee of the Notes of such Guarantor, as applicable; *provided*, *further*, that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of

any such Indebtedness (except to the Company or another Restricted Subsidiary or any pledge of such Indebtedness constituting a Permitted Lien) shall be deemed, in each case, to be an incurrence of such Indebtedness (to the extent such Indebtedness is then outstanding) not permitted by this clause (8);

(9) shares of Preferred Stock of a Restricted Subsidiary issued to the Company or another Restricted Subsidiary; *provided*, that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such shares of Preferred Stock (except to the Company or another of its Restricted Subsidiaries or any pledge of such Capital Stock constituting a Permitted Lien) shall be deemed in each case to be an issuance of such shares of Preferred Stock (to the extent such Preferred Stock is then outstanding) not permitted by this clause (9);

(10) Hedging Obligations (excluding Hedging Obligations entered into for speculative purposes, in the good faith determination of the management of the Company);

(11) obligations in respect of self-insurance and obligations in respect of performance, bid, appeal and surety bonds and performance and completion guarantees and similar obligations provided by the Company or any of its Restricted Subsidiaries or obligations in respect of letters of credit, bank guarantees or similar instruments related thereto, in each case in the ordinary course of business or consistent with past practice;

(12) (a) Indebtedness or Disqualified Stock of the Company and Indebtedness, Disqualified Stock or Preferred Stock of any Restricted Subsidiary in an aggregate principal amount or liquidation preference (together with any Indebtedness incurred under clause (13) to refinance Indebtedness incurred under this clause (12)(a)) not to exceed (x) 100% of the net cash proceeds received by the Company since immediately after the Original Completion Date from the issue or sale of Equity Interests or Subordinated Shareholder Funding of the Company or cash contributed to the capital of the Company (in each case, other than Excluded Contributions and proceeds of Disqualified Stock, Designated Preferred Stock, the Equity Contribution or sales of Equity Interests or Subordinated Shareholder Funding to the Company or any of its Subsidiaries) as determined in accordance with clauses (3)(b) and (3)(c) of the first paragraph of "*—Limitation on Restricted Payments*" to the extent such net cash proceeds or cash have not been applied pursuant to such clauses to make Restricted Payments pursuant to the first paragraph of "*—Limitation on Restricted Payments*" or to make Permitted Investments specified in clauses (8), (11), (13) or (27) of the definition thereof, plus (y) the aggregate amount available to make Restricted Payments under clause (3) (other than clauses (3)(b) and (3)(c)) of the first paragraph of "*—Limitation on Restricted Payments*" and clause (11) of the second paragraph of "*—Limitation on Restricted Payments*", and

(b) Indebtedness or Disqualified Stock of the Company and Indebtedness, Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary in an aggregate principal amount or liquidation preference, which when aggregated with the principal amount and liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock then outstanding and incurred pursuant to this clause (12)(b), does not at any time outstanding exceed the greater of (i) €175.0 million and (ii) 45.0% of the LTM EBITDA of the Company (in each case, determined on the date of such incurrence); it being understood that any Indebtedness, Disqualified Stock or Preferred Stock incurred pursuant to this clause (12)(b) shall cease to be deemed incurred or outstanding for purposes of this clause (12)(b) but shall be deemed incurred for the

purposes of the first paragraph of this covenant from and after the first date on which the Company or such Restricted Subsidiary could have incurred such Indebtedness, Disqualified Stock or Preferred Stock under the first paragraph of this covenant without reliance on this clause (12)(b);

(13) the incurrence or issuance by the Company or any Restricted Subsidiary of Indebtedness, Disqualified Stock or Preferred Stock which serves to extend, replace, refund, refinance, renew or defease any Indebtedness (or unutilized commitment in respect of Indebtedness that could have otherwise been incurred in accordance with this covenant (other than this clause (13))), Disqualified Stock or Preferred Stock incurred or issued as permitted under the first paragraph of this covenant and clauses (2), (3), (4) and (12)(a) above, this clause (13) and clause (14) below or any Indebtedness, Disqualified Stock or Preferred Stock incurred or issued to so extend, replace, refund, refinance, renew or defease such Indebtedness (or unutilized commitment in respect of Indebtedness that could have otherwise been incurred in accordance with this covenant (other than this clause (13))), Disqualified Stock or Preferred Stock, including, in each case, additional Indebtedness, Disqualified Stock or Preferred Stock incurred to pay premia (including tender premia), defeasance costs, and accrued interest, fees and expenses in connection therewith and Indebtedness incurred pursuant to a commitment that refinances any Indebtedness or unutilized commitment for Indebtedness that could have otherwise been incurred in accordance with this covenant (other than this clause (13)) (the "*Refinancing Indebtedness*") prior to its respective maturity; *provided*, that such Refinancing Indebtedness:

(a) has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being extended, replaced, refunded, refinanced, renewed or defeased (or requires no or nominal payments in cash (other than interest payments) prior to the date that is 91 days after the maturity date of the Notes);

(b) to the extent such Refinancing Indebtedness extends, replaces, refunds, refinances, renews or defeases (i) Indebtedness subordinated in right of payment to the Notes or any Guarantee thereof, such Refinancing Indebtedness is subordinated in right of payment to the Notes or the Guarantee thereof at least to the same extent as the Indebtedness being extended, replaced, refunded, refinanced, renewed or defeased or (ii) Disqualified Stock or Preferred Stock, such Refinancing Indebtedness must be Disqualified Stock or Preferred Stock, respectively; and

(c) shall not include:

(i) Indebtedness, Disqualified Stock or Preferred Stock of a Subsidiary of the Company that is not a Guarantor or the Issuer that refinances Indebtedness, Disqualified Stock or Preferred Stock of the Company or the Issuer;

(ii) Indebtedness, Disqualified Stock or Preferred Stock of a Subsidiary of the Company that is not a Guarantor or the Issuer that refinances Indebtedness, Disqualified Stock or Preferred Stock of a Guarantor or the Issuer; or

(iii) Indebtedness or Disqualified Stock of the Company or the Issuer or Indebtedness, Disqualified Stock or Preferred Stock of a Restricted Subsidiary, other than the Issuer, that refinances Indebtedness, Disqualified Stock or Preferred Stock of an Unrestricted Subsidiary;

and *provided*, *further*, that subclause (a) of this clause (13) will not apply to any extension, replacement, refunding, refinancing, renewal or defeasance of any First Lien Obligations;

(14) (a) Indebtedness, Disqualified Stock or Preferred Stock of the Company or a Restricted Subsidiary incurred or issued to finance an acquisition (or other purchase of assets) or (b) Indebtedness, Disqualified Stock or Preferred Stock of Persons that are acquired by the Company or any Restricted Subsidiary or merged into or consolidated with the Company or a Restricted Subsidiary in accordance with the terms of the Indenture; *provided*, that in the case of clauses (a) and (b), after giving effect to such acquisition, merger, amalgamation or consolidation, (1) the aggregate amount of such Indebtedness, Disqualified Stock or Preferred Stock does not exceed the greater of (i) €80.0 million and (ii) 20.0% of the LTM EBITDA of the Company at any time outstanding or (2) either (x) the Company would be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Test set forth in the first paragraph of this covenant, or (y) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries is equal to or greater than immediately prior to such acquisition, merger, amalgamation or consolidation;

(15) 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;

(16) Indebtedness of the Company or any of its Restricted Subsidiaries supported by a letter of credit issued pursuant to the Credit Facilities that is incurred pursuant to another clause in this paragraph or the first paragraph of this covenant, in a principal amount not in excess of the stated amount of such letter of credit;

(17) (a) any guarantee by the Company or a Restricted Subsidiary of Indebtedness or other obligations of any Restricted Subsidiary so long as the incurrence of such Indebtedness or other obligations by such Restricted Subsidiary is permitted under the terms of the Indenture, or

(b) any guarantee by a Restricted Subsidiary of Indebtedness or other obligations of the Company; *provided*, that the incurrence of such Indebtedness or other obligations by the Company is permitted under the terms of the Indenture; and *provided*, *further*, that such guarantee is incurred in accordance with the covenant described below under "*—Limitation on Guarantees of Indebtedness by Restricted Subsidiaries and Additional Guarantees*";

(18) (a) Indebtedness consisting of Indebtedness issued by the Company or any of its Restricted Subsidiaries to future, present or former employees, directors, officers, managers and consultants thereof, their respective Controlled Investment Affiliates or Immediate Family Members, in each case to finance the purchase or redemption of Equity Interests of the Company or any Holding Company of the Company to the extent described in clause (4) of the second paragraph under "*—Limitation on Restricted Payments*"; and

(b) Indebtedness representing deferred compensation or similar arrangements (i) to any future, present or former employees, directors, officers, managers, members, partners, independent contractors or consultants of the Company (or any direct or indirect parent thereof) or any of its Restricted Subsidiaries incurred in the ordinary course of business or consistent with past practice or (ii) incurred in connection with any Investment or acquisition (by merger, consolidation, amalgamation or otherwise);

(19) to the extent constituting Indebtedness, customer deposits and advance payments (including progress premia) received in the ordinary course of business from customers for goods and services purchased in the ordinary course of business;

(20) (a) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries and (b) Indebtedness in respect of Bank Products;

(21) Indebtedness incurred by a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables or payables for credit management purposes, in each case incurred or undertaken consistent with past practice or in the ordinary course of business;

(22) Indebtedness of the Company or any of its Restricted Subsidiaries consisting of (a) the financing of insurance premia or (b) take-or-pay obligations contained in supply arrangements, in each case incurred in the ordinary course of business;

(23) the incurrence of Indebtedness of the Company or its Restricted Subsidiaries in an amount at any one time outstanding under this clause (23) under local lines, bilateral facilities or working capital facilities not to exceed, together with any other Indebtedness incurred under this clause (23) and then outstanding, not to exceed the greater of (i) €150.0 million and (ii) 40.0% of LTM EBITDA of the Company; it being understood that any Indebtedness deemed incurred pursuant to this clause (23) shall cease to be deemed incurred or outstanding for purposes of this clause (23) but shall be deemed incurred for the purposes of the first paragraph of this covenant from and after the first date on which the Company or such Restricted Subsidiaries could have incurred such Indebtedness under the first paragraph of this covenant without reliance on this clause (23);

(24) Indebtedness of the Company or any of its Restricted Subsidiaries undertaken in connection with cash management and related activities with respect to any Subsidiary or joint venture in the ordinary course of business;

(25) Indebtedness incurred by the Company or any of its Restricted Subsidiaries to the extent that the net proceeds thereof are deposited with the Trustee at or promptly after the funding of such Indebtedness to satisfy and discharge the Notes or exercise the Issuer's legal defeasance or covenant defeasance option as described under "*—Legal Defeasance and Covenant Defeasance*," in each case, in accordance with the Indenture;

(26) Indebtedness consisting of obligations of the Company or any of its Restricted Subsidiaries under deferred purchase price or other arrangements incurred by such Person in connection with any acquisition permitted under the Indenture or any other Investment permitted under the Indenture; and

(27) Incurrence by the Company or any Restricted Subsidiary of guarantees of the Indebtedness of joint ventures in an amount not to exceed the greater of (i) €50.0 million and (ii) 15.0% of LTM EBITDA of the Company.

For purposes of determining compliance with this covenant:

(1) in the event that an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) meets the criteria of more than one of the categories of permitted Indebtedness,

Disqualified Stock or Preferred Stock described in clauses (1) through (27) above or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company, in its sole discretion, may classify or, from time to time, reclassify such item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) and will only be required to include the amount and type of such Indebtedness, Disqualified Stock or Preferred Stock in one of the above clauses or under the first paragraph of this covenant;

(2) the Company will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs above; and

(3) for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Secured Debt Ratio or the Consolidated Total Debt Ratio, as applicable, in connection with the Incurrence of any Indebtedness pursuant to the first or second paragraph above or the creation or incurrence or any Lien pursuant to the definition of "Permitted Liens," the Company may elect, at its option, to treat all or any portion of the committed amount of any Indebtedness (and the issuance and creation of letters of credit and bankers' acceptances thereunder) which is to be incurred (or any commitment in respect thereof) or secured by such Lien, as the case may be (any such committed amount elected until revoked as described below, the "*Reserved Indebtedness Amount*"), as being incurred as of such election date, and, if such Fixed Charge Coverage Ratio, Consolidated Secured Debt Ratio or Consolidated Total Debt Ratio, as applicable, is satisfied with respect thereto on such election date, any subsequent borrowing or reborrowing thereunder (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be deemed to be permitted under this covenant or the definition of "Permitted Liens," as applicable, whether or not the Fixed Charge Coverage Ratio, the Consolidated Secured Debt Ratio or the Consolidated Total Debt Ratio, as applicable, at the actual time of any subsequent borrowing or reborrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) is met; *provided* that for purposes of subsequent calculations of the Fixed Charge Coverage Ratio, the Consolidated Secured Debt Ratio or the Consolidated Total Debt Ratio, as applicable, the Reserved Indebtedness Amount shall be deemed to be outstanding, whether or not such amount is actually outstanding, for so long as such commitments are outstanding or until the Company revokes an election of a Reserved Indebtedness Amount.

Accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount and the payment of interest or dividends in the form of additional Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, of the same class will not be deemed to be an incurrence of Indebtedness, Disqualified Stock or Preferred Stock for purposes of this covenant. If Indebtedness, Disqualified Stock or Preferred Stock originally incurred in reliance upon a percentage of LTM EBITDA under this covenant is being refinanced and such refinancing would cause the maximum amount of Indebtedness, Disqualified Stock or Preferred Stock thereunder to be exceeded at such time, then such refinancing will nevertheless be permitted thereunder and such additional Indebtedness, Disqualified Stock or Preferred Stock will be deemed to have been incurred under the applicable provision so long as the principal amount or liquidation preference of such refinancing Indebtedness, Disqualified Stock or Preferred Stock does not exceed the principal amount or liquidation preference of Indebtedness, Disqualified Stock or Preferred Stock being refinanced plus amounts permitted by the next sentence. Any Refinancing Indebtedness and any Indebtedness permitted to be incurred under the Indenture to refinance Indebtedness incurred pursuant to clauses (1), (12)(b) and (23) above shall be deemed to include additional Indebtedness incurred to pay premia (including reasonable tender premia), defeasance costs, fees and expenses in connection with such refinancing.

For the purposes of determining "LTM EBITDA" with respect to the second paragraph of this covenant and the last proviso of the first paragraph of this covenant, LTM EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date upon which Indebtedness is incurred (in the case of term facilities).

For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness, the Euro Equivalent principal amount of Indebtedness denominated in a currency other than euro shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving credit debt; *provided*, that (1) 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 (a) the principal amount of such Indebtedness being refinanced plus (b) the aggregate amount of fees, underwriting discounts, premia (including tender premia), accrued and unpaid interest, defeasance costs and other costs and expenses (including original issue discount, upfront fees or similar fees) incurred in connection with such refinancing; (2) the Euro Equivalent of the principal amount of any Indebtedness denominated in a currency other than euro outstanding on the Original Completion Date shall be calculated based on the relevant currency exchange rate in effect on the Original Completion Date; and (3) if, for so long as and to the extent that any principal amount of Indebtedness denominated in a currency other than euro is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated, the principal amount of such Indebtedness will be the euro amount of the principal payment required to be made under such Currency Agreement.

The principal amount of any Indebtedness incurred to refinance other Indebtedness, if denominated in a currency other than euro and/or 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 respective Indebtedness is denominated that is in effect on the date of such refinancing; *provided*, that if, for so long as and to the extent that any principal amount of Indebtedness denominated in a currency other than euro is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated, the principal amount of such Indebtedness may be the euro amount of the principal payment required to be made under such Currency Agreement.

The Indenture will provide that the Company will not, and will not permit the Issuer or any Guarantor to, directly or indirectly, incur any Indebtedness (including Acquired Indebtedness) that is contractually subordinated or junior in right of payment to any Indebtedness of the Company, the Issuer or such Guarantor, as the case may be, unless such Indebtedness is expressly subordinated in right of payment to the Notes or such Guarantor's Guarantee to the extent and in the same manner as such Indebtedness is subordinated to other Indebtedness of the Company, the Issuer or such Guarantor, as the case may be.

The Indenture will not treat (1) unsecured Indebtedness as subordinated or junior to Secured Indebtedness merely because it is unsecured or (2) Indebtedness as subordinated or junior to any other Indebtedness merely because it has a junior priority with respect to the same collateral or because it is secured by different collateral or guaranteed by other obligors.

Liens

The Company will not, and will not permit the Issuer or any Guarantor to, directly or indirectly, create, incur, assume or suffer to exist any Lien (except Permitted Liens) that secures Obligations under any Indebtedness or any related guarantee of Indebtedness (any such Lien, the "*Initial Lien*"), on any asset or property of the Company, the Issuer or any Guarantor, or any income or profits therefrom, or assign or convey any right to receive income therefrom, except, in the case of any asset or property that does not constitute Collateral, any Initial Lien if the Notes or the Guarantees are equally and ratably secured with (or on a senior basis to, in the case such Initial Lien secures any Subordinated Indebtedness) the obligations secured by such Initial Lien (*provided* that a Lien to secure Indebtedness pursuant to clauses (1) and (10) of the second paragraph of the "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" covenant may have priority to the proceeds from the enforcement of the Collateral and certain distressed disposals not materially less favorable

to the Holders than that accorded to the Senior Credit Facilities Agreement pursuant to the Intercreditor Agreement).

Any Lien created for the benefit of the Holders of the Notes pursuant to the exception relating to Initial Liens on asset or property that does not constitute Collateral in the preceding paragraph shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien which release and discharge in the case of any sale of any such asset or property shall not affect any Lien that the Security Agent may have on the proceeds from such sale.

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "Increased Amount" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

Merger, Consolidation or Sale of All or Substantially All Assets

The Issuer

The Issuer will not consolidate with or merge with or into (whether or not the Issuer is the surviving Person), or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all its assets, in one or more related transactions, to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "*Successor Issuer*") will be a Person organized and existing under the laws of any Member State of the European Union or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Collateral Documents (including the Intercreditor Agreement and any Additional Intercreditor Agreement);

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(3) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer and that the Notes constitute legal, valid and binding obligations of the Successor Issuer, enforceable in accordance with their terms; *provided*, that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to the satisfaction of clauses (1) and (2) above.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture and the Notes but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) and the provisions described below under "*—The Company*" and "*—Subsidiary Guarantors"* (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary of the Company may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Company or the Issuer, (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (c) the Company and its Restricted Subsidiaries may undertake the Transactions. Notwithstanding the preceding clauses (2) and (3) (which do not apply to the transactions referred to in this sentence), the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction or changing the legal form of the Issuer.

The Company

The Company will not consolidate with or merge with or into (whether or not the Company is the surviving Person), or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all its assets, in one or more related transactions, to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of any Member State of the European Union or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Company) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, all the obligations of the Company under the Parent Guarantee and (b) all obligations of the Company under the Collateral Documents (including the Intercreditor Agreement and any Additional Intercreditor Agreement);

(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 Successor Company would be able to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Test set forth in the first paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*", or (b) the Fixed Charge Coverage Ratio of the Successor Company would not be lower than it was immediately prior to giving effect to such transaction; and

(4) the Company or the Successor Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company; *provided*, that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to the satisfaction of clauses (1) to (3) above.

Any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been incurred in compliance with the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*".

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

Notwithstanding the preceding clauses (2), (3) and (4), the provisions described above under "—*The Issuer*" and below under "—*Subsidiary Guarantors*" (which do not apply to transactions referred to in this sentence) and, other than with respect to the second preceding paragraph, clause (4) of the first paragraph of this covenant, (a) any Restricted Subsidiary of the Company may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Company, (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (c) the Company and its Restricted Subsidiaries may undertake the Transactions. Notwithstanding the preceding clauses (2), (3) and (4) (which do not apply to the transactions referred to in this sentence), the Company may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Company, reincorporating the Company in another jurisdiction or changing the legal form of the Company.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) will not apply to the creation of a new subsidiary as a Restricted Subsidiary of the Company.

Subsidiary Guarantors

No Subsidiary Guarantor may:

(1) consolidate with or merge with or into any Person;

(2) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into such Subsidiary Guarantor,

unless

(A) the other Person is the Company or any Restricted Subsidiary that is a Guarantor or the Issuer or becomes a Guarantor concurrently with the transaction; or

(B) (1) either (x) a Guarantor or the Issuer is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Subsidiary Guarantor under its Guarantee and the Collateral Documents (including the Intercreditor Agreement and any Additional Intercreditor Agreement); and

(2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture.

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 a Subsidiary Guarantor, which properties and assets, if held by such Subsidiary Guarantor instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of such Subsidiary Guarantor on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of such Subsidiary Guarantor.

Notwithstanding the preceding clause (B)(2) and the provisions described above under "*—The Issuer*" and "*—The Company*" (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Subsidiary Guarantor, (b) any Subsidiary Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Subsidiary Guarantor, the Company or the Issuer and (c) the Subsidiary Guarantors may undertake the Transactions. Notwithstanding the preceding clause (B)(2) (which does not apply to the transactions referred to in this sentence), a Subsidiary Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Subsidiary Guarantor, reincorporating the Subsidiary Guarantor in another jurisdiction or changing the legal form of the Subsidiary Guarantor.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Transactions with Affiliates

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each of the foregoing, an "*Affiliate Transaction*") involving aggregate payments or consideration in excess of €20.0 million, unless:

(1) such Affiliate Transaction is on terms that are not materially less favorable to the Company or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person on an arm's-length basis; or, if in the good faith judgment of the Company, no comparable transaction is available with which to compare such Affiliate Transaction, such Affiliate Transaction is otherwise fair to the Company or such Restricted Subsidiary from a financial point of view and when such transaction is taken in its entirety; and

(2) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate payments or consideration in excess of €50.0 million, the terms of such transaction have been approved by a majority of the members of the board of directors of the Company.

Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in clause (2) of this paragraph if such Affiliate Transaction is approved by a majority of the Disinterested Directors of the Company, if any.

The foregoing provisions will not apply to the following:

(1) transactions between or among the Company or any of its Restricted Subsidiaries;

(2) Restricted Payments permitted by the provisions of the Indenture described above under the covenant "*—Limitation on Restricted Payments*" (other than pursuant to clause (13) and (15)(h) of the second paragraph of such covenant) and the definition of "Permitted Investments";

(3) the payment of management, consulting, monitoring, transaction, advisory and other fees, indemnities and expenses pursuant to any Support and Services Agreement (plus any unpaid management, consulting, monitoring, transaction, advisory and other fees, indemnities and expenses accrued in any prior year) and any termination fees (including any such cash lump sum or present value fee upon the consummation of a corporate event, including an initial public equity offering) pursuant to any Support and Services Agreement, or any amendment thereto or replacement thereof so long as any such amendment or replacement is not materially disadvantageous in the good faith judgment of the board of directors of the Company to the Holders when taken as a whole, as compared to any Support and Services Agreement as in effect immediately prior to such amendment or replacement;

(4) (A) employment agreements, employee benefit and incentive compensation plans and arrangements and (B) the payment of reasonable and customary fees and compensation paid to, and indemnities and reimbursements and employment and severance arrangements provided on behalf of or for the benefit of, current or former employees, directors, officers, managers or consultants of the Company, any of its Holding Companies or any of its Restricted Subsidiaries;

(5) transactions in which the Company or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable, when taken as a whole, to the Company or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person on an arm's-length basis;

(6) any agreement or arrangement as in effect as of the Issue Date, or any amendment thereto (so long as any such amendment is not disadvantageous in any material respect in the good faith judgment of the Company to the Holders when taken as a whole as compared to the applicable agreement as in effect on the Issue Date);

(7) any Intercompany License Agreements;

(8) the existence of, or the performance by the Company or any of its Restricted Subsidiaries of its obligations under the terms of, any shareholders, investor rights or similar agreement (including any registration rights agreement or purchase agreement related thereto) to which it (or any parent company of the Company) is a party as of the Issue Date and any similar agreements which it (or any parent company of the Company) may enter into thereafter; provided, that the existence of, or the performance by the Company or any of its Restricted Subsidiaries (or such parent company) of obligations under any future amendment to any such existing agreement or under any similar agreement entered into after the Issue Date shall only be permitted by this clause (8) to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous in any material respect in the good faith judgment of the Company to the Holders when taken as a whole;

(9) the Transactions and the payment of all fees and expenses related to the Original Transactions and the Transactions, including Transaction Expenses, including the disposition of certain real assets, or payments made by the Company or any Restricted Subsidiary in lieu thereof, as agreed under the Original Acquisition Agreement, which would constitute an Affiliate Transaction;

(10) transactions with customers, clients, suppliers, contractors, joint venture partners or purchasers or sellers of goods or services or providers of employees or other labor that are Affiliates, in each case in the ordinary course of business or that are consistent with past practice and otherwise in compliance with the terms of the Indenture which are fair to the Company and its

Restricted Subsidiaries, in the reasonable determination of the Company, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party;

(11) the issuance or transfer of (a) Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of the Company to any Holding Company of the Company or to any Permitted Holder or to any employee, director, officer, manager or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Company, any of its Holding Companies or any of its Restricted Subsidiaries and (b) directors' qualifying shares and shares issued to foreign nationals as required by applicable law;

(12) sales of accounts receivable, or participations therein, or Securitization Assets or related assets in connection with any Qualified Securitization Facility;

(13) payments by the Company or any of its Restricted Subsidiaries to any of the Investors made for any financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures which payments are approved by the Company in good faith;

(14) payments and Indebtedness and Disqualified Stock (and cancellation of any thereof) of the Company and its Restricted Subsidiaries and Preferred Stock (and cancellation of any thereof) of any Restricted Subsidiary to any future, current or former employee, director, officer, manager or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Company, any of its Subsidiaries or any of its Holding Companies pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement that are, in each case, approved by the Company in good faith; and any employment agreements, stock option plans and other compensatory arrangements (and any successor plans thereto) and any supplemental executive retirement benefit plans or arrangements with any such employees, directors, officers, managers or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) that are, in each case, approved by the Company in good faith;

(15) (i) investments by Permitted Holders in securities or loans of the Company or any of its Restricted Subsidiaries (and payment of reasonable out-of-pocket expenses incurred by such Permitted Holders in connection therewith) so long as the investment is being offered by the Company or such Restricted Subsidiary generally to other investors on the same or more favorable terms and (ii) payments to Permitted Holders in respect of securities or loans of the Company or any of its Restricted Subsidiaries contemplated in the foregoing subclause (i) or that were acquired from Persons other than the Company and its Restricted Subsidiaries, in each case, in accordance with the terms of such securities or loans;

(16) payments to or from, and transactions with, any joint venture in the ordinary course of business or consistent with past practice (including, without limitation, any cash management activities related thereto);

(17) payments by the Company (and any Holding Company thereof) and its Subsidiaries pursuant to Tax Sharing Agreements among the Company (and any such Holding Company) and its Subsidiaries, to the extent such payments are permitted under clause (15)(b) of the second paragraph under the covenant "*—Limitation on Restricted Payments*";

(18) any lease entered into between the Company or any Restricted Subsidiary, as lessee, and any Affiliate of the Company, as lessor, which is approved by the Company in good faith;

(19) intellectual property licenses and research and development agreements in the ordinary course of business;

(20) the pledge of Equity Interests of any Unrestricted Subsidiary to lenders to support the Indebtedness of such Unrestricted Subsidiary owed to such lenders;

(21) Permitted Intercompany Activities and related transactions; and

(22) any transaction with a joint venture or similar entity or an Unrestricted Subsidiary which would constitute an Affiliate Transaction solely because the Company or its Restricted Subsidiary owns an equity interest in or otherwise controls such joint venture or similar entity or such Unrestricted Subsidiary.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Company will not, and will not permit any of its Restricted Subsidiaries that is not the Issuer or a Guarantor to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction on the ability of any such Restricted Subsidiary to:

(1) (a) pay dividends or make any other distributions to the Issuer, the Company or any of its Restricted Subsidiaries that is a Guarantor on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, or

(b) pay any Indebtedness owed to the Issuer, the Company or any of its Restricted Subsidiaries that is a Guarantor;

(2) make loans or advances to the Issuer, the Company or any of its Restricted Subsidiaries that is a Guarantor; or

(3) sell, lease or transfer any of its properties or assets to the Issuer, the Company or any of its Restricted Subsidiaries that is a Guarantor,

except (in each case) for such encumbrances or restrictions existing under or by reason of:

(a) contractual encumbrances or restrictions in effect on the Issue Date, including pursuant to the Senior Credit Facilities and the related documentation and Hedging Obligations and the related documentation;

(b) the Indenture, the Existing Indenture, the Notes and the Guarantees thereof, the Existing Notes and the guarantees thereof, the Proceeds Loan and the Existing Proceeds Loan;

(c) Purchase Money Obligations for property acquired in the ordinary course of business and Capitalized Lease Obligations that impose restrictions of the nature discussed in clause (3) above on the property so acquired;

(d) applicable law or any applicable rule, regulation or order;

(e) (i) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger, amalgamation or consolidation of an Unrestricted Subsidiary into the Company or a Restricted Subsidiary or the transfer of all or substantially all of the assets of an Unrestricted Subsidiary to the Company or a Restricted Subsidiary, any agreement or other instrument of such Unrestricted Subsidiary (but, in any such case, not created in contemplation thereof) and (ii) any agreement or other instrument of a Person acquired by or merged or consolidated with

or into the Company or any of its Restricted Subsidiaries in existence at the time of such acquisition or at the time it merges with or into the Company or any of its Restricted Subsidiaries or assumed in connection with the acquisition of assets from such Person (but, in any such case, not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person so acquired and its Subsidiaries, or the property or assets of the Person so acquired and its Subsidiaries or the property or assets so acquired;

(f) contracts for the sale of assets, including customary restrictions with respect to a Subsidiary of the Company pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary;

(g) Secured Indebtedness otherwise permitted to be incurred pursuant to the covenants described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" and "*—Liens*" that limits the right of the debtor to dispose of the assets securing such Indebtedness;

(h) restrictions on cash or other deposits or net worth imposed by suppliers, customers or landlords under contracts entered into in the ordinary course of business or arising in connection with any Permitted Liens;

(i) other Indebtedness, Disqualified Stock or Preferred Stock of Restricted Subsidiaries that are not Guarantors permitted to be incurred subsequent to the Original Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(j) customary provisions in joint venture agreements and other similar agreements or arrangements relating to such joint venture;

(k) customary provisions contained in leases, sub-leases, licenses, sub-licenses or similar agreements, including with respect to intellectual property and other agreements, in each case, entered into in the ordinary course of business or consistent with industry practices;

(l) restrictions or conditions contained in any trading, netting, operating, construction, service, supply, purchase, sale or other agreement to which the Company or any of its Restricted Subsidiaries is a party entered into in the ordinary course of business; *provided*, that such agreement prohibits the encumbrance of solely the property or assets of the Company or such Restricted Subsidiary that are the subject to such agreement, the payment rights arising thereunder or the proceeds thereof and does not extend to any other asset or property of the Company or such Restricted Subsidiary or the assets or property of another Restricted Subsidiary;

(m) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of any Restricted Subsidiary;

(n) customary provisions restricting assignment of any agreement entered into in the ordinary course of business;

(o) restrictions arising in connection with cash or other deposits permitted under the covenant "*—Liens*";

(p) any agreement or instrument (A) relating to any Indebtedness, Disqualified Stock or Preferred Stock permitted to be incurred or issued subsequent to the Original Issue Date pursuant to the

covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" if the encumbrances and restrictions are not materially more disadvantageous, taken as a whole, to the Holders than is customary in comparable financings for similarly situated issuers (as determined in good faith by the Company) or is otherwise in effect on the Original Issue Date and (B) either (x) the Company determines that such encumbrance or restriction will not adversely affect the Issuer's ability to make principal and interest payments on the Notes as and when they come due or (y) such encumbrances and restrictions apply only during the continuance of a default in respect of a payment or financial maintenance covenant relating to such Indebtedness;

(q) any encumbrances or restrictions of the type referred to in clauses (1), (2) and (3) above imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (a) through (p) above; *provided*, that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company, not materially more restrictive with respect to such encumbrance and other restrictions taken as a whole than those prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing; and

(r) restrictions created in connection with any Qualified Securitization Facility that in the good faith determination of the Company are necessary or advisable to effect such Qualified Securitization Facility.

Limitation on Guarantees of Indebtedness by Restricted Subsidiaries and Additional Guarantees

The Company will not cause or permit any of its Restricted Subsidiaries that are not Guarantors or the Issuer, directly or indirectly, to guarantee any Indebtedness under the Senior Credit Facilities Agreement (or other Indebtedness that is incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*") or Public Debt and any refinancing thereof, in whole or in part unless, in each case, such Restricted Subsidiary becomes a Guarantor on the date on which such other guarantee is incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness.

A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee.

Following the provision of any additional Guarantees as described above, subject to the Intercreditor Agreement and any Additional Intercreditor Agreement (if such security is being granted in respect of the other Indebtedness), and subject to the Agreed Security Principles, any such Guarantor will provide security over certain of its material assets (excluding any assets of such Guarantor which are subject to a Permitted Lien at the time of the execution of such supplemental indenture if providing such security interest would not be permitted by the terms of such Permitted Lien or by the terms of any obligations secured by such Permitted Lien) to secure its Guarantee on a basis consistent with the Collateral.

Each additional Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Company shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes to the extent and for so long as the incurrence of such Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to the Company or a Restricted Subsidiary; or (4) an inconsistency with the Intercreditor Agreement.

Impairment of Security Interest

The Company shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Permitted Liens on the Collateral shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Collateral Documents, any Lien over any of the Collateral that is prohibited by the covenant entitled "*—Liens*;" *provided,* that the Company and its Restricted Subsidiaries may incur any Lien over any of the Collateral that is not prohibited by the covenant entitled "*—Liens*", including Permitted Liens, and the Collateral may be discharged, transferred or released in any circumstances not prohibited by the Indenture, the Existing Indenture, the Intercreditor Agreement or the other applicable Collateral Documents.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Lien in accordance with the Indenture, the Collateral Documents, and the Intercreditor Agreement or any Additional Intercreditor Agreement. Subject to the foregoing, the Collateral Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by a substantially concurrent retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Liens; (iii) add to the Collateral; or (iv) make any other change thereto that does not adversely affect the Holders in any material respect; *provided*, *however*, that (except where permitted by the Indenture and the Intercreditor Agreement or any Additional Intercreditor Agreement or to effect or facilitate the creation of Permitted Liens incurred in accordance with the Indenture), no Collateral Document may be amended, extended, renewed, restated, or otherwise modified or released (followed by a substantially concurrent retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement, or modification or release (followed by a substantially concurrent retaking of a Lien of at least equivalent ranking over the same assets), the Company delivers to the Security Agent and the Trustee, either (1) a solvency opinion from an Independent Financial Advisor which confirms the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release (followed by a substantially concurrent retaking of a Lien of at least equivalent ranking over the same assets), (2) a certificate from the chief financial officer or the board of directors of the relevant Person which confirms the solvency of the Person granting the security interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or replacement, or (3) an Opinion of Counsel (subject to any qualifications customary for this type of Opinion of Counsel) confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release (followed by a substantially concurrent retaking of a Lien of at least

equivalent ranking over the same assets), the Lien or Liens created under the Collateral Document, so amended, extended, renewed, restated, modified or released and replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, modification or replacement and to which the new Indebtedness secured by the Permitted Lien is not subject.

In the event that the Company and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such actions without the need for instructions from the Holders.

Reports and Other Information

For so long as any Notes are outstanding, the Company will provide to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Company or its predecessor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company or its predecessor for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited pro forma income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a summary description of material risk factors and material recent developments;

(2) within 60 days (or, in the case of the first two such reports, 90 days) (except as provided below in relation to any Semi Annual Report) following the end of the first three fiscal quarters in each fiscal year of the Company beginning with the fiscal quarter ended March 31, 2019, all quarterly reports of the Company containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent year to date period ending on the unaudited condensed balance sheet date, and the comparable prior year period, together with condensed footnote disclosure; (b) unaudited pro forma income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA or Adjusted EBITDA and material changes in liquidity and capital resources of the Company, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; *provided* that the report provided by the Company following the completion of the second quarter of each year (the "*Semi-Annual Report*") shall include in addition a description of any material changes to material contractual arrangements, including material debt instruments and to material Affiliate Transactions; and *provided* further that such

Semi-Annual Report need not be provided by the Company until 75 days (or, in the case of the first Semi-Annual Report, 90 days) after the end of the second quarter of each year; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive officer changes at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statement and pro forma financial information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, (x) in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods and (y) to the extent comparable prior period financial information of the Company does not exist, the comparable prior period financial information of Cirsa may be provided in lieu thereof. At the Company's election, any such report may also include financial statements of Cirsa in lieu of those for the Company; provided, that if the financial statements of Cirsa are included in such report, a reasonably detailed description of material differences between the financial statements of the Company, on one hand, and Cirsa, on the other, shall be included for any period after the Issue Date. Following an Initial Public Offering of the Capital Stock of an IPO Entity or the listing of such Capital Stock on a recognized European or U.S. stock exchange, the requirements of clauses (1), (2) and (3) above shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange. Except as provided for in this covenant, no report need include separate financial statements for any Subsidiaries of the Company.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Company and its Subsidiaries, which reconciliation shall include the following items: revenues, EBITDA or Adjusted EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Trustee of the reports specified in clauses (1), (2) and (3) of the first paragraph of this covenant, the Company shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Company and its Subsidiaries or (ii) otherwise to provide substantially comparable availability of such reports (as determined by the Company in good faith) or (b) to the extent the Company determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon request, prospective purchasers of the Notes. The Company will also make available copies of all reports required by clauses (1), (2) and (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Exchange so require, at the offices of the Paying Agent or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Exchange.

In addition, so long as the Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Notwithstanding anything herein to the contrary, the Company will not be deemed to have failed to comply with any of its obligations hereunder for purposes of clause (3) under "*—Events of Default and Remedies*" until 120 days after the receipt of the written notice delivered thereunder.

To the extent any information is not provided within the time periods specified in this section "*—Reports and Other Information*" and such information is subsequently provided, the Company will be deemed to have satisfied its obligations with respect thereto at such time and any Default with respect thereto shall be deemed to have been cured.

Delivery of such reports, information and documents to the Trustee shall be for informational purposes only, and the Trustee's receipt of such reports, information and documents shall not constitute constructive notice of any information contained therein, including the Company's and the Issuer's compliance with any of the covenants hereunder (as to which the Trustee is entitled to rely exclusively on an Officer's Certificate).

Further Assurances

The Company, the Issuer and the Guarantors shall, subject to the Agreed Security Principles, execute any and all further documents, financing statements, agreements and instruments, and take all further action that may be required under applicable law, in order to grant, preserve, protect and perfect the validity and priority of the security interests created or intended to be created by the Collateral Documents in the Collateral. In addition, from time to time, the Company, the Issuer and each Guarantor will, subject to the Agreed Security Principles, reasonably promptly secure the obligations under the Indenture and the Collateral Documents by pledging or creating, or causing to be pledged or created, perfected security interests with respect to the Collateral. Such security interests and Liens will be created under the Collateral Documents and other security agreements, mortgages, deeds of trust and other instruments and documents in form reasonably satisfactory to the Trustee.

Limitation on Lines of Business

The Company will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than a Permitted Business, except to such extent as would not be material to the Company and its Restricted Subsidiaries taken as a whole.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Exchange for so long as such Notes are outstanding; *provided* that if the Issuer is unable to obtain admission to listing of the Notes on the Official List of the Exchange or if at any time the Issuer determines that it will not maintain such listing, it will use its commercially reasonable efforts to obtain and maintain a listing of such Notes on another recognized stock exchange.

Events of Default and Remedies

The Indenture will provide that each of the following is an "Event of Default":

(1) default in payment when due and payable, upon redemption, acceleration or otherwise, of principal of, or premium, if any, on any series of Notes;

(2) default for 30 days or more in the payment when due of interest on or with respect to any series of Notes;

(3) failure by the Company, the Issuer or any Guarantor for 60 days after receipt of written notice given by the Trustee or by the Holders of at least 30% in aggregate principal amount of all the

then outstanding Notes to comply with any of its obligations, covenants or agreements (other than a default referred to in clause (1) or (2) above) contained in the Indenture or the Notes;

(4) default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries, other than Indebtedness owed to the Company or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists or is created after the issuance of the Notes, if both:

(a) such default either results from the failure to pay any principal of such Indebtedness at its stated final maturity (after giving effect to any applicable grace periods) or relates to an obligation other than the obligation to pay principal of any such Indebtedness at its stated final maturity and results in such Indebtedness becoming due prior to its stated maturity; and

(b) the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at stated final maturity (after giving effect to any applicable grace periods), or the maturity of which has been so accelerated, aggregate €100.0 million or more outstanding;

(5) failure by the Company, the Issuer or any Significant Subsidiary (or any group of Restricted Subsidiaries that together (as of the latest audited consolidated financial statements of the Company for a fiscal quarter end required to be provided under "*—Certain Covenants—Reports and Other Information"*) would constitute a Significant Subsidiary) to pay final judgments aggregating in excess of €100.0 million (net of amounts covered by insurance policies issued by reputable insurance companies), which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days after such judgment becomes final and due, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed;

(6) certain events of bankruptcy or insolvency with respect to the Company, the Issuer or any Significant Subsidiary (or any group of Restricted Subsidiaries that together (as of the latest audited consolidated financial statements of the Company required to be provided under "*—Certain Covenants—Reports and Other Information*") would constitute a Significant Subsidiary);

(7) the Guarantee of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together (as of the latest audited consolidated financial statements of the Company for a fiscal quarter end required to be provided under "*—Certain Covenants—Reports and Other Information*") would constitute a Significant Subsidiary) shall for any reason cease to be in full force and effect or be declared null and void or any responsible officer of the Company or any Guarantor that is a Significant Subsidiary (or the responsible officers of any group of Restricted Subsidiaries that together (as of the latest audited consolidated financial statements of the Company for such fiscal quarter end) would constitute a Significant Subsidiary), as the case may be, denies in writing that it has any further liability under its Guarantee or gives written notice to such effect, other than by reason of the termination of the Indenture or the release of any such Guarantee in accordance with the Indenture; and

(8) any of the Collateral Documents ceases to be in full force and effect, or any of the Collateral Documents ceases to give the Holders of the Notes the Liens purported to be created thereby, or any of the Collateral Documents is declared null and void or the Company or any Restricted Subsidiary denies in writing that it has any further liability under any Collateral Document or

gives written notice to such effect (in each case, other than in accordance with the terms of the Indenture or the terms of the Collateral Documents); *provided*, that, in each case, such action or event occurs in relation to any Collateral having market value of greater than €50.0 million, and further that if a failure of the sort described in this clause (8) is susceptible of cure, no Event of Default shall arise under this clause (8) with respect thereto until 30 days after notice of such failure shall have been given to the Company by the Trustee or the Holders of at least 30% in aggregate principal amount of all the then outstanding Notes.

(9) the failure by the Issuer to consummate the Special Mandatory Redemption to the extent required, as described under "*—Deposit of Proceeds; Special Mandatory Redemption*".

However, a default under clauses (3), (4) or (5) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of at least 30% in aggregate principal amount of all the then outstanding Notes notify the Issuer (and the Trustee if given by the Holders) in writing of the default and, with respect to clauses (3), (4) and (5), the Issuer does not cure such default (or arrange for such Default to be cured) within the time specified in clauses (3), (4) or (5), as applicable, of this paragraph after receipt of such notice.

If any Event of Default (other than of a type specified in clause (6) of the first paragraph of this section) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 30% in aggregate principal amount of all the then outstanding Notes may declare the principal, premium, if any, interest and any other monetary obligations on all the then outstanding Notes to be due and payable immediately.

Upon the effectiveness of such declaration, such principal of and premium, if any, and interest will be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising under clause (6) of the first paragraph of this section, all outstanding Notes will become due and payable without further action or notice. The Indenture will provide that the Trustee may withhold from the Holders notice of any continuing Default, except a Default relating to the payment of principal, premium, if any, or interest, if it determines that withholding notice is in their interest.

The Indenture will provide that the Holders of a majority in aggregate principal amount of all the then outstanding Notes by written notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default and its consequences under the Indenture or the Collateral Documents and rescind any acceleration with respect to the Notes and its consequences (except if such rescission would conflict with any judgment of a court of competent jurisdiction and except a continuing Default in the payment of interest on, premium, if any, or the principal of any Note held by a non-consenting Holder). In the event of any Event of Default specified in clause (4) of the first paragraph of this section, such Event of Default and all consequences thereof (excluding any resulting payment default, other than as a result of acceleration of the Notes) shall be annulled, waived and rescinded, automatically and without any action by the Trustee or the Holders, if within 30 days after such Event of Default arose:

(1) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged;

(2) the requisite number of Holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default; or

(3) the default that is the basis for such Event of Default has been cured.

In case an Event of Default occurs and is continuing, of which a responsible officer of the Trustee has received written notice, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders of the Notes unless the Holders have offered to (and if requested, provided) the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense (which includes the expense of the Trustee's legal counsel). Except to enforce the right to receive payment

of principal, premium (if any) or interest when due, no Holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless, subject to the provisions of the Intercreditor Agreement:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 30% in aggregate principal amount of all the then outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) Holders of the Notes have offered the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense (which includes the expense of the Trustee's legal counsel);

(4) the Trustee has not complied with such request within 60 days after the receipt thereof and the offer of indemnity and/or security; and

(5) Holders of a majority in principal amount of all the then outstanding Notes have not given the Trustee a written direction inconsistent with such written request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of all the then outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder of a Note or that would involve the Trustee in personal liability.

The Indenture will provide that the Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required, within 20 Business Days, upon becoming aware of any Default, to deliver to the Trustee a statement specifying such Default and any steps taken to remedy such Default.

In addition to acceleration of maturity of the Notes, if an Event of Default occurs and is continuing, the Trustee or the Security Agent, as applicable, subject to the provisions contained in the Intercreditor Agreement, will have the right to exercise remedies with respect to the Collateral, such as foreclosure, as are available under the Indenture, the Collateral Documents and at law.

No Personal Liability of Directors, Officers, Employees and Shareholders

No past, present or future director, officer, employee, incorporator, member, partner or direct or indirect shareholder of the Company, the Issuer or any Guarantor or of any of their direct or indirect parent companies (other than the Issuer and the Guarantors) shall have any liability, for any obligations of the Issuer or the Guarantors under the Notes, the Guarantees or the Indenture or the Collateral Documents or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting Notes waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

Legal Defeasance and Covenant Defeasance

The obligations of the Issuer and the Guarantors under the Indenture, the Notes, the Guarantees or the Collateral Documents, as the case may be, will terminate (other than certain obligations) and will be released upon payment in full of all of the Notes. The Issuer may, at its option and at any time, elect to have all of its obligations

discharged with respect to the Notes and have each Guarantor's obligation discharged with respect to its Guarantee ("*Legal Defeasance*") and cure all then existing Events of Default except for:

(1) the rights of Holders of Notes to receive payments in respect of the principal of, premium, if any, and interest on the Notes when such payments are due solely out of the trust created pursuant to the Indenture;

(2) the Issuer's obligations with respect to Notes concerning issuing temporary Notes, registration of such Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have its obligations and those of each Guarantor released with respect to substantially all of the restrictive covenants that are described in the Indenture ("*Covenant Defeasance*"), and thereafter any omission to comply with such obligations shall not constitute a Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including bankruptcy, receivership, rehabilitation and insolvency events pertaining to the Issuer) described under "*—Events of Default and Remedies*" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance with respect to the Notes:

(1) the Issuer shall irrevocably deposit with the Trustee (or such other entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee, acting for the Trustee for this purpose) for the benefit of the Holders of the Notes, cash in euro, European Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the written opinion of an internationally recognized firm of independent public accountants to pay the principal of, premium and Additional Amounts, if any, and interest due on the Notes on the stated maturity date or on the redemption date, as the case may be, of such principal, premium, if any, or interest on such Notes, and the Issuer must specify whether such Notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer shall have delivered to the Trustee an Opinion of Counsel confirming that, subject to customary assumptions and exclusions,

(a) the Issuer has received from, or there has been published by, the United States Internal Revenue Service a ruling, or

(b) since the issuance of the Notes, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, subject to customary assumptions and exclusions, the Holders and the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer shall have delivered to the Trustee an Opinion of Counsel confirming that, subject to customary assumptions and exclusions, the Holders and the

beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Event of Default (other than that resulting from borrowing funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith) shall have occurred and be continuing on the date of such deposit;

(5) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the Senior Credit Facilities Agreement or any other material agreement or instrument (other than the Indenture) to which, the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound (other than that resulting from any borrowing of funds to be applied to make the deposit required to effect such Legal Defeasance or Covenant Defeasance and any similar and simultaneous deposit relating to other Indebtedness, and, in each case, the granting of Liens in connection therewith);

(6) the Issuer shall have delivered to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or any Guarantor or others; and

(7) the Issuer shall have delivered to the Trustee 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 the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes (other than certain rights of the Trustee and the Company's obligations in respect thereto), when either:

(1) all Notes theretofore authenticated and delivered, except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust, have been delivered to the Registrar or Paying Agent for cancellation; or

(2) (a) all Notes not theretofore delivered to the Registrar or Paying Agent for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise, will become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Paying Agent for the giving of notice of redemption and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such other entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee, acting for the Trustee for this purpose) solely for the benefit of the Holders of the Notes, cash in euro, European Government Obligations, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Registrar or Paying Agent for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

(b) no Event of Default (other than that resulting from borrowing funds to be applied to make such deposit or any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith) with

respect to the Indenture or the Notes shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under the Senior Credit Facilities Agreement or any other material agreement or instrument (other than the Indenture) to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound (other than resulting from any borrowing of funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith);

(c) the Issuer has paid or caused to be paid all sums payable by it under the Indenture; and

(d) the Issuer has delivered irrevocable written instructions to the Trustee and Paying Agent (or such other entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee, acting for the Trustee for this purpose) to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement, any Guarantee, the Notes, the Deposit Account Charge and the other Collateral Documents (the "*Notes Documents*") may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of all the Notes then outstanding, including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes, and any existing Default or compliance with any provision of the Indenture, the Notes issued thereunder, the Intercreditor Agreement or any other Collateral Document may be waived with the consent of the Holders of a majority in principal amount of all the then outstanding Notes, other than Notes beneficially owned by the Issuer or its Affiliates (including consents obtained in connection with a purchase of or tender offer or exchange offer for the Notes); *provided*, *however*, that, if any amendment, supplement, modification or waiver relates only to the rights of a particular series of Notes, only the consent of the Holders of at least a majority in principal amount of all the then outstanding Notes of such series shall be required.

The Indenture will provide that, without the consent of at least 90% in principal amount of all the then outstanding Notes, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of such Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the stated rate of or extend the stated time for payment of interest on any such Notes;

(3) reduce the principal of or extend the stated maturity of any such Notes;

(4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under "*—Optional Redemption*" or "*—Deposit of Proceeds; Special Mandatory Redemption*";

(5) make any such Note payable in money other than that stated in such Note;

(6) amend the contractual right of any Holder to bring suit for the payment of principal, premium, if any, and interest on its Note, on or after the respective due dates expressed or provided for in such Note;

(7) make any change in the provision of the Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder or beneficial owner of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the taxes described thereunder or an exemption from any obligation to withhold or deduct taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any Guarantor from its Obligations under its Guarantee, other than pursuant to the terms of the Indenture, and, in each case, as permitted by the Intercreditor Agreement or any Additional Intercreditor Agreement;

(9) waive a Default or Event of Default with respect to the non-payment of principal, premium or interest (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence; or

(11) make any change to or modify the ranking of such Notes that would adversely affect the Holders;

provided, *however*, that, if any amendment, supplement, modification or waiver relates only to the rights of a particular series of Notes, only the consent of the Holders of at least 90% in principal amount of all the then outstanding Notes of such series shall be required.

In addition, without the consent of the Holders of at least 66⅔% in principal amount of all the Notes then outstanding, no amendment, supplement or waiver may (1) modify any Collateral Document or the provisions in the Indenture dealing with the Collateral or the Collateral Documents that would have the impact of releasing all or substantially all of the Collateral from the Liens of the Collateral Documents (except as permitted by the terms of any Notes Documents) or change or alter the priority of the security interests in the Collateral, (2) make any change in any Collateral Document or the provisions in the Indenture dealing with the Collateral or the Collateral Documents or the application of proceeds of the Collateral that would adversely affect the Holders in any material respect or (3) modify the Intercreditor Agreement (or any Additional Intercreditor Agreement) in any manner adverse to the Holders in any material respect other than in accordance with the terms of the Notes Documents.

Notwithstanding the foregoing, the Issuer, any Guarantor (with respect to a Guarantee or the Indenture to which it is a party), the Security Agent (to the extent applicable), the Trustee and any other agents party thereto (to the extent applicable) may amend or supplement the Notes Documents without the consent of any Holder:

(1) to cure any ambiguity, omission, mistake, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes; *provided* that uncertificated Notes are properly treated as in registered form for U.S. federal income tax purposes;

(3) to comply with the covenant relating to mergers, amalgamations, consolidations and sales of assets;

(4) to provide for the assumption of the Issuer's or any Guarantor's obligations to the Holders;

(5) to make any change that would provide any additional rights or benefits to the Holders or that does not materially adversely affect the legal rights under the Indenture of any such Holder;

(6) to add covenants for the benefit of the Holders or to surrender any right or power conferred upon the Issuer or any Guarantor;

(7) to provide for the issuance of Additional Notes in accordance with the terms of the Indenture, including any amendment of the terms of a Guarantee or a Collateral Document with respect to its limitations;

(8) [Reserved];

(9) to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee or Paying Agent thereunder pursuant to the requirements thereof;

(10) to make any amendment to the provisions of the Indenture relating to the transfer or legending of the Notes or to provide for the issuance of exchange notes or private exchange notes, which are identical to exchange notes except that they are not freely transferable;

(11) to add a Guarantor under the Indenture;

(12) to conform the text of the Notes Documents to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement, any Guarantee or the Notes as provided in an Officer's Certificate;

(13) to provide for the succession of any parties to the Collateral Documents (and other amendments that are administrative or ministerial in nature) in connection with an amendment, renewal, extension, substitution, refinancing, restructuring, replacement, supplementing or other modification from time to time of the Senior Credit Facilities Agreement or any other agreement that is not prohibited by the Indenture;

(14) to provide for the release or addition of Collateral or Guarantees in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Collateral Documents; or

(15) to add any Pari Passu Lien Indebtedness to any Collateral Documents to the extent permitted by the Indenture.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. The Trustee or, if applicable, the Security Agent shall be entitled to conclusively rely on an Officer's Certificate and Opinion of Counsel.

Concerning the Trustee and Certain Agents

Deutsche Trustee Company Limited will be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, of which a responsible officer of the Trustee has received written notice, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, of which a responsible officer of the Trustee has received written notice, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same

degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Company and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of all the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest in its capacity as Trustee 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 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, claim, liability, taxes and expenses incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

All notices to Holders of Notes will be validly given if mailed to them at their respective addresses in the Register of the Holders of the Notes, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Exchange and the rules of the Exchange shall so require, notices with respect to the Notes will be published in accordance with the requirements of such rules. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered to Euroclear and Clearstream, as applicable, each of which will give such notices to the holders of Book-Entry Interests. Such notices may also be published on the website of the Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Exchange.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided*, that, if notices are mailed, such notice shall be deemed to have been given on the fifth 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 or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed five years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed three years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

Euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the Guarantees, as the case may be, including damages (the "*Required Currency*"). Any amount received or recovered in a currency other than the Required Currency, 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 amount of the Required Currency 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 amount of the Required Currency is less than the amount of the Required Currency expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a currency other than euro shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is incurred or made, as the case may be.

Enforceability of Judgments

Since substantially all the assets of the Company and its Subsidiaries are located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Guarantees, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes and the Guarantees, the Issuer and each Guarantor will in the Indenture, subject to local law requirements, irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture and the Notes, including any Guarantees, 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. The application of the provisions of articles 470-1 to 470-19 of the Luxembourg law of August 10, 1915 on commercial companies, as amended, shall be excluded in relation to the Notes.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. For purposes of the Indenture, unless otherwise specifically indicated, the term "*consolidated*" with respect to any Person refers to such Person consolidated with its Restricted Subsidiaries, and excludes from such consolidation any Unrestricted Subsidiary as if such Unrestricted Subsidiary were not an Affiliate of such Person.

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, (2) assumed in connection with the acquisition of assets from such Person or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary, in each case whether or not incurred by such Person in connection with such Person becoming a Restricted Subsidiary, such acquisition or such merger, consolidation or other combination. Except as otherwise specifically set forth in the Indenture, 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.

"*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 purposes of this definition, "*control*" (including, with correlative meanings, the terms "*controlling*," "*controlled by*" and "*under common control with*"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"*Agreed Security Principles*" means the Agreed Security Principles as set out in an annex to the Indenture as in effect on or about the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Company.

"*Applicable Premium*" means, with respect to any Note on any redemption date, the excess, if any, of:

(a) the present value at such redemption date of (x) the redemption price of such Notes at May 22, 2021 (such redemption price being set forth in the table appearing above under "*—Optional Redemption*"), plus (y) all required remaining scheduled interest payments due on such Note through May 22, 2021 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate (subject to a 0.0% floor) as of the date of such redemption notice plus 50 basis points; over

(b) the then outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, the calculation of the Applicable Premium shall not be an obligation or the responsibility of the Trustee or any Paying Agent.

"*Asset Sale*" means:

(1) the sale, conveyance, transfer or other disposition, whether in a single transaction or a series of related transactions (including by way of a Sale and Lease-Back Transaction), of property or assets of the Company or any of its Restricted Subsidiaries (each referred to in this definition as *a* "*disposition*"); or

(2) the issuance or sale of Equity Interests of any Restricted Subsidiary (other than Preferred Stock or Disqualified Stock of Restricted Subsidiaries issued in compliance with the covenant described

under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"), whether in a single transaction or a series of related transactions;

in each case, other than:

(a) any disposition of Cash Equivalents or Investment Grade Securities or obsolete, damaged, unnecessary, unsuitable or worn out property or equipment, inventory or other property in the ordinary course of business or any disposition of inventory or goods (or other assets) held for sale or no longer used or useful in the ordinary course of business;

(b) the disposition of all or substantially all of the assets of the Company in a manner permitted pursuant to the provisions described above under "*—Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets—The Company*" or any disposition that constitutes a Change of Control pursuant to the Indenture;

(c) the making of any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" or any Permitted Investment, or the proceeds of which are used to fund a Restricted Payment and/or Permitted Investment;

(d) any disposition of assets or issuance or sale of Equity Interests of any Restricted Subsidiary in any transaction or series of related transactions with an aggregate fair market value of less than the greater of (i) €50.0 million and (ii) 12.5% of the LTM EBITDA of the Company;

(e) any disposition of property or assets or issuance of securities by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary, including pursuant to any Intercompany License Agreement;

(f) any exchange of like property (excluding any boot thereon) for use in a Similar Business;

(g) the lease, assignment, sub-lease, license or sub-license of any real or personal property in the ordinary course of business or consistent with industry practices;

(h) any issuance or sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary;

(i) foreclosures, condemnation, expropriation, forced dispositions or any similar action with respect to assets or the granting of Liens not prohibited by the Indenture;

(j) sales of accounts receivable, or participations therein, or Securitization Assets (other than royalties or other revenues (except accounts receivable)) or related assets, or any disposition of the Equity Interests in a Subsidiary, all or substantially all of the assets of which are Securitization Assets, in each case in connection with any Qualified Securitization Facility or the disposition of an account receivable in connection with the collection or compromise thereof in the ordinary course of business;

(k) any financing transaction with respect to property built or acquired by the Company or any Restricted Subsidiary after the Original Issue Date, including Sale and Lease-Back Transactions and asset securitizations permitted by the Indenture;

(l) the sale, discount or other disposition of inventory, accounts receivable or notes receivable in the ordinary course of business or the conversion of accounts receivable to notes receivable;

(m) the licensing, sub-licensing or cross-licensing of intellectual property or other general intangibles in the ordinary course of business or consistent with industry practices;

(n) any surrender or waiver of contract rights or the settlement, release or surrender of contract rights or other litigation claims in the ordinary course of business;

(o) the unwinding of any Hedging Obligations;

(p) sales, transfers and other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding arrangements;

(q) the lapse or abandonment of intellectual property rights in the ordinary course of business, which in the reasonable good faith determination of the Company are not material to the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole;

(r) any disposition of Gaming Cash;

(s) the granting of a Lien that is permitted under the covenant described above under "*—Certain Covenants—Liens*";

(t) the issuance of directors' qualifying shares and shares issued to foreign nationals as required by applicable law;

(u) Permitted Intercompany Activities and related transactions;

(v) transfers of property subject to Casualty Events upon receipt of the Net Proceeds of such Casualty Event; *provided* that any Cash Equivalents received by the Company or any of its Restricted Subsidiaries in respect of such Casualty Event shall be deemed to be Net Proceeds of an Asset Sale, and such Net Proceeds shall be applied in accordance with the covenant described under "*—Repurchase at the Option of Holders—Asset Sales*";

(w) any sale of property or assets, if the acquisition of such property or assets was financed with Excluded Contributions and the proceeds of such sale are used to make a Restricted Payment pursuant to clause (10)(b) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(x) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person;

(y) disposition of certain real estate assets, or payments made by the Company or any Restricted Subsidiary in lieu thereof, as agreed under the Original Acquisition Agreement; and

(z) the disposition of any assets (including Equity Interests) (i) acquired in a transaction after the Original Completion Date, which assets are not material and used or useful in the core or principal business of the Company and its Restricted Subsidiaries or (ii) made in connection with the approval of any applicable antitrust authority or otherwise necessary or advisable in the good faith determination of the Company to consummate any acquisition.

In the event that a transaction (or a portion thereof) meets the criteria of a permitted Asset Sale and would also be a permitted Restricted Payment or Permitted Investment, the Company, in its sole discretion, will be entitled to divide and classify such transaction (or a portion thereof) as an Asset Sale and/or one or more the types of permitted Restricted Payments or Permitted Investments.

"*Bank Products*" means any facilities or services related to cash management, including treasury, depository, overdraft, credit or debit card, purchase card, automatic clearinghouse transfer transactions, controlled disbursements, foreign exchange facilities, stored value cards, merchant services, electronic funds transfer and other cash management arrangements.

"*Bund Rate*" means, with respect to any date of a redemption notice, the yield to maturity as of the date of such redemption notice 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 date of such redemption notice (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Company in good faith)) most nearly equal to the period from the date of such redemption notice to May 22, 2021; *provided*, *however*, that if the period from the date of such redemption notice to May 22, 2021 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 the date of such redemption notice to May 22, 2021 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 which is not a Legal Holiday.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock or shares in the capital of such corporation;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"*Capitalized Lease Obligation*" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital or finance lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) prepared in accordance with IFRS; *provided*, that any obligations of the Company or its Restricted Subsidiaries either existing on the Original Completion Date or created prior to any recharacterization described below (i) that were not included on the consolidated balance sheet of the Company as capital or finance lease obligations and (ii) that are subsequently recharacterized as capital or finance lease obligations or indebtedness due to a change in accounting treatment or

otherwise (including under IFRS 16), shall for all purposes under the Indenture (including, without limitation, the calculation of Consolidated Net Income and EBITDA) not be treated as capital or finance lease obligations, Capitalized Lease Obligations or Indebtedness.

"*Cash Equivalents*" means:

(1) United States dollars;

(2) (a) Canadian dollars, pounds sterling, yen, euros or any national currency of any participating Member State of the EMU; or

(b) in such local currencies held by the Company or any Restricted Subsidiary from time to time in the ordinary course of business;

(3) securities issued or directly and fully and unconditionally guaranteed or insured by the U.S. government or the government of any member of the European Union or any agency or instrumentality thereof the securities of which are unconditionally guaranteed as a full faith and credit obligation of such government with maturities of 24 months or less from the date of acquisition;

(4) certificates of deposit, time deposits and eurodollar time deposits with maturities of 24 months or less from the date of acquisition, demand deposits, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case with any commercial bank having capital and surplus of not less than $100 million;

(5) repurchase obligations for underlying securities of the types described in clauses (3), (4), (7) and (8) entered into with any financial institution or recognized securities dealer meeting the qualifications specified in clause (4) above;

(6) commercial paper and variable or fixed rate notes rated at least P-2 by Moody's or at least A-2 by S&P (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency) and in each case maturing within 24 months after the date of creation thereof;

(7) marketable short-term money market and similar funds having a rating of at least P-2 or A-2 from either Moody's or S&P, respectively (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency);

(8) readily marketable direct obligations issued by any state, commonwealth or territory of the United States or any political subdivision or taxing authority thereof having an Investment Grade Rating from either Moody's or S&P (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency) with maturities of 24 months or less from the date of acquisition;

(9) readily marketable direct obligations issued by any non-U.S. government or any political subdivision or public instrumentality thereof, in each case having an Investment Grade Rating from either Moody's or S&P (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency) with maturities of 24 months or less from the date of acquisition;

(10) Investments with average maturities of 12 months or less from the date of acquisition in money market funds rated AAA− (or the equivalent thereof) or better by S&P or Aaa3 (or the

equivalent thereof) or better by Moody's (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency);

(11) securities with maturities of 12 months or less from the date of acquisition backed by standby letters of credit issued by any financial institution or recognized securities dealer meeting the qualifications specified in clause (4) above;

(12) Indebtedness or Preferred Stock issued by Persons with a rating of "A" or higher from S&P or "A2" or higher from Moody's with maturities of 24 months or less from the date of acquisition; and

(13) investment funds investing at least 90% of their assets in securities of the types described in clauses (1) through (12) above.

In the case of Investments made in a country outside the United States of America, Cash Equivalents shall also include (a) investments of the type and maturity described in clauses (1) through (8) and clauses (10), (11), (12) and (13) above of non-U.S. obligors, which Investments or obligors (or the parents of such obligors) have ratings described in such clauses or equivalent ratings from comparable non-U.S. rating agencies and (b) other short-term investments utilized by Restricted Subsidiaries in accordance with normal investment practices for cash management in investments analogous to the foregoing investments in clauses (1) through (13) and in this paragraph.

Notwithstanding the foregoing, Cash Equivalents shall include amounts denominated in currencies other than those set forth in clauses (1) and (2) above.

For the avoidance of doubt, any items identified as Cash Equivalents under this definition will be deemed to be Cash Equivalents for all purposes under the Indenture regardless of the treatment of such items under IFRS.

"*Casualty Event*" means any event that gives rise to the receipt by the Company or any Restricted Subsidiary of any insurance proceeds or condemnation awards in respect of any equipment, fixed assets or real property (including any improvements thereon) to replace or repair such equipment, fixed assets or real property.

"*Change of Control*" means the occurrence of any of the following after the Issue Date:

(1) the sale, lease, transfer, conveyance or other disposition in one or a series of related transactions (other than by merger, consolidation or amalgamation), of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to any Person other than any Permitted Holder, the Company, the Issuer or a Guarantor that is a Restricted Subsidiary and (A) any Person (other than any Permitted Holder) or (B) Persons (other than any Permitted Holders) that are together a group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any such group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), is or become(s) the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision), directly or indirectly, of more than 50.0% of the total voting power of the Voting Stock of the transferee Person in such sale or transfer of assets, as the case may be; or

(2) the Company becomes aware of the acquisition by (A) any Person (other than any Permitted Holder) or (B) Persons (other than any Permitted Holders) that are together a group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any such group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), in a single transaction or in a related series of transactions, by way of merger, consolidation or other

business combination or purchase, of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) of more than 50.0% of the total voting power of the Voting Stock of the Company directly or indirectly through any of its Holding Companies, other than in connection with any transaction or series of transactions in which the Company shall become the Wholly Owned Subsidiary of a Parent Company.

provided, that if a Change of Control occurs pursuant to this definition, such Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

Notwithstanding the preceding or any provision of Rule 13d-3 under the Exchange Act, (i) a Person or group shall not be deemed to beneficially own securities subject to an equity or asset purchase agreement, merger agreement or similar agreement (or voting or option, warrant or similar agreement related thereto) until the consummation of the transactions contemplated by such agreement, (ii) if any group includes one or more Permitted Holders, the issued and outstanding Voting Stock of the Company beneficially owned, directly or indirectly, by any Permitted Holders that are part of such group shall not be treated as being beneficially owned by such group or any other member of such group for purposes of determining whether a Change of Control has occurred and (iii) a Person or group will not be deemed to beneficially own the Voting Stock of another Person as a result of its ownership of Voting Stock or other securities of such other Person's parent entity (or related contractual rights) unless it owns 50.0% or more of the total voting power of the Voting Stock entitled to vote for the election of directors of such parent entity having a majority of the aggregate votes on the board of directors (or similar body) of such parent entity.

"*Cirsa*" means Cirsa Gaming Corporation, S.A.

"*Clearstream*" means Clearstream Banking, a *société anonyme* as currently in effect or any successor securities clearing agency.

"*Collateral*" means all property and assets, whether now owned or hereafter acquired, in which Liens are, from time to time, purported to be granted to secure the Notes and the Guarantees pursuant to the Collateral Documents.

"*Collateral Documents*" means, collectively, the security agreements, pledge agreements, mortgages, collateral assignments, deeds of trust and all other pledges, agreements, financing statements, patent, trademark or copyright filings, mortgages or other filings or documents that create or purport to create a Lien in the Collateral in favor of the Security Agent and/or the Trustee (for the benefit of the Holders), the Intercreditor Agreement and any Additional Intercreditor Agreement, in each case as they may be amended from time to time, and any instruments of assignment, control agreements, lockbox letters or other instruments or agreements executed pursuant to the foregoing.

"*Consolidated Depreciation and Amortization Expense*" means with respect to any Person for any period, the total amount of depreciation and amortization expense, including the amortization of capitalized fees related to any Qualified Securitization Facility of such Person and the amortization of intangible assets, deferred financing costs, debt issuance costs, commissions, fees and expenses and capitalized software expenditures of such Person and its Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with IFRS.

"*Consolidated Financial Interest Expense*" means, with respect to any Person for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of such Person and its Restricted Subsidiaries related to Indebtedness (including (a) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (b) the interest component of Capitalized Lease Obligations, and (c) net payments or receipts, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness), but not including any pension liability interest cost, amortization of debt discount, debt issuance cost and premium, commissions, discounts and other fees and charges owed or paid with respect to financings,

costs associated with Hedging Obligations (other than those described in (c)) or interest related to Subordinated Shareholder Funding.

"*Consolidated Interest Expense*" means, with respect to any Person, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of such Person, whether paid or accrued, including any pension liability interest cost, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of debt discount, debt issuance cost and premium;

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;

(5) costs associated with Hedging Obligations and any foreign currency losses;

(6) dividends on other distributions in respect of all Disqualified Stock of such Person and all Preferred Stock of any Restricted Subsidiary of such Person, to the extent held by Persons other than such Person or a Subsidiary of such Person;

(7) the consolidated interest expense that was capitalized during such period; and

(8) interest expense under any Guarantee given by such Person or any Restricted Subsidiary of such Person of Indebtedness or other obligation of any other Person.

"*Consolidated Net Income*" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, and otherwise determined in accordance with IFRS; *provided*, that, without duplication,

(1) any after-tax effect of extraordinary, exceptional, infrequently occurring, non-recurring or unusual gains or losses (less all fees and expenses relating thereto), charges or expenses (including relating to any multi-year strategic initiatives), Transaction Expenses, restructuring and duplicative running costs, restructuring charges or reserves, relocation costs, start-up or initial costs for any project, new division, new location or new line of business, integration and new location opening costs, location consolidation and closing costs, severance costs and expenses, one-time charges (including compensation charges), payments made pursuant to the terms of change in control agreements that such Person or a Subsidiary or a Holding Company of such Person had entered into with employees of such Person, a Subsidiary or a Holding Company of such Person, costs relating to pre-opening, opening and conversion costs for locations, losses, costs or cost inefficiencies related to location or property disruptions or shutdowns, signing, retention and completion bonuses, recruiting costs, costs incurred in connection with any strategic initiatives, transition costs, litigation and arbitration fees, costs and charges, expenses in connection with one-time rate changes, costs incurred with acquisitions and investments (including travel and out-of-pocket costs, professional fees for legal, accounting and other services, human resources costs (including relocation bonuses), litigation and arbitration costs, charges, fees and expenses (including settlements), management transition costs, advertising costs, losses associated with temporary decreases in work volume and expenses related to maintain underutilized personnel) and non-recurring product and intellectual property development, other business optimization expenses or reserves (including costs and expenses relating to business optimization programs and new systems design and costs or reserves

associated with improvements to IT and accounting functions), retention charges (including charges or expenses in respect of incentive plans), system establishment costs and implementation costs) and operating expenses attributable to the implementation of cost-savings initiatives, and curtailments or modifications to pension and post-retirement employee benefit plans shall be excluded;

(2) at the election of such Person with respect to any quarterly period, the cumulative effect of a change in accounting principles and changes as a result of the adoption or modification of accounting policies during such period shall be excluded;

(3) any net after-tax effect of gains or losses on disposal, abandonment or discontinuance of disposed, abandoned or discontinued operations, as applicable, shall be excluded;

(4) any net after-tax effect of gains or losses (less all fees, expenses and charges relating thereto) attributable to asset dispositions or abandonments or the sale or other disposition of any Capital Stock of any Person other than in the ordinary course of business shall be excluded;

(5) the Net Income for such period of any Person that is not a Subsidiary, or is an Unrestricted Subsidiary, or that is accounted for by the equity method of accounting shall be excluded; *provided*, that Consolidated Net Income of such Person shall be increased by the amount of dividends or distributions or other payments (other than Excluded Contributions or the Equity Contribution) that are actually paid in cash (or to the extent converted into cash) or that could, in the reasonable determination of management, have been distributed to such Person or a Restricted Subsidiary thereof in respect of such period;

(6) solely for the purpose of determining the amount available for Restricted Payments under clause (3)(a) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," the Net Income for such period of any Restricted Subsidiary (other than any Guarantor) shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of its Net Income is not at the date of determination permitted without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule, or governmental regulation applicable to that Restricted Subsidiary or its shareholders (other than restrictions in the Notes, the Existing Notes, the Indenture or the Existing Indenture), unless such restriction with respect to the payment of dividends or similar distributions has been legally waived or is not prohibited pursuant to the covenant described under "*—Certain Covenants—Dividend and other Payment Restrictions Affecting Restricted Subsidiaries*"; *provided*, that Consolidated Net Income of such Person will be increased by the amount of dividends or other distributions or other payments actually paid in Cash Equivalents (or to the extent converted into Cash Equivalents) to such Person or a Restricted Subsidiary thereof in respect of such period, to the extent not already included therein;

(7) effects of adjustments (including the effects of such adjustments pushed down to such Person and its Restricted Subsidiaries) in such Person's consolidated financial statements pursuant to IFRS (including in the inventory (including any impact of changes to inventory valuation policy methods, including changes in capitalization of variances), property and equipment, software, goodwill, intangible assets, in-process research and development, deferred revenue and debt line items thereof) resulting from the application of recapitalization accounting or purchase accounting, as the case may be, in relation to any consummated acquisition (including the Original Acquisition and the New Acquisition) or joint venture investment or the amortization or write-off or write-down of any amounts thereof, net of taxes, shall be excluded;

(8) any after-tax effect of income (loss) from the early extinguishment or conversion of (i) Indebtedness, (ii) Hedging Obligations or (iii) other derivative instruments shall be excluded;

(9) any impairment charge or asset write-off or write-down, including impairment charges or asset write-offs or write-downs related to intangible assets, long-lived assets, investments in debt and equity securities and investments recorded using the equity method or as a result of a change in law or regulation, in each case, pursuant to IFRS, and the amortization of intangibles arising pursuant to IFRS shall be excluded;

(10) any equity-based or non-cash compensation or similar charge or expense or reduction of revenue including any such charge, expense or amount arising from grants of stock appreciation or similar rights, stock options, restricted stock, profit interests or other rights or equity or equity-based incentive programs ("*equity incentives*"), any one-time cash charges associated with the equity incentives or other long-term incentive compensation plans (including under deferred compensation arrangements of such Person or any of its Holding Companies or its Subsidiaries), roll-over, acceleration, or payout of Equity Interests by management, other employees or business partners of such Person or any of its Holding Companies or Subsidiaries, and any cash awards granted to employees of such Person or any of its Holding Companies or Subsidiaries in replacement for forfeited awards, shall be excluded;

(11) any fees, expenses, premia (including tender premia) or charges incurred during such period, or any amortization thereof for such period, in connection with any acquisition, recapitalization, Investment, Asset Sale, disposition, incurrence or repayment of Indebtedness (including such fees, expenses or charges related to the offering and issuance of the Notes and other securities and the syndication and incurrence of any Credit Facilities), issuance of Equity Interests, refinancing transaction or amendment or modification of any debt instrument (including any amendment or other modification of the Notes and other securities and any Credit Facilities) and including, in each case, any such transaction consummated on or prior to the Issue Date and any such transaction undertaken but not completed, and any charges or non-recurring merger costs incurred during such period as a result of any such transaction, in each case whether or not successful or consummated, shall be excluded;

(12) accruals and reserves that are established or adjusted that are required to be established or adjusted as a result of the Original Transactions or the Transactions, or within twelve months after the closing of any acquisition that are so required to be established or adjusted as a result of such acquisition, in accordance with IFRS or changes as a result of modifications of accounting policies shall be excluded;

(13) any expenses, charges or losses to the extent covered by insurance or indemnity and actually reimbursed, or, so long as such Person has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer or indemnifying party and only to the extent that such amount is in fact reimbursed within 365 days of the date of the insurable or indemnifiable event (net of any amount so added back in any prior period to the extent not so reimbursed within the applicable 365-day period), shall be excluded;

(14) any noncash compensation expense resulting from the application of accounting principles relating to the expensing of stock-related compensation shall be excluded;

(15) the following items shall be excluded:

(a) any net unrealized gain or loss (after any offset) resulting in such period from Hedging Obligations,

(b) any net unrealized gain or loss (after any offset) resulting in such period from currency translation gains or losses including those related to currency remeasurements of Indebtedness (including any net loss or gain resulting from Hedging Obligations for currency exchange risk) and any other foreign currency translation gains and losses, to the extent such gains or losses are non-cash items,

(c) any adjustments resulting from any recording of liabilities under guarantees at fair value,

(d) at the election of such Person with respect to any quarterly period, effects of adjustments to accruals and reserves during a prior period relating to any change in the methodology of calculating reserves for returns, rebates and other chargebacks, and

(e) earn-out, non-compete and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments; and

(16) the impact of capitalized, accrued or accreting on pay-in-kind interest or principal on Subordinated Shareholder Funding.

In addition, to the extent not already included in the Consolidated Net Income of such Person and its Restricted Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include the amount of proceeds received from business interruption insurance and reimbursements of any expenses and charges that are covered by indemnification or other reimbursement provisions in connection with any acquisition, Investment or any sale, conveyance, transfer or other disposition of assets permitted under the Indenture.

Notwithstanding the foregoing, for the purpose of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" only (other than clause (3)(d) of the first paragraph thereof), there shall be excluded from Consolidated Net Income any income arising from any sale or other disposition of Restricted Investments made by the Company and its Restricted Subsidiaries, any repurchases and redemptions of Restricted Investments from the Company and its Restricted Subsidiaries, any repayments of loans and advances which constitute Restricted Investments by the Company or any of its Restricted Subsidiaries, any sale of the stock of an Unrestricted Subsidiary or any distribution or dividend from an Unrestricted Subsidiary, in each case only to the extent such amounts increase the amount of Restricted Payments permitted under such covenant pursuant to clause (3)(d) thereof.

"*Consolidated Secured Debt Ratio*" as of any date of determination means, the ratio of (1)(a) Consolidated Total Indebtedness of the Company and its Restricted Subsidiaries that is secured by Liens on the Collateral on at least a *pari passu* basis with the Notes as of such date of determination *minus* cash and Cash Equivalents included on the consolidated balance sheet of the Company as of the end of the most recently completed month for which such information is available, with pro forma adjustments to cash and Cash Equivalents giving effect to any Incurrence and repayment of Indebtedness, Sale, Investment, Purchase or other similar transaction, as applicable, that has occurred since the end of such month and on or prior to such date of determination, plus (b) the Reserved Indebtedness Amount of the Company and its Restricted Subsidiaries that is secured by Liens on the Collateral on at least a *pari passu* basis with the Notes as of such date of determination to (2) LTM EBITDA of the Company.

"*Consolidated Total Debt Ratio*" as of any date of determination means, the ratio of (1)(a) Consolidated Total Indebtedness of the Company and its Restricted Subsidiaries as of such date of determination *minus* cash and Cash Equivalents included on the consolidated balance sheet of the Company as of the end of the most recently completed month for which such information is available, with pro forma adjustments to cash and Cash Equivalents giving effect to any repayment of Indebtedness, Sale, Investment, Purchase or other similar

transaction, as applicable, that has occurred since the end of such month and on or prior to such date of determination, plus (b) the Reserved Indebtedness Amount of the Company and its Restricted Subsidiaries that is secured by Liens on the Collateral on at least a *pari passu* basis with the Notes as of such date of determination to (2) LTM EBITDA of the Company.

"*Consolidated Total Indebtedness*" means, as of any date of determination, an amount equal to the sum of (1) the aggregate amount of all outstanding Indebtedness of the Company and its Restricted Subsidiaries on a consolidated basis consisting of Indebtedness for borrowed money, Obligations in respect of Capitalized Lease Obligations and debt obligations evidenced by bonds, notes, debentures, promissory notes and similar instruments, as determined in accordance with IFRS (excluding for the avoidance of doubt all undrawn amounts under revolving credit facilities and letters of credit and all obligations relating to Qualified Securitization Facilities) and (2) the aggregate amount of all outstanding Disqualified Stock of the Company and its Restricted Subsidiaries and all Preferred Stock of its Restricted Subsidiaries on a consolidated basis, with the amount of such Disqualified Stock and Preferred Stock equal to the greater of their respective voluntary or involuntary liquidation preferences and maximum fixed repurchase prices, in each case determined on a consolidated basis in accordance with IFRS (but excluding the effects of any discounting of Indebtedness resulting from the application of repurchase or purchase accounting in connection with the Original Transactions, the Transactions or any other acquisition); *provided*, that Consolidated Total Indebtedness shall not include Indebtedness in respect of (A) any letter of credit, except to the extent of unreimbursed amounts under standby letters of credit, *provided* that any unreimbursed amounts under commercial letters of credit shall not be counted as Consolidated Total Indebtedness until five Business Days after such amount is drawn and (B) Hedging Obligations existing on the Issue Date or otherwise permitted by clause (10) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*". For purposes hereof, the "*maximum fixed repurchase price*" of any Disqualified Stock or Preferred Stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock or Preferred Stock as if such Disqualified Stock or Preferred Stock were purchased on any date on which Consolidated Total Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock or Preferred Stock, such fair market value shall be determined reasonably and in good faith by the Company. The Euro Equivalent principal amount of any Indebtedness denominated in a currency other than euro will reflect the currency translation effects, determined in accordance with IFRS, of Hedging Obligations for currency exchange risks with respect to the applicable currency in effect on the date of determination of the Euro Equivalent principal amount of such Indebtedness.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing any leases, dividends or other obligations that do not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, 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 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.

"*Controlled Investment Affiliate*" means, as to any Person, any other Person, other than any Investor, which directly or indirectly is in control of, is controlled by, or is under common control with such Person and is organized by such Person (or any Person controlling such Person) primarily for making direct or indirect equity or debt investments in the Company and/or other companies.

"*Credit Facilities*" means, with respect to the Company or any of its Restricted Subsidiaries, one or more debt facilities, including the Senior Credit Facilities, or other financing arrangements (including, without limitation, commercial paper facilities or indentures) providing for revolving credit loans, term loans, letters of credit or other long-term indebtedness, including any notes, mortgages, guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof, in whole or in part, and any indentures, agreements, credit facilities or commercial paper facilities that replace, refund, supplement or refinance any part of the loans, notes, other credit facilities or commitments thereunder, including any such replacement, refunding, supplemental or refinancing facility, arrangement, agreement or indenture that increases the amount permitted to be borrowed or issued thereunder or alters the maturity thereof (*provided*, that such increase in borrowings or issuances is permitted under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*") or adds Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, trustee, lender or group of lenders or other holders.

"*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 a beneficiary.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default; *provided* that any Default that results solely from the taking of an action that would have been permitted but for the continuation of a previous Default will be deemed to be cured if such previous Default is cured prior to becoming an Event of Default.

"*Designated Non-cash Consideration*" means the fair market value of non-cash consideration received by the Company or a Restricted Subsidiary of the Company in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, executed by the principal financial officer of the Company, less the amount of Cash Equivalents received in connection with a subsequent sale, redemption or repurchase of or collection or payment on such Designated Non-cash Consideration.

"*Designated Preferred Stock*" means Preferred Stock of the Company or any Holding Company thereof (in each case other than Disqualified Stock) that is issued for cash (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any of its Subsidiaries) and is so designated as Designated Preferred Stock, pursuant to an Officer's Certificate executed by the principal financial officer of the Company or the applicable parent company thereof, as the case may be, on the issuance date thereof, the cash proceeds of which are excluded from the calculation set forth in clause (3) of the first paragraph of "*—Certain Covenants—Limitation on Restricted Payments*."

"*Disinterested Director*" means, with respect to any Affiliate Transaction, a member of the board of directors of the Company or any direct or indirect parent of the Company having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the board of directors of the Company or any direct or indirect parent of the Company shall be deemed not to have such a financial interest by reason of such member's holding Capital Stock of the Company or any direct or indirect parent of the Company or any options, warrants or other rights in respect of such Capital Stock.

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which, by its terms, or by the terms of any security into which it is convertible or for which it is putable or exchangeable, or upon the happening of any event, matures or is mandatorily redeemable (other than solely as a result of a change

of control or asset sale) pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof (other than solely as a result of a change of control or asset sale), in whole or in part, in each case prior to the date 91 days after the earlier of the maturity date of the Notes or the date the Notes are no longer outstanding; *provided*, that if such Capital Stock is issued to any plan for the benefit of employees of the Company or its Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Company or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations; *provided*, *further*, that any Capital Stock held by any future, current or former employee, director, officer, manager or consultant (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Company, any of its Subsidiaries, any of its Holding Companies or any other entity in which the Company or a Restricted Subsidiary of the Company has an Investment and is designated in good faith as an "*affiliate*" by the board of directors of the Company (or the compensation committee thereof), in each case pursuant to any stock subscription or shareholders' agreement, management equity plan or stock option plan or any other management or employee benefit plan or agreement shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Company or its Subsidiaries or in order to satisfy applicable statutory or regulatory obligations.

"*EBITDA*" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period

(1) increased (without duplication) by the following, in each case (other than with respect to clauses (h) and (n)) to the extent deducted (and not added back) in determining Consolidated Net Income for such period:

(a) provision for taxes based on income or profits or capital, including, without limitation, federal, state, franchise and similar taxes, any charges incurred by such Person or its Restricted Subsidiaries pursuant to any Tax Sharing Agreement, withholding taxes (including any future taxes or other levies which replace or are intended to be in lieu of such taxes and any penalties and interest related to such taxes or arising from tax examinations) and the net tax expense associated with any adjustments made pursuant to clauses (1) through (15) of the definition of "Consolidated Net Income" (excluding, for the avoidance of doubt, gaming taxes); plus

(b) Consolidated Interest Expense of such Person for such period (including (x) net losses or any obligations on Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate risk, (y) bank fees and other financing fees and (z) costs of surety bonds in connection with financing activities); plus

(c) Consolidated Depreciation and Amortization Expense of such Person for such period; plus

(d) the amount of any restructuring charges or reserves, equity-based or non-cash compensation charges or expenses including any such charges or expenses arising from grants of stock appreciation or similar rights, stock options, restricted stock or other rights, retention charges (including charges or expenses in respect of incentive plans), start-up or initial costs for any project or new production line, division or new line of business or other business optimization expenses or reserves including, without limitation, costs or reserves associated with improvements to IT and accounting functions, integration and facilities opening costs or any one-time costs incurred in connection with acquisitions and Investments and costs related to the closure and/or consolidation of facilities; plus

(e) any other non-cash charges, expenses or losses, including non-cash losses on the sale of assets and any write-offs or write-downs reducing Consolidated Net Income for such

period and any non-cash expense relating to the vesting of warrants (*provided* that if any such non-cash charges represent an accrual or reserve for potential cash items in any future period, (A) such Person may elect not to add back such non-cash charge in the current period and (B) to the extent such Person elects to add back such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from EBITDA to such extent, and excluding amortization of a prepaid cash item that was paid in a prior period); plus

(f) the amount of any non-controlling interest or minority interest expense consisting of Subsidiary income attributable to non-controlling or minority equity interests of third parties in any non-Wholly Owned Subsidiary; plus

(g) the amount of (x) board of director fees, management, monitoring, consulting, transaction, advisory and other fees (including termination fees) and indemnities and expenses paid or accrued in such period under the Support and Services Agreement (or any amendment thereto and related agreements or arrangements) or otherwise paid to any member of the board of directors (or the equivalent thereof) of the Company, any Permitted Holder or any Affiliate of a Permitted Holder and (y) any fees and other compensation paid to the members of the board of directors (or the equivalent thereof) of the Company or any of its Holding Companies; plus

(h) the amount of (x) "run-rate" cost savings, operating expense reductions and synergies related to the Original Transactions and the Transactions that are reasonably identifiable and factually supportable (it is understood and agreed that "run-rate" means the full recurring benefit for a period that is associated with any action taken, committed to be taken or expected to be taken, net of the amount of actual benefits realized during such period from such actions) projected by the Company in good faith to result from actions that have been taken or with respect to which substantial steps have been taken or are expected to be taken (in the good faith determination of the Company) within 36 months after the Original Completion Date, in the case of the Original Transactions, and within 36 months after the Issue Date, in the case of the Transactions (including from any actions taken in whole or in part prior to the Original Completion Date or the Issue Date, as applicable), net of the amount of actual benefits realized during such period from such actions; and (y) "run rate" cost savings, operating expense reductions and synergies related to mergers and other business combinations, acquisitions, investments, dispositions, divestitures, restructurings, operating improvements, cost savings initiatives and other similar transactions or initiatives (including the modification and renegotiation of contracts and other arrangements) that are reasonably identifiable and factually supportable and projected by the Company in good faith to result from actions that have been taken or with respect to which substantial steps have been taken (in each case, including prior to the Original Completion Date or the Issue Date, as applicable) or are expected to be taken (in the good faith determination of the Company) within 24 months after any such merger or other business combination, acquisition, investment, disposition, divestiture, restructuring, operating improvement, cost savings initiative or other similar transaction or initiative (including the modification and renegotiation of contracts and other arrangements) is consummated, net of the amount of actual benefits realized during such period from such actions, in each case, calculated on a pro forma basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of such period for which EBITDA is being determined and as if such, cost savings, operating expense reductions and synergies were realized on the first day of the applicable period for the entirety of such period; *provided* that the aggregate amount added back pursuant to this sub clause (y) for the period for which EBITDA is being

determined shall not exceed 25% of EBITDA for such period (calculated after giving full effect to the pro forma adjustments set forth in this sub clause (y)); and, *provided, further*, that no cost savings, operating expense reductions and synergies shall be added pursuant to this clause (h) to the extent duplicative of any expenses or charges otherwise added to EBITDA, whether through a pro forma adjustment or otherwise, for such period; plus

(i) the amount of loss or discount on sale of receivables, Securitization Assets and related assets to any Securitization Subsidiary in connection with a Qualified Securitization Facility; plus

(j) any costs or expense incurred by such Person or a Restricted Subsidiary of such Person or a Holding Company pursuant to any management equity plan or stock option plan or any other management or employee benefit plan, any severance agreement or agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of the Company or net cash proceeds of an issuance of Equity Interest of the Company (other than Disqualified Stock) solely to the extent that such net cash proceeds are excluded from the calculation set forth in clause (3) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*"; plus

(k) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of EBITDA pursuant to clause (2) below for any previous period and not added back; plus

(l) any losses, charges, expenses, costs or other payments (including all fees, expenses or charges related thereto) (i) from disposed, abandoned or discontinued operations, (ii) in respect of facilities no longer used or useful in the conduct of the business of such Person or its Restricted Subsidiaries, abandoned, closed, disposed or discontinued operations and any losses on disposal of abandoned, closed or discontinued operations and (iii) attributable to business dispositions or asset dispositions (other than in the ordinary course of business) as determined in good faith by the Company; plus

(m) interest income or investment earnings on intellectual property, royalty or license receivables; plus

(n) adjustments of the nature used in connection with the calculation of "Adjusted EBITDA" as set forth in footnote (4) of "*Summary—Summary Historical Consolidated Financial and Other Data*" contained in the Offering Memorandum applied in good faith by the Company to the extent such adjustments continue to be applicable during the period in which EBITDA is being calculated; and

(2) decreased (without duplication) by the following, in each case to the extent included in determining Consolidated Net Income for such period:

(a) non-cash gains increasing Consolidated Net Income of such Person for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced EBITDA in any prior period and any non-cash gains with respect to cash actually received in a prior period so long as such cash did not increase EBITDA in such prior period; plus

(b) any net income from disposed, abandoned or discontinued operations.

"*EMU*" means economic and monetary union as contemplated in the Treaty on European Union.

"*Equity Contribution*" means the contribution to the Company of shareholder funds (including by means of Subordinated Shareholder Funding) on or about the Original Completion Date as part of the Original Transactions.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock, but excluding any debt security that is convertible into, or exchangeable for, Capital Stock.

"*Equity Offering*" means any public or private sale or issuance of common stock or Preferred Stock of the Company or any of its Holding Companies (excluding Disqualified Stock), other than:

(1) public offerings with respect to the Company's or any Holding Company's common stock registered on Form S-4, Form F-4 or Form S-8;

(2) issuances to any Subsidiary of the Company; and

(3) any such public or private sale or issuance that constitutes an Excluded Contribution, the Equity Contribution or Excluded Amounts.

"*euro*" means the single currency of participating Member States of the EMU.

"*Euro Equivalent*" means, except as otherwise specifically set forth herein, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Company or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Company) on the date of such determination.

"*European Government Obligations*" means direct obligations of, or obligations guaranteed by, a Member State of the European Union as in effect on December 31, 2013, and the payment of which the full faith and credit of such Member State of the European Union.

"*European Union*" means all members of the European Union as of January 1, 2004.

"*Euroclear*" means Euroclear Bank SA/NV, or any successor securities clearing agency.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Excluded Contribution*" means net cash proceeds, marketable securities or Qualified Proceeds (other than Excluded Amounts) received by the Company after the Original Issue Date from:

(1) contributions to its common equity capital;

(2) dividends, distributions, fees and other payments from any joint ventures that are not Restricted Subsidiaries; and

(3) the sale (other than to a Subsidiary of the Company or to any management equity plan or stock option plan or any other management or employee benefit plan or agreement of the Company) of Capital Stock (other than Disqualified Stock and Designated Preferred Stock) of the Company,

in each case designated as Excluded Contributions pursuant to an Officer's Certificate executed by the principal financial officer of the Company on the date such capital contributions are made or the date such Equity Interests are sold, as the case may be, which are excluded from the calculation set forth in clause (3) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Existing Cirsa Indebtedness*" means existing Indebtedness of Cirsa and its Subsidiaries that remained in place following the Original Acquisition.

"*Existing Indenture*" refers to the indenture governing the Existing Notes dated July 2, 2018, among *inter alios*, the Issuer, the Company and the Trustee, to which the Company acceded as Guarantor on July 3, 2018 and the Subsidiary Guarantors acceded as Guarantors on October 26, 2018 pursuant to, in each case, a supplemental indenture dated the dates thereof, and as may be further amended and supplemented from time to time.

"*Existing Notes*" refers, collectively, to the €663,000,000 aggregate principal amount of the Issuer's 6.25% senior secured notes due 2023, €425,000,000 aggregate principal amount of the Issuer's floating rate senior secured notes due 2023 and $550,000,000 aggregate principal amount of the Issuer's 7.875% senior secured notes due 2023, in each case, issued on the Original Issue Date pursuant to the Existing Indenture.

"*Existing Proceeds Loan*" means the loan of the proceeds of the Existing Notes pursuant to the Existing Proceeds Loan Agreements and all loans directly or indirectly replacing or refinancing such loans or a portion thereof.

"*Existing Proceeds Loan Agreements*" means one or more loan agreements made on July 2, 2018 of the proceeds of the Existing Notes by the Issuer, as lender, to the Company, as borrower.

"*fair market value*" shall be determined in good faith by the Company and may be conclusively established by means of an Officer's Certificate or a resolution of the board of directors of the Company setting out such fair market value as determined by such Officer or such board of directors in good faith.

"*First Lien Obligations*" means Priority Payment Lien Obligations, the Notes Obligations and Pari Passu Lien Indebtedness.

"*Fixed Charge Coverage Ratio*" means, with respect to any Person for any period, the ratio of:

(a) EBITDA for such Person for such Period to

(b) Fixed Charges for such Person for such Period;

provided that for the purposes of calculating EBITDA or Fixed Charges for such period, if, as of such date of determination:

(1) since the beginning of such period the Company or any of its Restricted Subsidiaries has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "Sale") or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is such a Sale, (a) EBITDA for such period will be reduced by an amount equal to the EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period; and (b) the Fixed Charges for such period shall be reduced by an amount equal to the Fixed Charges directly attributable to any Indebtedness of the

Company or of any of its Restricted Subsidiaries repaid, repurchased, defeased or otherwise discharged with respect to the Company and its continuing Restricted Subsidiaries in connection with such Sale for such period (or, if the Capital Stock of any Restricted Subsidiary of the Company is sold, the Fixed Charges for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such Sale);

(2) since the beginning of such period, the Company or any of its Restricted Subsidiaries (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary of the Company, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "Purchase"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, EBITDA and Fixed Charges for such period will be calculated after giving pro forma effect thereto (including all reasonably anticipated cost savings, operating expense reductions and synergies, in each case, as calculated in good faith by a reasonable financial or accounting officer of the Company consistent with clause (1)(h) of the definition of "EBITDA"), as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary of the Company or was merged or otherwise combined with or into the Company or any of its Restricted Subsidiaries since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Company or any of its Restricted Subsidiaries since the beginning of such period, EBITDA and Fixed Charges for such period will be calculated after giving pro forma effect thereto (including all reasonably anticipated cost savings, operating expense reductions and synergies, in each case, as calculated in good faith by a reasonable financial or accounting officer of the Company consistent with clause (1)(h) of the definition of "EBITDA"), as if such Sale or Purchase occurred on the first day of such period.

If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness).

For the purposes of this definition, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Company (including in respect of cost savings, operating expense reductions and synergies (as calculated in good faith by a reasonable financial or accounting officer of the Company consistent with clause (1)(h) of the definition of "EBITDA")) as though the full effect of cost savings, operating expense reductions and synergies were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or accounting officer of the Company consistent with clause (1)(h) of the definition of "EBITDA") of cost savings programs that have been initiated by the Company or its Restricted Subsidiaries as though such cost savings programs had been fully implemented on the first day of the relevant period and (b) in determining the amount of Indebtedness, Disqualified Stock or Preferred Stock outstanding on any date of determination, pro forma effect shall be given to any incurrence, assumption, guarantee, redemption, repayment, repurchase, defeasance or other acquisition, retirement, extinguishment or discharge of Indebtedness, or any issuance or redemption of Disqualified Stock or Preferred Stock, as if such transaction had occurred on the first day of the relevant period, subject, for the avoidance of doubt, to the paragraphs contained in "*—Certain Covenants—Certain Compliance Calculations*". In calculating the Fixed Charge Coverage Ratio, pro forma effect will not be given to (i) any Indebtedness incurred on the date of determination pursuant to the second paragraph of the covenant set forth in "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (other than for the purpose of the calculation of the Fixed Charge Coverage Ratio under clause (14) of such second paragraph) or (ii) the repayment, repurchase, redemption, defeasance or other discharge of any Indebtedness on such date of

determination, to the extent that such repayment, repurchase, redemption, defeasance or other discharge is made with the proceeds of Indebtedness incurred pursuant to the second paragraph of the covenant "*—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*").

"*Fixed Charges*" means, with respect to any Person for any period, the sum of, without duplication:

(1) Consolidated Financial Interest Expense of such Person for such period;

(2) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Preferred Stock during such period; and

(3) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Disqualified Stock during such period.

"*Gaming Cash*" means cash legally and beneficially owned by the Company or any of its Restricted Subsidiaries that is not held in a bank account.

"*guarantee*" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness or other obligations.

"*Guarantee*" means the guarantee by any Guarantor of the Issuer's Obligations under the Indenture and the Notes.

"*Guarantor"* means (i) the Company and (ii) each Subsidiary of the Company (other than the Issuer) that Guarantees the Notes in accordance with the terms of the Indenture, *provided* that upon release and discharge of such Subsidiary from its Guarantee in accordance with the Indenture, such Subsidiary ceases to be a Guarantor.

"*Hedging Obligations*" means, with respect to any Person, the obligations of such Person under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, commodity swap agreement, commodity cap agreement, commodity collar agreement, foreign exchange contract, currency swap agreement or similar agreement providing for the transfer, modification or mitigation of interest rate, currency or commodity risks either generally or under specific contingencies.

"*Holder*" means the Person in whose name a Note is registered in the Register, which shall initially the respective nominee of the common depositary for Clearstream and Euroclear.

"*Holding Company*" means any Person that is a direct or indirect parent company of the relevant Person.

"*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 Company or its Restricted Subsidiaries are, or may be, required to comply; *provided*, that at any date after the Issue Date the Company may make an irrevocable election to establish that "IFRS" shall mean IFRS as in effect on a date that is on or prior to the date of such election.

"*Immediate Family Members*" means with respect to any individual, such individual's child, stepchild, grandchild or more remote descendant, parent, stepparent, grandparent, spouse, former spouse, qualified domestic partner, sibling, mother-in-law, father-in-law, son-in-law and daughter-in-law (including adoptive relationships), the estates of such individual and any trust, partnership or other bona fide estate-planning vehicle the only beneficiaries of which are any of the foregoing individuals or any private foundation or fund that is controlled by any of the foregoing individuals or any donor-advised fund of which any such individual is the donor.

"*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 and such obligations are satisfied within 30 days of incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination 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 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 and the amount of reimbursement obligations in respect of letters of credit thereunder. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations incurred in the ordinary course of business, obligations under or in respect of Qualified Securitization Facilities 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 Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 180 days thereafter;

(3) any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations under any Tax Sharing Agreement, or social security or wage taxes or contributions;

(4) Subordinated Shareholder Funding;

(5) prepayments of deposits received from clients or customers in the ordinary course of business;

(6) 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;

(7) deferred or prepaid revenues;

(8) Indebtedness in respect of the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Company or any of its Restricted Subsidiaries in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon, are honored in accordance with their terms and if to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond;

(9) Indebtedness incurred by the Company or any of its Restricted Subsidiaries in connection with a transaction where a substantially concurrent Investment is made by the Company or any of its Restricted Subsidiaries in the form of cash deposited with the lender of such Indebtedness, or a Subsidiary or Affiliate thereof, in an amount equal to such Indebtedness. For the avoidance of doubt, if any Indebtedness is excluded pursuant to this clause (9), any associated cash deposited in connection therewith shall not offset the Fixed Charge Coverage Ratio, the Consolidated Secured Debt Ratio or the Consolidated Total Debt Ratio;

(10) any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Original Issue Date;

(11) any asset retirement obligations;

(12) any liability for taxes; or

(13) any amounts payable to customers for their winnings in our gaming facilities or from our gaming machines or represented by any chips, tokens or other similar tender obtained by our customers for use in our gaming facilities or in our gaming machines.

"*Independent Financial Advisor*" means an accounting, appraisal or investment banking firm or consultant to Persons engaged in Similar Businesses of internationally recognized standing that is, in the good faith judgment of the Company, qualified to perform the task for which it has been engaged.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Company or any parent or any successor of the Company or any parent (or following an IPO Pushdown, the

entity designated as an "IPO Pushdown Entity" in compliance with the provisions described under "*—IPO Pushdown*") (the "*IPO Entity*") 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.

"*Intercompany License Agreement*" means any cost sharing agreement, commission or royalty agreement, license or sub-license agreement, distribution agreement, services agreement, intellectual property rights transfer agreement, any related agreements or other similar agreements, in each case where all parties to such agreement are the Company and/or one or more of its Restricted Subsidiaries.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated June 22, 2018, among the Issuer, the Company, Deutsche Bank Trust Company Americas, as security agent, and the other parties thereto, and acceded to by (i) Deutsche Trustee Company Limited, as trustee of the Existing Notes, on the Original Issue Date, and (ii) the Subsidiary Guarantors on October 26, 2018, and to which Deutsche Trustee Company Limited, as trustee of the Notes, will accede on or about the Issue Date, as it may be amended from time to time in accordance with the Indenture.

"*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 Grade Rating*" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB− (or the equivalent) by S&P, or if the applicable securities are not then rated by Moody's or S&P an equivalent rating by any other Rating Agency.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) debt securities or debt instruments with an Investment Grade Rating, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries;

(3) investments in any fund that invests exclusively in investments of the type described in clauses (1) and (2) which fund may also hold immaterial amounts of cash pending investment or distribution; and

(4) corresponding instruments in countries other than the United States customarily utilized for high quality investments.

"*Investments*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of loans (including guarantees), advances or capital contributions (excluding accounts receivable, trade credit, advances to customers, commission, travel and similar advances to employees, directors, officers, managers and consultants, in each case made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person and investments that are required by IFRS to be classified on the balance sheet (excluding the footnotes) of the Company in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. For purposes of the

definition of "Unrestricted Subsidiary" and the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "*Investments*" will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary of the Company (other than the Issuer) to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Company's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary of the Company;

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer; and

(3) if the Company or any of its Restricted Subsidiaries issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary of the Company such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary of the Company, any Investment by the Company or any of its Restricted Subsidiaries in such Person remaining after giving effect thereto shall not be deemed to be a new Investment at such time.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount received in Cash Equivalents by the Company or any of its Restricted Subsidiaries in respect of such Investment.

"*Investors*" means, individually or collectively, funds, partnerships, co-investment vehicles and other entities, in each case, owned, managed, controlled or advised by The Blackstone Group L.P. and/or any of its Affiliates, or any of their respective successors (including, for the avoidance of doubt, the entity that succeeds it following its conversion into a corporation, which is expected to occur on or about July 1, 2019).

"*IPO 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 IPO Event 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.

"*IPO Event*" means the occurrence of an Initial Public Offering.

"*Issue Date*" means May 22, 2019.

"*Issuer*" means Cirsa Finance International S.à r.l. (formerly, LHMC Finco S.à r.l.) and its successors and assigns.

"*Legal Holiday*" means a Saturday, a Sunday or a day on which commercial banking institutions are not required to be open in the State of New York, United States, London, United Kingdom or Barcelona, Spain, or at the place of payment in respect of the Notes. If a payment date is on a Legal Holiday, payment will be made on the next succeeding day that is not a Legal Holiday and no interest shall accrue for the intervening period.

"*Lien*" means, with respect to any asset, any mortgage, lien (statutory or otherwise), pledge, hypothecation, charge, security interest, preference, priority or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security

interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided*, that in no event shall an operating lease be deemed to constitute a Lien.

"*Limited Condition Transaction*" means (1) any Investment or acquisition (whether by merger, amalgamation, consolidation or other business combination or the acquisition of Capital Stock or otherwise), (2) any redemption, repurchase, defeasance, satisfaction and discharge or repayment of Indebtedness, Disqualified Stock or Preferred Stock requiring irrevocable notice in advance of such redemption, repurchase, defeasance, satisfaction and discharge or repayment and (3) any Restricted Payment requiring irrevocable notice in advance thereof.

"*LTM EBITDA*" means, with respect to any Person, the EBITDA of such Person measured for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of such Person are available, with such pro forma adjustments giving effect to such Indebtedness, Sale, Investment, Purchase or other transaction, as applicable, since the start of such four quarter period as are consistent with the pro forma adjustments set forth in the definition of "Fixed Charge Coverage Ratio."

"*Management Shareholders*" means the current, future and former employees and members of management (and their Controlled Investment Affiliates and Immediate Family Members) of the Company (or its Holding Companies) who are holders of Equity Interests of any Holding Company of the Company on the Issue Date or will become holders of such Equity Interests in connection with the Original Transactions.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common Equity Interests of the IPO Entity on the date of the declaration of a Restricted Payment permitted pursuant to clause (9) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" multiplied by (ii) the arithmetic mean of the closing prices per share of such common Equity Interests on the principal securities exchange on which such common Equity Interests are traded for the 30 consecutive trading days immediately preceding the date of declaration of such Restricted Payment, or, if greater, the IPO Capitalization.

"*Moody's"* means Moody's Investors Service, Inc. and any successor to its rating agency business.

"*Net Income*" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with IFRS and before any reduction in respect of Preferred Stock dividends.

"*Net Proceeds*" means the aggregate Cash Equivalents proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale, including any Cash Equivalents received upon the sale or other disposition of any Designated Non-cash Consideration received in any Asset Sale, net of the direct costs relating to such Asset Sale and the sale or disposition of such Designated Non-cash Consideration, including legal, accounting and investment banking fees, payments made in order to obtain a necessary consent or required by applicable law, and brokerage and sales commissions, any relocation expenses incurred as a result thereof, other fees and expenses, including title and recordation expenses, taxes paid or payable as a result thereof or any transactions occurring or deemed to occur to effectuate a payment under the Indenture (after taking into account any available tax credits or deductions and any tax sharing arrangements), amounts required to be applied to the repayment of principal, premium, if any, and interest on Senior Indebtedness or amounts required to be applied to the repayment of Indebtedness secured by a Lien on such assets and required (other than required by clause (1) of the second paragraph of "*—Repurchase at the Option of Holders—Asset Sales*") to be paid as a result of such transaction and any deduction of appropriate amounts to be provided by the Company or any of its Restricted Subsidiaries as a reserve in accordance with IFRS against any liabilities associated with the asset disposed of in such transaction and retained by the Company or any of its Restricted Subsidiaries after such sale or other disposition thereof, including pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction.

"*New Acquisition*" refers to the acquisition of the New Target Group by Cirsa pursuant to the New Acquisition Agreement.

"*New Acquisition Agreement*" refers to the share purchase agreement dated April 29, 2019 relating to the sale and purchase of Giga Game System Operation, S.L.U.'s shares and entered into, among others, between Cirsa and Giga Game System S.L.U. (including the annexes and schedules thereto), as it may be amended from time to time.

"*New Acquisition Completion Date*" refers to the date of completion of the New Acquisition.

"*New Target Group*" refers to Giga Game System Operation, S.L.U. and certain of its subsidiaries that will form part of the transaction perimeter for the New Acquisition.

"*Notes Obligations*" means Obligations in respect of the Notes, the Guarantees and the Indenture.

"*Obligations*" means any principal, interest (including any interest accruing on or subsequent to the filing of a petition in bankruptcy, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foreign law), premium, penalties, fees, indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and banker's acceptances), damages and other liabilities, and guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness; *provided*, that any of the foregoing (other than principal and interest) shall no longer constitute "Obligations" after payment in full of such principal, interest, premia and other amounts except to the extent such obligations are fully liquidated and non-contingent on or prior to such payment in full.

"*Offering Memorandum*" means the final offering memorandum dated May 8, 2019 related to the offering of the Notes.

"*Officer*" means any member of the board of directors, the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the President, any Executive Vice President, Senior Vice President or Vice President, the Treasurer, the Assistant Treasurer, the Secretary or the Assistant Secretary of a Person or any other officer of such Person designated by any such individuals.

"*Officer's Certificate*" means a certificate signed on behalf of a Person by an Officer of such Person that meets the requirements set forth in the Indenture.

"*Opinion of Counsel*" means a written opinion (which opinion may be subject to customary assumptions and exclusions) from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or outside counsel to the Company.

"Original Acquisition" means the acquisition of Cirsa's shares pursuant to the Original Acquisition Agreement.

"Original Acquisition Agreement" means the share purchase agreement dated April 27, 2018 relating to the sale and purchase of Cirsa's shares and made between the Company and the sellers thereunder (including the annexes and schedules thereto), as it may be amended from time to time.

"*Original Completion Date*" means July 3, 2018, the date of completion of the Original Acquisition.

"*Original Issue Date*" means July 2, 2018.

"*Original Transactions*" means the issuance of the Existing Notes, the entry into the Existing Proceeds Loan Agreements, the entry into the Senior Credit Facilities and the use of proceeds from any borrowings thereunder, the consummation of the transactions contemplated by the Original Acquisition Agreement (including any adjustment of purchase price, earnout or similar obligation), the payment of transaction costs, fees and expenses and any other transactions in connection with any of the above or incidental thereto.

"*Parent Company*" means any Person so long as such Person directly or indirectly holds 100.0% of the total voting power of the Voting Stock of the Company, and at the time such Person acquired such voting power, no Person and no group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision), including any such group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) (other than any Permitted Holder), shall have beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision), directly or indirectly, of more than 50.0% of the total voting power of the Voting Stock of such Person.

"*Pari Passu Lien Indebtedness*" means the Additional Notes and any additional Secured Indebtedness that is ranked *pari passu* in right of payment with the Notes, is secured by Liens on the Collateral that rank *pari passu* (either by their terms or the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement) with the Liens that secure the Notes and the Guarantees (if any) and is permitted to be incurred pursuant to the terms of the Indenture; *provided*, that (i) the representative of such Pari Passu Lien Indebtedness executes a joinder agreement to the Intercreditor Agreement and, if applicable, to the other Collateral Documents, in each case in the form attached thereto, agreeing to be bound thereby and (ii) the Company has designated such Indebtedness as "Pari Passu Lien Indebtedness" thereunder.

"*Permitted Asset Swap*" means the substantially concurrent purchase and sale or exchange of Related Business Assets or a combination of Related Business Assets and Cash Equivalents between the Company or any of its Restricted Subsidiaries and another Person; *provided*, that any Cash Equivalents received must be applied in accordance with the covenant described under "*—Repurchase at the Option of Holders—Asset Sales*".

"*Permitted Holders*" means any of (i) the Investors, (ii) Management Shareholders, (iii) any Person who is acting solely as an underwriter in connection with a public or private offering of Capital Stock of the Company or any of its Holding Companies, acting in such capacity, and (iv) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing are members; *provided*, that in the case of such group and without giving effect to the existence of such group or any other group, Persons referred to in subclauses (i) through (iii), collectively, have beneficial ownership of more than 50.0% of the total voting power of the Voting Stock of the Company or any of its Holding Companies. 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 or waived in accordance with the requirements of the 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 Intercompany Activities*" means any transactions (A) between or among the Company and its Restricted Subsidiaries that are entered into in the ordinary course of business of the Company and its Restricted Subsidiaries and, in the good faith judgment of the Company are necessary or advisable in connection with the ownership or operation of the business of the Company and its Restricted Subsidiaries, including, but not limited to, (i) payroll, cash management, purchasing, insurance and hedging arrangements; and (ii) management, technology and licensing arrangements; and (B) between or among the Company, its Restricted Subsidiaries and any captive insurance subsidiaries.

"*Permitted Investments*" means:

(1) any Investment in the Company or any of its Restricted Subsidiaries;

(2) any Investment in Cash Equivalents or Investment Grade Securities;

(3) any Investment by the Company or any of its Restricted Subsidiaries in a Person (including, to the extent constituting an Investment, in assets of a Person that represent substantially all of its assets or a division, business unit or product line, including research and development and related assets in respect of any product) that is engaged directly or through entities that will be Restricted Subsidiaries in a Similar Business if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of the Company; or

(b) such Person, in one transaction or a series of related transactions, is amalgamated, merged or consolidated with or into, or transfers or conveys substantially all of its assets (or such division, business unit or product line) to, or is liquidated into, the Company or a Restricted Subsidiary of the Company,

and, in each case, any Investment held by such Person; *provided*, that such Investment was not acquired by such Person in contemplation of such acquisition, merger, amalgamation, consolidation or transfer;

(4) any Investment in securities or other assets, including earn-outs, not constituting Cash Equivalents or Investment Grade Securities and received in connection with an Asset Sale made pursuant to the first paragraph under "*—Repurchase at the Option of Holders—Asset Sales*" or any other disposition of assets not constituting an Asset Sale;

(5) any Investment existing on the Issue Date or made pursuant to binding commitments in effect on the Issue Date or an Investment consisting of any extension, modification or renewal of any such Investment or binding commitment existing on the Issue Date; *provided*, that the amount of any such Investment may be increased in such extension, modification or renewal only (a) as required by the terms of such Investment or binding commitment as in existence on the Issue Date (including as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities) or (b) as otherwise permitted under the Indenture;

(6) any Investment acquired by the Company or any of its Restricted Subsidiaries:

(a) consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business;

(b) in exchange for any other Investment or accounts receivable, endorsements for collection or deposit held by the Company or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable (including any trade creditor or customer); or

(c) in satisfaction of judgments against other Persons; or

(d) as a result of a foreclosure by the Company or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(7) Hedging Obligations permitted under clause (10) of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(8) any Investment in a Similar Business having an aggregate fair market value taken together with all other Investments made pursuant to this clause (8) that are at that time outstanding not to

exceed the greater of (a) €145.0 million and (b) 37.5% of the LTM EBITDA of the Company (in each case, determined on the date such Investment is made, with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments; *provided, however,* that if any Investment pursuant to this clause (8) is made in any Person that is not a Restricted Subsidiary of the Company at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (8);

(9) Investments the payment for which consists of Equity Interests (other than Disqualified Stock) of the Company, or any of its Holding Companies; *provided*, that such Equity Interests will not increase the amount available for Restricted Payments under clause (3) of the first paragraph under the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(10) guarantees of Indebtedness not prohibited by the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*," performance guarantees and Contingent Obligations incurred in the ordinary course of business or consistent with past practice and the creation of Liens on the assets of the Company or any of its Restricted Subsidiaries in compliance with the covenant described under "*—Certain Covenants—Liens*";

(11) any transaction to the extent it constitutes an Investment that is permitted by and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Transactions with Affiliates*" (except transactions described in clauses (2), (5), (10) and (22) of such paragraph);

(12) Investments consisting of (i) purchases or other acquisitions of inventory, supplies, material or equipment or the leasing, sub-leasing, licensing, sub-licensing, cross-licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons or (ii) the contribution, assignment, licensing, sub-licensing or other Investment of intellectual property or other general intangibles pursuant to any Intercompany License Agreement and any other Investments made in connection therewith;

(13) Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (13) that are at that time outstanding (without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of cash or marketable securities), not to exceed the greater of (a) €145.0 million and (b) 37.5% of the LTM EBITDA of the Company (in each case, determined on the date such Investment is made, with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments; *provided*, *however*, that if any Investment pursuant to this clause (13) is made in any Person that is not a Restricted Subsidiary of the Company at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (13);

(14) Investments in or relating to a Securitization Subsidiary that, in the good faith determination of the Company are necessary or advisable to effect any Qualified Securitization Facility (including

any contribution of replacement or substitute assets to such subsidiary) or any repurchase obligation in connection therewith;

(15) advances to, or guarantees of Indebtedness of, employees not in excess of €5.0 million in any calendar year with unused amounts in any calendar year being carried over to succeeding calendar years subject to a maximum of €10.0 million in any calendar year;

(16) loans and advances to employees, directors, officers, managers and consultants (a) for business-related travel expenses, moving expenses and other similar expenses or payroll advances, in each case incurred in the ordinary course of business or consistent with past practice or (b) to fund such Person's purchase of Equity Interests of the Company or any Holding Company thereof or in any management equity vehicle so investing in such Equity Interests;

(17) advances, loans or extensions of trade credit in the ordinary course of business or consistent with past practice by the Company or any of its Restricted Subsidiaries;

(18) any Investment in any Subsidiary or any joint venture in connection with intercompany cash management arrangements or related activities arising in the ordinary course of business or consistent with past practice;

(19) Investments consisting of purchases and acquisitions of assets or services in the ordinary course of business or consistent with past practice;

(20) Investments made in the ordinary course of business or consistent with past practice in connection with obtaining, maintaining or renewing client contacts;

(21) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and workers compensation, performance and similar deposits entered into as a result of the operations of the business in the ordinary course of business or consistent with past practice;

(22) repurchases of Notes;

(23) Investments in the ordinary course of business or consistent with past practice consisting of endorsements for collection of deposit and customary trade arrangements with customers consistent with past practice;

(24) Investments consisting of promissory notes issued by the Company, the Issuer or any Guarantor to future, present or former officers, directors and employees, members of management, or consultants of the Company or any of its Subsidiaries or their respective estates, spouses or former spouses to finance the purchase or redemption of Equity Interests of the Company or any Holding Company thereof, to the extent the applicable Restricted Payment is permitted by the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(25) Investments (including debt obligations and Equity Interests) received in connection with the bankruptcy or reorganization of suppliers and customers or in settlement of delinquent obligations of, or other disputes with, customers and suppliers arising in the ordinary course of business or consistent with past practice or upon the foreclosure with respect to any secured Investment or other transfer of title with respect to any secured Investment;

(26) Investments made in connection with Permitted Intercompany Activities and related transactions;

(27) Investments in joint ventures of the Company or any of its Restricted Subsidiaries and any Unrestricted Subsidiaries, taken together with all other Investments made pursuant to this

clause (27) that are at that time outstanding, not to exceed the greater of (a) €120.0 million and (b) 30.0% of the LTM EBITDA of the Company (in each case, determined on the date such Investment is made, with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such investments; and

(28) Investments made from casualty insurance proceeds in connection with the replacement, substitution, restoration or repair of assets on account of a Casualty Event.

"*Permitted Liens*" means, with respect to any Person:

(1) pledges, deposits or security by such Person under workmen's compensation laws, unemployment insurance, employers' health tax, and other social security laws or similar legislation or other insurance related obligations (including, but not limited to, in respect of deductibles, self-insured retention amounts and premia and adjustments thereto) or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business;

(2) Liens imposed by law, such as landlords', carriers', warehousemen's, materialmen's, repairmen's and mechanics' Liens, in each case for sums not yet overdue for a period of more than 45 days, or if more than 45 days overdue, that are unfiled and no other action has been taken to enforce such Lien or that are being contested in good faith by appropriate actions or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review if adequate reserves with respect thereto are maintained on the books of such Person in accordance with IFRS;

(3) Liens for taxes, assessments or other governmental charges not yet overdue (including any Lien imposed by any pension authority or similar Liens) for a period of more than 30 days or not yet payable or subject to penalties for nonpayment or which are being contested in good faith by appropriate actions diligently conducted, if adequate reserves with respect thereto are maintained on the books of such Person in accordance with IFRS;

(4) Liens in favor of issuers of performance, surety, bid, indemnity, warranty, release, appeal or similar bonds or with respect to other regulatory requirements or letters of credit or bankers acceptances issued, and completion guarantees provided for, in each case, issued pursuant to the request of and for the account of such Person in the ordinary course of its business or consistent with past practice;

(5) minor survey exceptions, minor encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights-of-way, servitudes, sewers, electric lines, drains, telegraph, telephone and cable television lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects and irregularities in title and similar encumbrances) as to the use of Real Properties or Liens incidental, to the conduct of the business of such Person or to the ownership of its properties which were not incurred in connection with Indebtedness and which do not in the aggregate materially interfere with the ordinary conduct of the business of the Company and its Restricted Subsidiaries, taken as a whole, and exceptions on title policies insuring Liens granted on any collateral;

(6) Liens securing Obligations relating to any Indebtedness permitted to be incurred pursuant to clauses (4), (12) or (13) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; *provided*, that (a) Liens securing Obligations relating to any Indebtedness, Disqualified Stock or Preferred Stock permitted to be incurred pursuant to clause (13) relate only to Obligations relating to Refinancing Indebtedness that (x) is secured by Liens on the same assets as the assets that secured the Indebtedness being refinanced or (y) extends, replaces, refunds, refinances, renews or defeases Indebtedness incurred or Disqualified Stock or Preferred Stock issued under clauses (3), (4), (12), (13) or (14) of the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" so long as the Indebtedness incurred or Disqualified Stock or Preferred Stock originally issued under such clauses was secured on the same assets and (b) Liens securing Obligations relating to any Indebtedness, Disqualified Stock or Preferred Stock to be incurred pursuant to clause (4) of the second paragraph under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" extend only to the assets so purchased, leased or improved;

(7) Liens existing on the Issue Date;

(8) Liens on property or shares of stock or other assets of a Person at the time such Person becomes a Subsidiary; *provided*, that such Liens are not created or incurred in connection with, or in contemplation of, such other Person becoming such a Subsidiary; *provided*, *further*, that such Liens may not extend to any other property or other assets owned by the Company or any of its Restricted Subsidiaries;

(9) Liens on property or other assets at the time the Company or a Restricted Subsidiary acquired the property or such other assets, including any acquisition by means of a merger, amalgamation or consolidation with or into the Company or any of its Restricted Subsidiaries; *provided*, that such Liens are not created or incurred in connection with, or in contemplation of, such acquisition, amalgamation, merger or consolidation; *provided*, *further*, that the Liens may not extend to any other property owned by the Company or any of its Restricted Subsidiaries;

(10) Liens securing Obligations relating to any Indebtedness or other obligations of a Restricted Subsidiary owing to the Company or another Restricted Subsidiary permitted to be incurred in accordance with the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(11) Liens securing (x) Hedging Obligations and (y) obligations in respect of Bank Products; *provided* that Hedging Obligations may be Priority Payment Lien Obligations to the extent permitted by such definition;

(12) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's accounts payable or similar trade obligations in respect of bankers' acceptances or trade letters of credit issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(13) leases, sub-leases, licenses or sub-licenses granted to others in the ordinary course of business which do not materially interfere with the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries, taken as a whole, and do not secure any Indebtedness, and Liens securing Capitalized Lease Obligations and Purchase Money Obligations incurred in compliance with the terms of the Indenture;

(14) Liens arising from Uniform Commercial Code (or equivalent statute) financing statement filings regarding operating leases or consignments entered into by the Company and its Restricted Subsidiaries in the ordinary course of business or purported Liens evidenced by the filing of precautionary Uniform Commercial Code financing statements or similar public filings;

(15) Liens in favor of the Company, the Issuer or any Guarantor;

(16) Liens on equipment of the Company or any of its Restricted Subsidiaries granted in the ordinary course of business to the Company's or any of its Restricted Subsidiaries' clients;

(17) Liens on accounts receivable, Securitization Assets and related assets incurred in connection with a Qualified Securitization Facility;

(18) Liens to secure any modification, refinancing, refunding, extension, renewal or replacement (or successive refinancing, refunding, extensions, renewals or replacements) as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clauses (6), (7), (8), (9), this clause (18) and clause (40) hereof; *provided*, that (a) such new Lien shall be limited to all or part of the same property that secured the original Lien (plus improvements on such property) and proceeds and products thereof, and (b) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (i) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clauses (6), (7), (8), (9), this clause (18) and clause (40) hereof at the time the original Lien became a Permitted Lien under the Indenture, and (ii) an amount necessary to pay any fees and expenses (including original issue discount, upfront fees or similar fees) and premia (including tender premia and accrued and unpaid interest), related to such modification, refinancing, refunding, extension, renewal or replacement;

(19) deposits made or other security provided in the ordinary course of business to secure liability to insurance carriers;

(20) Liens (including, for the avoidance of doubt, Liens on Collateral) securing obligations in an aggregate principal amount outstanding which does not exceed the greater of (a) €175.0 million and (b) 40.0% of the LTM EBITDA of the Company (in each case, determined as of the date of such incurrence);

(21) security given to a public utility or any municipality or governmental authority when required by such utility or authority in connection with the operations of that Person in the ordinary course of business;

(22) Liens securing judgments for the payment of money not constituting an Event of Default under clause (5) under "*—Events of Default and Remedies*";

(23) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(24) Liens (a) of a collection bank arising under Section 4-210 of the Uniform Commercial Code or any comparable or successor provision on items in the course of collection, (b) attaching to commodity trading accounts or other commodity brokerage accounts incurred in the ordinary course of business, and (c) in favor of banking institutions arising as a matter of law or under general terms and conditions encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking industry;

(25) Liens deemed to exist in connection with Investments in repurchase agreements permitted by the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*";

(26) Liens encumbering reasonable customary deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;

(27) Liens that are contractual rights of set-off or rights of pledge (a) relating to the establishment of depository relations with banks not given in connection with the issuance of Indebtedness, (b) relating to pooled deposit or sweep accounts of the Company or any of its Restricted Subsidiaries to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of the Company and its Restricted Subsidiaries or (c) relating to purchase orders and other agreements entered into with customers of the Company or any of its Restricted Subsidiaries in the ordinary course of business;

(28) Liens securing obligations owed by the Company or any Restricted Subsidiary to any lender under the Senior Credit Facilities or any Affiliate of such a lender in respect of any overdraft and related liabilities arising from treasury, depository and cash management services or any automated clearing house transfers of funds;

(29) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(30) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale or purchase of goods entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business;

(31) Liens solely on any cash earnest money deposits made by the Company or any of its Restricted Subsidiaries in connection with any letter of intent or purchase agreement permitted by the Indenture;

(32) ground leases in respect of Real Property on which facilities owned or leased by the Company or any of its Subsidiaries are located;

(33) Liens on insurance policies and the proceeds thereof securing the financing of the premia with respect thereto;

(34) Liens on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;

(35) Liens on the assets of non-Guarantor Restricted Subsidiaries securing Indebtedness of such Subsidiaries that were permitted by the terms of the Indenture to be incurred;

(36) Liens (i) on cash advances in favor of (x) the seller of any property to be acquired in an Investment permitted under the Indenture to be applied against the purchase price for such Investment or (y) the buyer of any property to be disposed of to secure obligations in respect of indemnification, termination fee or similar seller obligations or (ii) consisting of an agreement to dispose of any property in a disposition, in each case, solely to the extent such Investment or disposition, as the case may be, would have been permitted on the date of the creation of such Lien;

(37) any interest or title of a lessor, sub-lessor, franchisor, licensor or sub-licensor or secured by a lessor's, sub-lessor's, franchisor's, licensor's or sub-licensor's interest under leases or licenses entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business, or with respect to intellectual property, software and other technology licenses that is not material to the conduct of the business of the Company and its Restricted Subsidiaries, taken as a whole;

(38) deposits of cash with the owner or lessor of premises leased and operated by the Company or any of its Subsidiaries in the ordinary course of business of the Company and such Subsidiary to secure the performance of the Company's or such Subsidiary's obligations under the terms of the lease for such premises;

(39) Liens securing the Notes Obligations relating to Notes issued on the Issue Date (and any Refinancing Indebtedness in respect thereof);

(40) (x) Liens securing Indebtedness (including Liens securing any Obligations in respect thereof) permitted to be incurred pursuant to the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (including, without limitation, Indebtedness incurred under one or more Credit Facilities), so long as after giving pro forma effect to such incurrence and such Liens, the Consolidated Secured Debt Ratio of the Company and its Restricted Subsidiaries shall be equal to or less than 4.25 to 1.0 for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such Lien is incurred; *provided* that, to the extent such Liens are on Collateral, an authorized representative of the holders of such Indebtedness and the Security Agent shall execute (i) a joinder to the Intercreditor Agreement (in the form attached thereto) as a holder of Pari Passu Lien Indebtedness or (ii) an Additional Intercreditor Agreement pursuant to which such representative shall agree with the representatives of First Lien Obligations that the Liens securing such Indebtedness are subordinated to the Liens securing the First Lien Obligations, (y) to the extent not permitted by the preceding clause (x), Liens securing Indebtedness (including Liens securing any Obligations in respect thereof) permitted to be incurred pursuant to clauses (14) and (23) of the second paragraph of the covenant described under the caption "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (including, without limitation, Indebtedness incurred under one or more Credit Facilities and including any Indebtedness incurred to so extend, replace, refund, refinance, renew or defease such Indebtedness, including additional Indebtedness incurred to pay premia (including tender premia), defeasance costs, and accrued interest, fees and expenses in connection therewith); *provided*, that (A) in the case of Indebtedness incurred pursuant to clause (14) of such paragraph, the Consolidated Secured Debt Ratio does not increase on a pro forma basis for the incurrence of such Indebtedness and the application of the proceeds thereof and (B) an authorized representative of the holders of such Indebtedness and the Security Agent shall execute (i) a joinder to the Intercreditor Agreement (in the form attached thereto) as a holder of Pari Passu Lien Indebtedness or (ii) an Additional Intercreditor Agreement pursuant to which such representative shall agree with the representatives of First Lien Obligations that the Liens securing such Indebtedness are subordinated to the Liens securing the First Lien Obligations; and (z) Liens securing any Indebtedness (including Liens securing any Obligations in respect thereof) permitted to be incurred pursuant to the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (including, without limitation, Indebtedness incurred under one or more Credit Facilities), *provided*, that such Liens on Collateral are junior in priority to the Lien granted to the Holders of the Notes and an authorized representative of the holders of such Indebtedness and the Security Agent shall execute an Additional Intercreditor Agreement pursuant to which such representative shall agree with the representatives of First Lien

Obligations that the Liens securing such Indebtedness are subordinated to the Liens securing the First Lien Obligations;

(41) Liens securing obligations in respect of Indebtedness and other Obligations permitted to be incurred pursuant to clause (1) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*"; *provided* that such Obligations may be Priority Payment Lien Obligations to the extent permitted by such definition;

(42) Liens on assets deemed to arise in connection with and solely as a result of the execution, delivery or performance of contracts to sell such assets if such sale is otherwise permitted under the Indenture;

(43) Liens on any funds or securities held in escrow accounts or similar arrangement established for the purpose of holding proceeds for the benefit of the related holders of debt securities or other Indebtedness issued or incurred after the Original Completion Date, together with any additional funds required in order to fund any mandatory redemption or sinking fund payment on such debt securities or other Indebtedness within 360 days of their issuance or incurrence; *provided* that such Liens do not extend to any assets other than such proceeds and such additional funds;

(44) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Company or any of its Restricted Subsidiaries has easement rights or on any Real Property leased by the Company or any of its Restricted Subsidiaries and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting Real Property; and

(45) 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;

provided, *however*, that (i) Liens permitted by the clauses (8), (9), (10), (18) (but only as it applies to clauses (8) and (9) of this definition of "Permitted Liens"), (25), (29), (34), (36) and (38) above may not be Liens on the Collateral and (ii) Indebtedness and other Obligations referred to in clause (40) of this definition cannot be secured on property or assets that do not constitute Collateral, unless the Notes are equally and ratably secured.

For purposes of this definition, the term "Indebtedness" shall be deemed to include interest on such Indebtedness. In the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens (at the time of incurrence or at a later date), the Company in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with the Indenture and such Permitted Lien shall be treated as having been made pursuant only to the clause or clauses of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

"*Person*" means any individual, corporation, limited liability company, partnership (including a limited partnership), joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*" means any Equity Interest with preferential rights of payment of dividends or upon liquidation, dissolution, or winding up.

"*Priority Payment Lien Obligations*" means Obligations secured by (x) Liens securing Obligations permitted to be incurred under the Senior Credit Facilities (and any amendments, supplements, modifications, extensions, renewals, restatements, refundings, refinancings or replacements thereof), including any letter of credit facility

relating thereto, that was permitted by the terms of the Indenture to be incurred pursuant to clause (1) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*", (y) Liens securing obligations of the Company or any Restricted Subsidiary of the Company in respect of any Bank Products and Hedging Obligations or (z) Liens permitted by clause (28) of the definition of "Permitted Liens"; *provided*, that (A) the representatives of such Priority Payment Lien Obligations shall at all times be parties to or execute joinder agreements (in the forms attached thereto agreeing to be bound thereby) to the Intercreditor Agreement and, if applicable, the other Collateral Documents, and (B) the Company has designated such Indebtedness as "Priority Payment Lien Obligations" thereunder.

"*Proceeds Loan*" means the loan of the proceeds of the Notes pursuant to the Proceeds Loan Agreement and all loans directly or indirectly replacing or refinancing such loans or a portion thereof.

"*Proceeds Loan Agreement*" means one or more loan agreements made on or about the New Acquisition Completion Date of the proceeds of the Notes by the Issuer, as lender, to the Company, as borrower, upon release of such proceeds from the Deposit Account.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Purchase Money Obligations*" means any Indebtedness incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets, and whether acquired through the direct acquisition of such property or assets, or otherwise (including through the purchase of Capital Stock of any Person owning such property or assets).

"*Qualified Proceeds*" means the fair market value of assets that are used or useful in, or Capital Stock of any Person engaged in, a Similar Business.

"*Qualified Securitization Facility*" means any Securitization Facility (a) that meets the following conditions: (i) the board of directors or management of the Company shall have determined in good faith that such Securitization Facility is in the aggregate economically fair and reasonable to the Company and (ii) all sales and/or contributions of Securitization Assets and related assets to the applicable Securitization Subsidiary are made at fair market value or (b) constituting a receivables or payables financing or factoring facility.

"*Rating Agencies*" means Moody's and S&P or if Moody's or S&P or both shall not make a rating on the Notes publicly available, an internationally recognized statistical rating agency or agencies, as the case may be, selected by the Company which shall be substituted for Moody's or S&P or both, as the case may be.

"*Real Property*" means any and all homes, land, developments, buildings, leaseholds, apartments, fixtures or other real property and related assets.

"*Related Business Assets*" means assets (other than Cash Equivalents) used or useful in a Similar Business; *provided*, that any assets received by the Company or any of its Restricted Subsidiaries in exchange for assets transferred by the Company or any of its Restricted Subsidiaries shall not be deemed to be Related Business Assets if they consist of securities of a Person, unless upon receipt of the securities of such Person, such Person would become a Restricted Subsidiary of the Company.

"*Reserved Indebtedness Amount*" has the meaning set forth in the covenant described under the caption "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*."

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means, with respect to any Person, at any time, any direct or indirect Subsidiary of such Person that is not then an Unrestricted Subsidiary; *provided*, that upon an Unrestricted Subsidiary ceasing to be an Unrestricted Subsidiary, such Subsidiary shall be included in the definition of "Restricted Subsidiary."

"*Revolving Credit Facility*" means the revolving credit facility made available under the Senior Credit Facilities Agreement.

"*S&P*" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and any successor to its rating agency business.

"*Sale and Lease-Back Transaction*" means any arrangement providing for the leasing by the Company or any of its Restricted Subsidiaries of any real or tangible personal property, which property has been or is to be sold or transferred by the Company or such Restricted Subsidiary to a third Person in contemplation of such leasing.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Secured Indebtedness*" means any Indebtedness of the Company or any of its Restricted Subsidiaries secured by a Lien.

"*Securities Act*" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Securitization Assets*" means the accounts receivable, royalty or other revenue streams and other rights to payment and any other assets related thereto subject to a Qualified Securitization Facility and the proceeds thereof.

"*Securitization Facility*" means any of one or more receivables, factoring or securitization financing facilities as amended, supplemented, modified, extended, renewed, restated or refunded from time to time, the Obligations of which are non-recourse (except for customary representations, warranties, covenants and indemnities made in connection with such facilities) to the Company or any of its Restricted Subsidiaries (other than a Securitization Subsidiary) pursuant to which the Company or any of its Restricted Subsidiaries sells or grants a security interest in its accounts receivable, payable or Securitization Assets or assets related thereto to either (a) a Person that is not a Restricted Subsidiary of the Company or (b) a Securitization Subsidiary that in turn sells its accounts receivable, payable or Securitization Assets or assets related thereto to a Person that is not a Restricted Subsidiary of the Company.

"*Securitization Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Securitization Subsidiary in connection with, any Qualified Securitization Facility.

"*Securitization Subsidiary*" means any Subsidiary formed for the purpose of, and that solely engages only in one or more Qualified Securitization Facilities and other activities reasonably related thereto.

"*Security Agent*" means Deutsche Bank Trust Company Americas, acting in its capacity as security agent under the Indenture, the Intercreditor Agreement and the other Collateral Documents, or any successor thereto in such capacity.

"*Senior Credit Facilities*" means the Revolving Credit Facility.

"*Senior Credit Facilities Agreement*" means the agreement providing for the Senior Credit Facilities, as entered into on June 22, 2018, with, among others, the Issuer as original borrower and guarantor, the Company as original guarantor, Deutsche Bank AG, London Branch, as facility agent, and the Security Agent, including any guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements, refundings, refinancings or replacements thereof and any one or more indentures or credit facilities or commercial paper facilities with banks or other institutional lenders or investors that replace, refund, supplement or refinance any part of the loans, notes, other credit facilities or commitments thereunder, including any such replacement, refunding or refinancing facility or indenture that increases the amount borrowable thereunder or alters the maturity thereof (*provided*, that such increase in borrowings is permitted under the caption "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*") or adds Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, trustee, lender or group of lenders or holders.

"*Senior Indebtedness*" means:

(1) all Indebtedness of the Issuer or any Guarantor outstanding under the Senior Credit Facilities, the Existing Notes and the Notes and related Guarantees (including interest accruing on or after the filing of any petition in bankruptcy or similar proceeding or for reorganization of the Issuer or any Guarantor (at the rate provided for in the documentation with respect thereto, regardless of whether or not a claim for post-filing interest is allowed in such proceedings)), and any and all other fees, expense reimbursement obligations, indemnification amounts, penalties, and other amounts (whether existing on the Issue Date or thereafter created or incurred) and all obligations of the Issuer or any Guarantor to reimburse any bank or other Person in respect of amounts paid under letters of credit, acceptances or other similar instruments;

(2) all (x) Hedging Obligations (and guarantees thereof) and (y) obligations in respect of Bank Products (and guarantees thereof); *provided*, that such Hedging Obligations and obligations in respect of Bank Products, as the case may be, are permitted to be incurred under the terms of the Indenture;

(3) any other Indebtedness of the Issuer or any Guarantor permitted to be incurred under the terms of the Indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is subordinated in right of payment to the Notes or any related Guarantee; and

(4) all Obligations with respect to the items listed in the preceding clauses (1), (2) and (3); *provided*, that Senior Indebtedness shall not include:

  (a) any obligation of such Person to the Company or any of its Subsidiaries;

  (b) any liability for federal, state, local or other taxes owed or owing by such Person;

  (c) any accounts payable or other liability to trade creditors arising in the ordinary course of business;

  (d) any Indebtedness or other Obligation of such Person which is subordinate or junior in any respect to any other Indebtedness or other Obligation of such Person; or

  (e) that portion of any Indebtedness which at the time of incurrence is incurred in violation of the Indenture.

"*Significant Subsidiary*" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X promulgated pursuant to the Securities Act, as such regulation is in effect on the Issue Date.

"*Similar Business*" means (1) any business conducted or proposed to be conducted by the Company or any of its Restricted Subsidiaries on the Issue Date, and any reasonable extension thereof, or (2) any business or other activities that are reasonably similar, ancillary, incidental, complementary or related to, or a reasonable extension, development or expansion of, the businesses in which the Company and its Restricted Subsidiaries are engaged or propose to be engaged on the Issue Date.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided*, that the Consolidated Total Debt Ratio of the Company immediately after the occurrence of such event and giving pro forma effect thereto (including any Indebtedness incurred in connection therewith) would have been equal to or less than 4.1 to 1.00. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"*Subordinated Indebtedness*" means, with respect to the Notes or any Guarantee, as applicable,

(1) any Indebtedness of the Issuer which is by its terms subordinated in right of payment to the Notes, and

(2) any Indebtedness of any Guarantor which is by its terms subordinated in right of payment to the Guarantee of such entity of the Notes.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Company or a Restricted Subsidiary by a Holding Company in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Holding Company of the Company or a Permitted Holder, including, for the avoidance of doubt, any preferred equity or subordinated loans to be issued by the Company in connection with the Original Transactions, 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 maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition);

(2) does not require, prior to the first anniversary of the maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross ups, or any similar cash amounts;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the maturity of the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries; and

(5) pursuant to its terms or pursuant to the Intercreditor Agreement is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

"*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 50.0% 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; and

(2) any partnership, joint venture, limited liability company or similar entity of which

(a) more than 50.0% 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 or otherwise, and

(b) such Person or any Restricted Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

For the avoidance of doubt, any entity that is owned at a 50.0% or less level (as described above) shall not be a "Subsidiary" for any purpose under the Indenture, regardless of whether such entity is consolidated on the Company's or any of its Restricted Subsidiaries' financial statements.

"*Subsidiary Guarantor*" means each Guarantor other than the Company.

"*Support and Services Agreement*" means any management services or similar agreements between certain of the management companies associated with one or more of the Investors or their advisors, if applicable, and the Company (and/or its direct or indirect parent companies) as in effect from time to time.

"*Tax*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including any interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's length terms entered into with any Holding Company or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Transaction Expenses*" means any fees or expenses incurred or paid by the Investors, the Company or any of its (or their) Affiliates in connection with the Original Transactions (including payments to officers, employees and directors as change of control payments, severance payments, special or retention bonuses and charges for repurchase or rollover of, or modifications to, stock option, expenses in connection with hedging transactions related to the Senior Credit Facilities and any original issue discount or upfront fees), the Support and Services Agreement, the Indenture, the Senior Finance Documents (as defined in the Senior Credit Facilities Agreement) and the transactions contemplated thereby.

"*Transactions*" means the issuance of the Notes and the use of proceeds thereof, the entry into the Proceeds Loan Agreement, the consummation of the transactions contemplated by the New Acquisition Agreement, the payment of transaction costs, fees and expenses in connection with the foregoing transactions and any other transactions in connection with any of the above or incidental thereto.

"*U.S. Government Obligations*" means any security that is a direct obligation of, or obligations guaranteed by, the United States of America, and the payment for which the United States of America pledges its full faith and credit.

"*Uniform Commercial Code*" means the Uniform Commercial Code or any successor provision thereof as the same may from time to time be in effect in the State of New York.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Company (other than the Issuer) which at the time of determination is an Unrestricted Subsidiary (as designated by the Company, as provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Company may designate any Subsidiary of the Company (including any existing Subsidiary and any newly acquired or newly formed Subsidiary, but excluding the Issuer) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Lien on, any property of, the Company or any Subsidiary of the Company (other than solely any Subsidiary of the Subsidiary to be so designated); *provided* that either (a) the Subsidiary to be so designated has total consolidated assets of €1,000 or less or (b) if the Subsidiary to be so designated has total consolidated assets in excess of €1,000, such designation complies with the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*," the Company will be in Default of such covenant.

The Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that, immediately after giving effect to such designation, (i) no Default shall have occurred and be continuing and (ii) (x) any outstanding Indebtedness of such Unrestricted Subsidiary would be permitted to be incurred by a Restricted Subsidiary under the covenant described under "*—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" (including pursuant to clause (14) of the second paragraph thereof treating such redesignation as an acquisition for the purpose of such clause) and shall be deemed to be incurred thereunder and (y) all Liens encumbering the assets of such Unrestricted Subsidiary would be permitted to be incurred by a Restricted Subsidiary under the covenant "*—Certain Covenants—Liens*" and shall be deemed to be incurred thereunder, in each case calculated on a pro forma basis as if such designation had occurred at the beginning of the applicable reference period.

Any such designation by the Company shall be notified by the Company to the Trustee by promptly filing with the Trustee a copy of the resolution of the board of directors of the Company or any committee thereof giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the board of directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, at any date, the quotient obtained by dividing:

(1) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar

payment with respect to such Disqualified Stock or Preferred Stock multiplied by the amount of such payment; by

(2) the sum of all such payments;

provided, that for purposes of determining the Weighted Average Life to Maturity of any Indebtedness that is being extended, replaced, refunded, refinanced, renewed or defeased (the "Applicable Indebtedness"), the effects of any amortization or prepayments made on such Applicable Indebtedness prior to the date of the applicable extension, replacement, refunding, refinancing, renewal or defeasance shall be disregarded.

"*Wholly Owned Subsidiary*" of any Person means a Subsidiary of such Person, 100.0% of the outstanding Equity Interests of which (other than directors' qualifying shares and shares issued to foreign nationals as required by applicable law) shall at the time be owned by such Person and/or by one or more Wholly Owned Subsidiaries of such Person.

BOOK-ENTRY; DELIVERY AND FORM

General

The Notes sold outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "*Regulation S Global Notes*"). The Regulation S Global Notes will be deposited upon issuance with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

The Notes sold to qualified institutional buyers ("*QIBs*") in reliance on Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "*Rule 144A Global Notes*" and, together with the Regulation S Global Notes, the "*Global Notes*"). The Rule 144A Global Notes will be deposited upon issuance with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

The Notes may only be offered or sold within the United States pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

Ownership of interests in the Global Notes will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that 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 the Global Notes will be issued only in denominations of €100,000 and integral multiples of €1,000 in excess thereof. Except under the limited circumstances described below, Book-Entry Interests will not be issued in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and/or Clearstream, as applicable, and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not receive physical delivery of the Notes in certificated form and will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream, as applicable (or their respective nominees), will be considered the sole holders of the Global Notes for all purposes under the Indenture governing the Notes. In addition, participants must rely on the procedures of Euroclear or Clearstream, as applicable, and indirect participants must rely on the procedures of Euroclear or Clearstream, as applicable, and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

None of the Company, the Issuer, the Trustee, any of the Agents, nor any of their respective agents will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event that 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 and/or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and/or 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 unless otherwise required by law or applicable stock exchange or depositary requirements; *provided*, *however*, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

Payments on Global Notes

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, and interest) to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and/or Clearstream, which will distribute such payments to participants in accordance with their respective procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes*." If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes*" above, we will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding to equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee, the Agents or any of their respective agents will treat the registered holders of the Global Notes (i.e. the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, 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 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 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 "stock name."

Currency of payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in euro.

Action by owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests 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.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in jurisdictions that require physical delivery of securities or to pledge such Notes, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set out in the Indenture.

The Global Notes will have a legend to the effect set out under "*Transfer Restrictions*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*."

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of Rule 144A Book-Entry Interests denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under the Indenture and, if required, only if the transferor first delivers to the Registrar a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Transfer Restrictions*."

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if Euroclear or Clearstream, as applicable, notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by us within 120 days; or

- if the owner of a Book-Entry Interest requests such an exchange in writing delivered through Euroclear or Clearstream, as applicable, following an Event of Default under the Indenture and enforcement action is being taken in respect thereof.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the registrar or transfer agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; *provided* that no Definitive Registered Note in a denomination less than €100,000 will be issued. We will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

We will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Notes, (ii) any date fixed for redemption of the Notes or (iii) the date fixed for selection of the Notes to be redeemed in part. Also, we are not required to register the transfer or exchange of any Notes selected for redemption or which the holder has tendered (and not withdrawn) for repurchase in connection with a change of control offer. In the event of the transfer of any Definitive Registered Note, the Trustee, the transfer agents and the registrars may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. We may require a holder to pay any taxes and fees required by law and permitted by the Indenture and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated and is surrendered to the registrar or at the office of the transfer agent, we will issue and the Trustee (or an authentication agent appointed by it) will authenticate a replacement Definitive Registered Note if the Trustee's and our requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect themselves, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by us in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer, pursuant to the provisions of the Indenture, the Issuer in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in the Global Notes only after the transferor first delivers to the Trustee a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such notes. Please see "*Transfer Restrictions*."

Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Issuer's Paying Agent in London.

To the extent permitted by law, the Issuer, the Trustee, the Agents and their respective agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the registrar, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream as applicable.

Information concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and/or Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we, the Trustee, the Agents nor the Initial Purchasers are responsible for those operations or procedures.

We understand as follows with respect to Euroclear and Clearstream. 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 accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

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 definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global 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 listed on the Official List of the Luxembourg Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, the Trustee or the Paying Agent will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euros. 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 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.

Trustee's Powers

In considering the interests of the holders of the Notes, while title of the Notes is registered in the name of a nominee of Euroclear or Clearstream, the Trustee may have regard to, and rely on, any information provided to it by that clearing system as to the identity (either individually or by category) of its accountholders with entitlements to the Notes and may consider such interests as if such accountholders were the holders of the Notes.

TAX CONSIDERATIONS

Certain Luxembourg tax considerations

The following is a summary of certain material Luxembourg tax consequences of purchasing, owning and disposing of the Notes. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or sell the Notes. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. This summary does not allow any conclusion to be drawn with respect to issues not specifically addressed. The following description of Luxembourg tax law is based on the Luxembourg law and regulations in effect and as interpreted by the Luxembourg tax authorities on the date of the Offering Memorandum. These laws and interpretations are subject to change that may occur after such date, even with retroactive or retrospective effect.

Prospective purchasers of the Notes should consult their own tax advisers as to the particular tax consequences of subscribing, purchasing, holding and disposing of the Notes.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu des personnes physiques*). Corporate taxpayers may further be subject to net wealth tax (*impôt sur la fortune*), as well as other duties, levies and taxes. Corporate income tax, municipal business tax and the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and a solidarity surcharge. Under certain circumstances, where individual taxpayers act in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Tax residency

A holder of the Notes will not become resident, nor be deemed to be resident, in Luxembourg solely by virtue of holding and/or disposing of the Notes, or the execution, performance, delivery and/or enforcement of his or her rights thereunder.

Withholding tax

Resident holders of the Notes

Under Luxembourg general tax laws currently in force and subject to the amended law of 23 December 2005 (the "Relibi Law"), there is no withholding tax on payments of principal, premium or interest (paid or accrued) made to Luxembourg resident holders of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by Luxembourg resident holders of the Notes.

Under the Relibi Law, payments of interest made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident of Luxembourg, will be subject to a withholding tax of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his or her private wealth. Responsibility for the withholding tax is assumed by the Luxembourg paying agent.

Non-resident holders of the Notes

Under the Luxembourg tax law currently in effect, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to a Luxembourg non-resident holder of the Notes. There is also no Luxembourg withholding tax upon repayment of the principal, sale, refund or redemption of the Notes.

Taxation of the holders of the Notes

Income tax

Resident holders of the Notes

Luxembourg resident individuals

An individual holder of the Notes, acting in the course of the management of his or her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if (i) a final withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual holder of the Notes has opted for the application of a 20% levy in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established in an EU Member State of the European Union other than Luxembourg, or in a Member State of the European Economic Area other than a Member State of the European Union.

Under Luxembourg domestic tax law, gains realized upon the sale, disposal or redemption of the Notes by an individual holder of the Notes, who is a resident of Luxembourg for tax purposes and who acts in the course of the management of his or her private wealth, are not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the acquisition of the Notes.

An individual holder of the Notes, who acts in the course of the management of his or her private wealth and who is a resident of Luxembourg for tax purposes, must further include the portion of the gain corresponding to accrued but unpaid interest income in respect of the Notes in his or her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement, except if a final withholding tax or levy has been levied in accordance with the Relibi Law.

Luxembourg resident individual holders of the Notes acting in the course of the management of a professional or business undertaking to which the Notes are attributable, must include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in any form whatsoever, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are defined as the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed. If applicable, the tax levied in accordance with the Relibi Law will be credited against their final tax liability.

Luxembourg resident companies

Luxembourg corporate holders of the Notes must include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are defined as the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg resident companies benefiting from a special tax regime

Luxembourg corporate holders of the Notes who benefit from a special tax regime, such as (i) undertakings for collective investment governed by the amended law of 17 December 2010, (ii) specialized investment funds governed by the amended law of 13 February 2007, (iii) family wealth management companies

governed by the amended law of 11 May 2007 or (iv) reserved alternative investment funds treated as specialized investment funds for Luxembourg tax purposes governed by the law of 23 July 2016 are exempt from income tax in Luxembourg and profits derived from the Notes, as well as gains realized thereon, are thus not subject to Luxembourg income tax.

Non-resident holders of the Notes

Holders of the Notes who are non-residents of Luxembourg and who have neither a permanent establishment nor a permanent representative in Luxembourg to which or whom the Notes are attributable are not liable to pay any Luxembourg income tax, irrespective of whether they receive payments of principal or interest (including accrued but unpaid interest) or realize capital gains upon redemption, repurchase, sale, disposal or exchange, in any form whatsoever, of any Notes.

Holders of the Notes who are non-residents of Luxembourg and who have a permanent establishment or a permanent representative in Luxembourg to which or whom the Notes are attributable are liable to pay Luxembourg income tax on any interest received or accrued, as well as any reimbursement premium received at maturity and any capital gain realized on the sale or disposal, in any form whatsoever, of the Notes and must include this income in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price and the lower of the cost or book value of the Notes sold or redeemed.

Net wealth tax

Luxembourg resident holders of the Notes and non-resident holders of the Notes who have a permanent establishment or a permanent representative in Luxembourg to which or whom the Notes are attributable, are subject to Luxembourg net worth tax on such Notes, except if the holder of the Notes is (i) an individual, (ii), an undertaking for collective investment governed by the amended law of 17 December 2010, (iii), a securitisation company governed by the amended law of 22 March 2004, (iv) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (v) a specialized investment fund governed by the amended law of 13 February 2007, (vi) a professional pension institution governed by the amended law dated 13 July 2005, (vii) a family wealth management company governed by the amended law of 11 May 2007, or (viii) a reserved alternative investment fund governed by the law of 23 July 2016.

However, (i) a securitisation company governed by the amended law of 22 March 2004, (ii) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (iii) a professional pension institution governed by the amended law dated 13 July 2005, and (iv) an opaque reserved alternative investment fund treated as a venture capital fund governed by the law of 23 July 2016 remain subject to minimum net wealth tax.

VAT

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes.

Other taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the holders of the Notes as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes (except in case of (i) voluntary registration in Luxembourg or (ii) if the documents related to the Notes are appended to a document that requires mandatory registration in Luxembourg).

Under Luxembourg tax law, where an individual holder of the Notes is a resident of Luxembourg for inheritance tax purposes at the time of his or her death, the Notes are included in his or her taxable base for

inheritance tax purposes. On the contrary, no estate or inheritance taxes are levied on the transfer of the Notes upon death of a holder of the Notes in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes at the time of his or her death. Luxembourg gift tax may be due on a gift or donation of the Notes if the gift is recorded in a deed executed before a Luxembourg notary or otherwise registered in Luxembourg.

Certain United States federal income tax considerations

The following is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of the Notes. This summary deals only with Notes held as capital assets (within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "*Code*")) by U.S. holders (as defined below) who purchase the Notes for cash pursuant to this Offering at their "issue price" (the first price at which a substantial amount of the Notes is sold for money to investors, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriter, placement agent or wholesaler).

As used herein, a "U.S. holder" means a beneficial owner of the Notes that is, for United States federal income tax purposes, any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (i) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

If any entity or arrangement classified as a partnership for United States federal income tax purposes holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner in a partnership considering an investment in the Notes, you should consult your own tax advisors.

This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are a person subject to special tax treatment under the United States federal income tax laws, including, without limitation:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- a tax-exempt organization;
- an insurance company;

- individual retirement accounts and other tax-deferred accounts;
- a person holding the Notes as part of a hedging, integrated, conversion or constructive sale transaction or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a partnership or other pass-through entity (or an investor in such an entity);
- a person required to accelerate the recognition of any item of gross income with respect to the Notes as a result of such income being recognized on an applicable financial statement;
- a person whose "functional currency" is not the U.S. dollar;
- investors holding the Notes in connection with a trade or business conducted outside of the United States;
- United States citizens or lawful permanent residents living abroad; or
- a United States expatriate.

This summary is based on the Code, United States Treasury regulations, administrative rulings and judicial decisions as of the date of the Offering Memorandum. Those authorities may be changed, possibly on a retroactive basis, so as to result in United States federal income tax consequences different from those summarized below. The Group has not and will not seek any rulings from the Internal Revenue Service ("IRS") regarding the matters discussed below. There can be no assurance that the IRS will not take positions concerning the tax consequences of the purchase, ownership or disposition of the Notes that are different from those discussed below.

This summary does not represent a detailed description of the United States federal income tax consequences to you in light of your particular circumstances and does not address the Medicare contribution tax on net investment income or the effects of any state, local or non-United States tax laws. It is not intended to be, and should not be construed to be, legal or tax advice to any particular purchaser of Notes.

If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under other United States federal tax laws and the laws of any other taxing jurisdiction.

Payments of stated interest

Subject to the foreign currency rules discussed below, payments of stated interest on a Note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for United States federal income tax purposes. Stated interest income on a Note will generally be considered foreign source income and, for purposes of the United States foreign tax credit, will generally be considered passive category income. You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Interest on the Notes will be payable in euros. If you use the cash basis method of accounting for United States federal income tax purposes, you will be required to include in income (as ordinary income) the U.S. dollar

value of the amount of interest received on the Notes, determined by translating the amount of euros received at the spot rate on the date such payment is received, regardless of whether the payment is in fact converted into U.S. dollars. You will not recognize exchange gain or loss with respect to the receipt of such payment (other than exchange gain or loss realized on the disposition of euros so received).

If you use the accrual method of accounting for United States federal income tax purposes, you may determine the amount of income recognized with respect to interest on the Notes in accordance with either of two methods. Under the first method you will be required to include in income (as ordinary income) for each taxable year the U.S. dollar value of the interest that has accrued on the Notes held during such year, determined by translating such interest at the average rate of exchange for the period or periods (or portions thereof) during which such interest accrued. Under the second method, you may translate interest income at the spot rate on:

- the last day of the accrual period;
- the last day of the taxable year if the accrual period straddles your taxable year; or
- the date the interest payment is received if such date is within five business days of the end of the accrual period.

If you elect to use the second method, the election must be consistently applied by you to all debt instruments from year to year and can be changed only with the consent of the IRS. In addition, if you use the accrual method of accounting, upon receipt of an interest payment on a Note (including, upon the sale of a Note, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), you will recognize ordinary gain or loss in an amount equal to the difference between the U.S. dollar value of such payment (determined by translating the amount of euros received at the spot rate on the date such payment is received) and the U.S. dollar value of the interest income you previously included in income with respect to such payment.

Sale, exchange, retirement, redemption or other taxable disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, you generally will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement, redemption or other taxable disposition (less any amount attributable to accrued and unpaid interest, which will be taxable as interest income as discussed above in "*—Payments of stated interest*") and the adjusted tax basis of the Note. Your adjusted tax basis in a Note will generally be your cost for that Note. If you purchased a Note with euros, your cost generally will be the U.S. dollar value of the amount of euros paid for such Note. If your Note is sold, exchanged, retired or otherwise disposed of in a taxable transaction for euros, then your amount realized generally will be based on the spot rate in effect on the date of such sale, exchange, retirement or other taxable disposition (or, in the case of a cash basis or—if the Note is traded on an established securities market for United States federal income tax purposes—an electing accrual basis taxpayer, the settlement date of the sale, exchange, retirement or disposition). If you use the accrual method of accounting for United States federal income tax purposes, you may elect the same treatment with respect to the purchase and sale of Notes traded on an established securities market, *provided* that such election is applied consistently to all debt instruments held by you from year to year. Such election cannot be changed without the consent of the IRS.

Except with respect to gain or loss attributable to changes in exchange rates as discussed below, any gain or loss you recognize will generally be capital gain or loss and will generally be long-term capital gain or loss if you have held the Note for more than one year. Long-term capital gains of non-corporate U.S. holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss you recognize will generally be treated as United States source gain or loss.

A portion of your gain or loss with respect to the principal amount of a Note may be treated as exchange gain or loss. Exchange gain or loss will generally be treated as United States source ordinary income or loss. For

these purposes, the principal amount of the Note is your purchase price for the Note calculated in euros on the date of purchase, and the amount of exchange gain or loss recognized is equal to the difference between (i) the U.S. dollar value of the principal amount determined at the spot rate on the date of the sale, exchange, retirement or other taxable disposition of the Note and (ii) the U.S. dollar value of the principal amount determined at the spot rate on the date you purchased the Note (or, possibly, in the case of cash basis or—if the Note is treated as traded on an established securities market for United States federal income tax purposes—electing accrual basis taxpayers, the settlement dates of such purchase and taxable disposition). The amount of exchange gain or loss recognized on the disposition of the Note (with respect to both principal and accrued interest) will be limited to the amount of overall gain or loss realized on the disposition of the Note.

Disposition of foreign currency

Your tax basis in euros received as interest on a Note or on the sale, exchange, retirement or other taxable disposition of a Note will be the U.S. dollar value thereof at the spot rate in effect on the date the euros are received. Any gain or loss recognized by you on a sale, exchange or other disposition of the euros will generally be treated as U.S. source ordinary income or loss.

Tax return disclosure requirements

United States Treasury regulations issued under the Code meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the United States Treasury regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of a threshold amount. If you are considering the purchase of a Note, you should consult with your own tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

U.S. holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of $50,000 on the last day of the tax year or $75,000 at any time during the tax year are generally required to file information reports with respect to such assets with their United States federal income tax returns. Depending on the individual's circumstances, higher threshold amounts may apply. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in non-U.S. entities. The Notes may be treated as specified foreign financial assets. You may be subject to this information reporting regime and required to file IRS Form 8938 listing these assets with your United States federal income tax return. Failure to file information reports may subject you to penalties. You are urged to consult your own tax advisor regarding your obligations to file information reports with respect to the Notes.

Backup withholding and information reporting

Generally, information reporting will apply to all payments of interest and principal on a Note and the proceeds from a sale or other disposition of a Note paid to you, unless you are an exempt recipient. Additionally, if you fail to provide your taxpayer identification number, or in the case of interest payments, fail either to report in full dividend and interest income or to make certain certifications, you may be subject to backup withholding on any such payments or proceeds.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the IRS.

Certain Spanish tax considerations

This is a general summary and the Spanish tax consequences as described here may not apply to a holder of Notes. Any potential investors should consult their own tax advisers for more information about the tax consequences of acquiring, owning and disposing of Notes in their particular circumstances.

Payments made by a Guarantor resident in Spain

In the event that the Spanish Tax Authorities take the view that a Spanish Guarantor has validly, legally and effectively assumed all the obligations of the Issuer under the Notes, subject to and in accordance with the Guarantee, they may attempt to impose withholding tax in the Kingdom of Spain on any payments made by the Spanish Guarantor in respect of interest as they may consider that it is Spanish source income.

In such case, Additional Provision One of Law 10/2014 of June 26, on supervision and solvency of credit entities ("Law 10/2014"), would apply to the Notes, *provided* that the Notes are issued by a company which is (i) a tax resident in a country within the European Union, other than a tax haven, and (ii) whose voting rights are completely held directly by a Spanish entity.

Should Law 10/2014 be applicable, a Spanish Guarantor, in accordance with Law 10/2014 and Royal Decree 1065/2007 of July 27, as amended by Royal Decree 1145/2011, of July 29 ("Royal Decree 1065/2007"), would not be obliged to withhold taxes in Spain on any interest paid under the Guarantee to the beneficial owners of the income arising from the Notes (each of them, a Holder, and collectively the Holders), that (i) can be regarded as listed debt securities issued under Law 10/2014; and (ii) are initially registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state, *provided* that the Paying Agent fulfils with the information procedures described in "*Taxation—Certain Spanish Tax Considerations—Disclosure of Information in connection with the Notes*" below.

Therefore, should Law 10/2014 be applicable, the abovementioned exemption from Spanish withholding tax should be applicable (i) while the Notes are represented by Global Notes and the Global Notes are deposited within a common depositary for Euroclear or Clearstream or both, in Luxembourg, upon the compliance by the Paying Agent of the information procedures, (ii) while the Notes are represented by Definitive Registered Notes, upon the submission by the Holder to the relevant Spanish Guarantor prior to the corresponding payment of interest under the Guarantee of a valid certificate of tax residency duly issued by the tax authority of the country of tax residence of the Holder of each certificate, generally being valid for a period of one year beginning on the date of issuance.

In connection with Spanish tax resident Holders and non-Spanish tax resident Holders acting with respect to the Notes through a permanent establishment in Spain, income deriving from the Notes and the Guarantee is subject to tax in Spain.

Disclosure of Information in connection with the Notes

In accordance with section 5 of Article 44 of Royal Decree 1065/2007 and provided that the Notes are initially registered for clearance and settlement in Euroclear or Clearstream or both, in Luxembourg, the Paying Agent would be obliged to provide the Guarantor in relation to payments made under the Guarantee with a declaration which should include the following information:

(i) description of the Notes (and date of payment of the interest income derived from such Notes);

(ii) total amount of interest derived from the Notes; and

(iii) total amount of interest allocated to each non-Spanish clearing and settlement entity involved.

According to section 6 of Article 44 of Royal Decree 1065/2007, the relevant declaration will have to be provided to the Spanish Guarantor on the business day immediately preceding each Interest Payment Date. If this requirement is complied with, the Spanish Guarantor will pay gross (without deduction of any withholding tax) all interest under the Securities to all Holders (irrespective of whether they are tax resident in Spain).

Despite the fact that the Paying Agent were to fail to provide the information detailed above, the Issuer shall pay gross (without deduction of any withholding tax) all interest payable under the Notes to all the Holders (whether they are resident in Spain or not).

Certain Mexican Tax Considerations

Pursuant to the Mexican Income Tax Law, Federal Tax Code (*Código Fiscal de la Federación*) and their regulations currently in effect (collectively, the "*Mexican Income Tax Laws*"), payments of interest on the Notes (including payments of principal in excess of the issue price of the notes and original issue discount, which under the Mexican Income Tax Laws are deemed to be interest) made by the Mexican Subsidiary Guarantors to holders of the Notes could be subject to Mexican withholding tax, at a rate of 10% or higher, depending on the tax residence of the holder of the Notes and the applicable treaties to avoid double taxation, that may be in effect between Mexico and the relevant country. Each holder of the Notes should consult a tax advisor as to the particular Mexican tax consequences in connection with payments made by the Mexican Subsidiary Guarantors.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Notes by (i) employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), (ii) plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*") or provisions under any other U.S. or non-U.S. federal, state, local or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "*Similar Laws*"), and (iii) entities whose underlying assets are considered to include the assets of any such plan, account or arrangement described in (i) and (ii) (each of the foregoing described in clauses (i), (ii) and (iii) referred to as a "*Plan*").

General Fiduciary and Prohibited Transaction Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (a "*Covered Plan*") and prohibit certain transactions involving the assets of a Covered Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Covered Plan or the management or disposition of the assets of such a Covered Plan, or who renders investment advice for a fee or other compensation to such a Covered Plan, is generally considered to be a fiduciary of the Covered Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

The Notes should not be purchased or held by any person investing "plan assets" of any Plan, unless such purchase and holding will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws. By acceptance of a Note, each purchaser and subsequent transferee of a Note will be deemed to have made the representations and warranties set forth in the Transfer Restrictions section of this Offering Memorandum.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes. Neither this discussion nor anything provided in this Offering Memorandum is, or is intended to be, investment advice directed at any potential Plan purchasers, or at Plan purchasers generally, and such purchasers of the Notes should consult with and rely on their own counsel and advisers as to whether an investment in the Notes is suitable for the Plan. The sale of the Notes to any Plan is in no repect a representation by us, an initial purchaser or any of our or their affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such investment is prudent or appropriate for plans generally or any particular Plan.

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the purchase agreement dated the date of the Offering Memorandum (the "*Purchase Agreement*"), by and among the Issuer, the Guarantors and each of the Initial Purchasers, each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer, and the Issuer has agreed to sell, all of the Notes pursuant to the terms of the Purchase Agreement.

The Purchase Agreement provides that the obligations of the Initial Purchasers to purchase and accept delivery of the Notes are subject to certain conditions precedent. The Initial Purchasers are obligated to purchase and accept delivery of all the Notes if any are purchased.

The Initial Purchasers propose to offer the Notes at the initial offering price to purchasers at the price to investors indicated on the cover page of this Offering Memorandum. After the Notes are released for sale, the Initial Purchasers may change the offering price and any other selling terms without notice.

Persons who purchase the Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Notes (including the Guarantees) have not been and will not be registered under the U.S. Securities Act. The Initial Purchasers have agreed that they will only offer or sell the Notes (i) outside the United States to persons who are not U.S. persons (as defined in Regulation S) in offshore transactions in reliance on Regulation S and (ii) in the United States to qualified institutional buyers in reliance on Rule 144A, and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. The terms used above in this paragraph have the meanings given to them by Regulation S and Rule 144A under the U.S. Securities Act. Resales of the Notes (including the Guarantees) will be restricted and each purchaser of the Notes (including the Guarantees) in the United States will be required to make certain acknowledgements, representations and agreements, as described under "*Notice to Investors*." To the extent any of the Initial Purchasers are not registered broker-dealers in any jurisdiction, any sale of the Notes in that jurisdiction shall be conducted through a registered broker-dealer in that jurisdiction or as otherwise permitted by applicable law.

In connection with sales outside the United States, the Initial Purchasers have agreed that they will not offer, sell or deliver the Notes to, or for the account or benefit of, U.S. persons (i) as part of the Initial Purchasers' distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering or the date the Notes are originally issued. The Initial Purchasers will send to each distributor, dealer or person to whom it sells such Notes during such 40-day period 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.

In addition, with respect to the Notes initially sold pursuant to Regulation S, until 40 days after the commencement of the Offering, an offer or sale of such Notes within the United States by a dealer that is not participating in the Offering may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the U.S. Securities Act.

The Issuer and the Guarantors have agreed, subject to certain limited exceptions, that during the period from the date of the Offering Memorandum through and including the date that is 60 days after the Issue Date, none of the Issuer or the Guarantors will, without the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell, or otherwise dispose of, any debt or convertible securities issued or guaranteed by the Issuer or any of the Guarantors that are substantially similar to the Notes.

The Issuer and the Guarantors have agreed to indemnify the Initial Purchasers and the directors, officers, employees and affiliates of each of the Initial Purchasers against certain liabilities, including liabilities under the

U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. In addition, the Issuer will pay the Initial Purchasers a commission and pay certain fees and expenses relating to the Offering. The Issuer and each Guarantor waives to the fullest extent permitted by applicable law any claims it may have against the Initial Purchasers arising from an alleged breach of fiduciary duty in connection with the Offering.

In connection with the Offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales, over-allotments, stabilizing transactions and purchases to cover positions created by short sales or over-allotments. Short sales involve the sale by the Initial Purchasers of a greater number of Notes than they are required to purchase in the Offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the Offering is in progress.

In connection with the Offering, Deutsche Bank AG, London Branch (the "*Stabilizing Manager*"), or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Notes. The Stabilizing Manager may also over-allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager may bid for and purchase Notes in market-making transactions as permitted by applicable laws and regulations. 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, the Guarantees and the Collateral—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.*"

No action has been taken in any jurisdiction, including the United States, by the Issuer, the Guarantors or the Initial Purchasers that would permit a public offering of the Notes and the Guarantees or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Group or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes and the Guarantees may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and the resale of the Notes. See "*Notice to Investors*."

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes in the European Economic Area retail and will not offer, sell or otherwise make available any Notes in the European Economic Area retail investors, each defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive.

Solely for the purpose of each manufacturer's product approval process, the target market assessment in respect of the Notes described in this Offering Memorandum has led to the conclusion that: (i) the target market for such Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of such Notes to eligible counterparties and professional clients are appropriate. The target market and distribution channels may vary in relation to sales outside the EEA in light of local regulatory regimes in force in the relevant jurisdiction. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target

market assessment in respect of such Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Issuer will apply to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit them to trading on the Euro MTF Market; however, the Issuer cannot assure you that the Notes will be listed or admitted to trading on the Euro MTF Market. The Initial Purchasers have advised the Issuer that they presently intend to make a market in the Notes as permitted by applicable laws and regulations. The Initial Purchasers are not obliged, however, to make a market in the Notes and any such market-making may be discontinued at any time at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes.

We expect that delivery of the Notes will be made against payment of the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be ten business days (as such term is used for purposed of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is referred to as "T+10").

The Initial Purchasers and their respective affiliates have from time to time performed certain investment banking and/or other financial services to the Issuer and its affiliates or former affiliates, including, without limitation, hedging activities, for which they received customary fees and reimbursement of expenses. The Initial Purchasers and their respective affiliates may in the future provide investment banking or other financial services to the Issuer or its affiliates, for which they will receive customary fees and reimbursement of expenses. In addition, the Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with this Offering and to reimburse them for certain costs and expenses incurred.

Certain of the Initial Purchasers are acting as arrangers under the Revolving Credit Facility and Deutsche Bank AG, London Branch is acting as agent under the Revolving Credit Facility. Affiliates of Deutsche Bank AG, London Branch are acting as the Trustee and Security Agent. In addition, certain of the Initial Purchasers or their affiliates may enter into hedging arrangements with the Issuer and/or its affiliates. In connection with their services in such capacities, such Initial Purchasers or affiliates will receive customary fees and commissions.

We have engaged Blackstone Advisory Partners L.P., an affiliate of Blackstone, to provide certain financial consulting services in connection with this Offering.

From time to time, certain Initial Purchasers, or certain of their affiliates, also engage in securities trading and brokerage activities with respect to securities of the Group and its subsidiaries and affiliates.

In the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad arrange 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/or instruments of the Issuer or the Issuer's affiliates. The Initial Purchasers or their affiliates have a lending relationship with us and may hedge their creditor exposure to us consistent with their customary risk management policies.

The Initial Purchasers and their affiliates may also make investment recommendations or 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 or short positions in such securities and instruments.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF GUARANTEES AND SECURITY

The validity and enforceability of the Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited under applicable law or subject to certain defenses that may limit its validity and enforceability. The following is a brief description of limitations on the validity and enforceability of the Guarantees and the Collateral and of certain insolvency law considerations in the jurisdictions in which Guarantees or Collateral are being provided. The descriptions below do not purport to be complete or discuss all of the limitations or considerations that may affect the Notes, the Guarantees or other security interests. Proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantees and the security interests in the Collateral. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations. If additional collateral is required to be granted in the future pursuant to the Indenture, such collateral will also be subject to limitations and enforceability and validity, which may differ from those discussed below.

European Union

The Issuer and a number of the Group's subsidiaries are incorporated under the laws of, or applicable in, Member States of the European Union.

Pursuant to Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast) (the "*Recast EU Insolvency Regulation*"), which became effective as of June 26, 2017, and which will be applicable to insolvency proceedings opened from June 26, 2017, and which applies within the European Union (other than Denmark and other than in respect of certain insurance, credit institution and investment undertakings), the courts of the Member State in which a company's or legal person's "center of main interests" (as that term is used in Article 3(1) of the Recast EU Insolvency Regulation) is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its center of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views. Under Article 4 of the Recast EU Insolvency Regulation, a court that is requested to open insolvency proceedings shall examine, of its own motion, whether it has jurisdiction pursuant to Article 3.

Article 3(1) of the Recast EU Insolvency Regulation states that the center of main interests "shall be the place where the debtor conducts the administration of its interests on a regular basis and which is therefore ascertainable by third parties." Further, Article 3(1) of the Recast EU Insolvency Regulation further provides that "in the case of a company or legal person, the place of the registered office shall be presumed to be the center of its main interests in the absence of proof to the contrary." This gives rise to a rebuttable presumption that in the case of a company, its center of main interests is the place of the company's registered office. That presumption shall only apply if the registered office has not been moved to another Member State within the three-month period prior to the request for the opening of insolvency proceedings. In the case of an individual, the court will normally consider the center of main interests to be the country where the debtor mainly carries out his trade profession or (self) employment. Where the debtor resides in one country but carries out trade in another, it is the country in which the trade is carried out that is considered to be the center of main interests. Where the debtor has no trade or profession, the center of main interests is located in the country in which he habitually resides. This presumption shall only apply if the habitual residence has not been moved to another Member State within the six-month period prior to the request for the opening of insolvency proceedings. Pursuant to Preamble 30 of the Recast EU Insolvency Regulation, in relation to a company, it also should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. The courts, in cases concerning the predecessor to the Recast EU Insolvency Regulation, have taken into consideration a number of factors in determining whether

the presumption ought to be rebutted when considering the center of main interests of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office, where it has its central administration, law governing the main contracts, corporate identity and branding and the location where the majority of the company's creditors are established. It is necessary to consider objective factors that are ascertainable by third parties. A company's center of main interests may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open main insolvency proceedings at the time that the application to open insolvency proceedings is filed.

The Recast EU Insolvency Regulation applies to insolvency proceedings that are collective insolvency proceedings of the types referred to in Annex A to the Recast EU Insolvency Regulation.

If the center of main interests of a company is in one Member State (other than Denmark) under Article 3(2) of the Recast EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State (such proceedings being referred to as "territorial insolvency proceedings"). An "establishment" is defined in Article 2(10) of the Recast EU Insolvency Regulation as "any place of operations where a debtor carries out or has carried out in the 3 month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets." The effects of those proceedings shall be restricted to the assets of the debtor situated in the territory of the latter Member State.

Where main proceedings have been opened in the Member State in which the company has its center of main interests, any territorial insolvency proceedings opened subsequently in another Member State in which the company has an establishment shall be referred to as "secondary insolvency proceedings" within the meaning of Article 3(3) of the Recast EU Insolvency Regulation. Where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can be opened in another Member State where the company has an establishment only where either: (a) insolvency proceedings cannot be opened in the Member State in which the company's center of main interests is situated because of the conditions laid down by the law of the Member State within the territory of which the center of the debtor's main interests is situated; or (b) the territorial insolvency proceedings are opened (i) at the request of a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested or (ii) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening main proceedings and, subject to any exceptions provided for in the Recast EU Insolvency Regulation, that judgment will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The insolvency practitioner appointed by a court in a Member State that has jurisdiction to open main proceedings (because the company's center of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State), subject to certain limitations, so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

Article 36 of the Recast EU Insolvency Regulation provides for the right to give an undertaking in order to avoid the opening of secondary insolvency proceedings. The insolvency practitioner in the main insolvency proceedings may give a unilateral undertaking to local creditors in respect of the assets located in the Member State in which secondary insolvency proceedings could be opened, that when distributing those assets or the proceeds received as a result of their realization, it will comply with the distribution and priority rights under national law that creditors would have if secondary insolvency proceedings were opened in that Member State. This undertaking shall be approved by the known local creditors. If approved, the undertaking is binding on the estate and a court shall at the request of the insolvency practitioner refuse to open secondary insolvency

proceedings if the court is satisfied that the protection of the general interests of the local creditors via the undertaking is sufficient.

The Recast EU Insolvency Regulation also provides for rules to coordinate main and secondary territorial proceedings (Articles 41 et seq.), as well as to coordinate cross-border group insolvencies within the EU (Articles 56 et seq.). In the event that insolvency proceedings concerning two or more members of a group are opened, insolvency practitioners and courts shall cooperate and communicate with any other insolvency practitioner and any other court involved in insolvency proceedings of another member of the group (Articles 56 and 57). Moreover, an insolvency practitioner appointed in insolvency proceedings opened in relation to a member of the group may request group coordination proceedings before any court having jurisdiction over the insolvency proceedings of any member of such group. Such request shall be accompanied notably by, among other things, a proposal as to the person to be nominated as the group coordinator (Article 61).

In the event that the Issuer, the Guarantors or any provider of collateral experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings will be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer, the Guarantors and the collateral provided by 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.

Spain

Limitation on validity and enforcement of guarantees and security interests granted by Guarantors and/or any other companies incorporated in Spain (or non-Spanish subsidiaries of companies incorporated in Spain)

The terms "enforceable," "enforceability," "valid," "legal," "binding" and "effective" (or any combination thereof) mean that all the obligations assumed by the relevant party under the relevant documents are of a type enforced by Spanish courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. In particular, enforcement before the Spanish courts will in any event be subject to:

- *Financial assistance restrictions*

Spanish law imposes a restriction on the granting of guarantees and security interests by Spanish companies such that guarantees or security in respect of the guaranteed obligations shall not include nor extend to any obligations or amounts that would render such guarantees or security interests in contravention of the Spanish Capital Companies Act (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*) (the "*Spanish Capital Companies Act*") pursuant to which no Spanish guarantee or security interest may secure any payment, prepayment, repayment or reimbursement obligations derived from any finance document used, or that may be used, for the purposes of payment of certain acquisitions or the payment of any costs or transaction expenses related to, or paying the purchase price for, such acquisitions.

In particular, the Spanish Capital Companies Act prohibits financial assistance: (i) with respect to Spanish public limited companies (*sociedades anónimas*), in relation to the acquisition of their own shares or the shares of any direct or indirect parent company, and (ii) with respect to Spanish private limited companies (*sociedades de responsabilidad limitada*), in relation to the acquisition of their own shares and the shares of any member of their corporate group. Therefore, any guarantee or security interest granted by any company incorporated under the laws of Spain (each a "*Spanish Guarantor*") shall not extend to any payment obligation incurred by the Issuer for the purpose of acquiring the shares of such Spanish Guarantor or the shares of its parent company or the shares of any member of their corporate group, as applicable, to the extent that such security interest would constitute unlawful financial assistance. Furthermore, any guarantee or security granted by any Spanish company shall not

apply to the extent the proceeds are used to repay existing indebtedness of the Issuer if such existing indebtedness was used for the purposes described above. No whitewash procedures are available.

In addition, the Spanish Capital Companies Act may also be interpreted by courts to provide that the financial assistance restrictions referred to above in relation to transactions targeting shares of a Spanish parent company shall also be applicable to its non-Spanish subsidiaries carrying out such transactions.

In accordance with the abovementioned, the Guarantees and the Collateral granted by the Cirsa Group Guarantors incorporated in Spain will be limited to the value of proceeds from the Existing Notes that were used to refinance the Cirsa Group's existing indebtedness (approximately €985 million) plus the value of the Notes (and any additional Notes so long as they do not infringe Spanish financial assistance laws) and will not guarantee those obligations or liabilities which, if guaranteed, will constitute an infringement of Spanish financial assistance laws in accordance with Articles 143.2 and 150 of the Spanish Companies Act. In addition, under Spanish law, the financial assistance restrictions referred to above in relation to Cirsa Group Guarantors incorporated in Spain may also apply to the Cirsa Group Guarantors that are not incorporated in Spain. The Indenture will limit all Guarantees and Collateral of the Cirsa Group Guarantors to the value of proceeds from the Existing Notes that were used to refinance the Cirsa Group's existing indebtedness plus the value of the Notes (and any additional Notes so long as they do not infringe Spanish financial assistance laws).

- *The nature of the remedies available to the Spanish courts*

- *Reasonability and justification of risk associated with a guarantee or a security interest*

The interpretations of the laws of Spain by the courts may limit the ability of Spanish Guarantors to guarantee the Notes. Although the law does not establish any limit, certain case law indicates (and certain scholars understand) that risks associated with a guarantee or a security interest provided by a company to secure the indebtedness held by other companies within its corporate group shall be reasonable and economically and operationally justified from the guarantor's own perspective and justified under the corporate interest of such guarantor and all this must be evidenced to the judge.

- *Spanish Public policy*

- *Availability of defenses*

The availability of defenses such as (without limitation), set-off (unless validly waived), circumvention of law (*fraude de ley*), abuse in the exercise of rights (*abuso de derecho*), misrepresentation, force majeure, unforeseen circumstances, statute of limitations, undue influence, fraud, duress, abatement and counter-claim.

- *Ancillary nature (principio de accesoriedad)*

Spanish law is based, *inter alia*, on the principle of ancillary nature (*principio de accesoriedad*), by virtue of which a guarantee or a security interest, in general terms, under Spanish law, must secure another obligation to which it is ancillary so the security interest follows the underlying obligation in such a way that nullity of the underlying obligation entails nullity of the security and termination of the underlying obligation entails termination of the security. Therefore, a Guarantee or a Collateral given by a Spanish Guarantor may be deemed null and void under Spanish law in the event that all or part of the Issuer's obligations under the Notes which are guaranteed by virtue of such Guarantees or Collateral are null or void, and may be affected by any amendment, supplement, waiver, repayment, novation or extinction of the Issuer's obligations under the Notes.

- *Limitation on claims*

Under Spanish law, claims may become time-barred (five years since the obligation becomes enforceable being the general term established for obligations *in personam*) or may be or become subject to the defense of set-off or counterclaim. In addition, an extension of maturity granted to a debtor by a creditor without the consent of the guarantor extinguishes the guarantee.

Capitalization

Under Spanish law there are some provisions in relation to a company's capitalization which have to be taken into account when guarantees are enforced. Enforcement of guarantees may cause the amount of the relevant guarantor's net equity (*patrimonio neto*) to fall below half of its share capital and, in such case, the guarantor will need to be wound up (*disolverse*), unless its share capital is increased or decreased in the required amount to reestablish the balance between its net equity and its share capital, and *provided* that it is not required to declare its insolvency.

First Demand Guarantee

The figure of a first demand guarantee is not specifically regulated in the Spanish Civil Code but its validity and effectiveness has been admitted and regulated by Spanish jurisprudence as an autonomous guarantee, detached from the underlying agreement whose obligations are being guaranteed, acknowledging therefore the validity of the provision pursuant to which the guarantor has renounced to call on exceptions different to those arising from the guarantee. Notwithstanding this, case law has also admitted the possibility that, with certain limitations, the guarantor can object to the guarantee the exception of fraud, bad faith or abuse of right in the events where the beneficiary enforces the guarantee in a fraudulent manner or with bad faith.

Trust under Spanish law

There is no concept of a trust under Spanish law. If the Security Agent will be the only party entitled to enforce the Guarantees and the Collateral, there is a risk that the Security Agent would not be able to enforce against the full amount owed to creditors for whom it is acting as security agent. This limitation may be overcome if such creditors grant formal powers of attorney in favor of the Security Agent in order for the latter to represent them in the enforcement proceedings.

Spanish insolvency laws

Concept and petition for insolvency

As a general rule, in the event of an insolvency of any of the Spanish Guarantors, insolvency proceedings may be initiated in Spain and governed by Spanish law. The Spanish Insolvency Act, as further amended, regulates court insolvency proceedings.

The insolvency laws of Spain may not be as favorable to your interests as creditors as the laws of the United States, the United Kingdom or other jurisdictions which you may be familiar with. The following is a brief description of certain aspects of the insolvency laws of Spain.

In Spain, insolvency proceedings are only triggered in the event of a debtor's current insolvency (*insolvencia actual*) or imminent insolvency (*insolvencia inminente*). Under the Spanish Insolvency Act, a debtor is insolvent when it becomes unable to regularly meet its obligations as they become due and payable (current insolvency) or when it expects that it will shortly be unable to do so (imminent insolvency). A petition for current insolvency may be initiated by the debtor ("*Voluntary Insolvency*"), by any creditor (*provided* that it has not acquired the credit within the six months prior to the filing of the petition for insolvency, for *inter vivos* acts, on a singular basis and once the credit was mature) or by certain other interested third parties ("*Mandatory Insolvency*"). Only the debtor may file a petition for insolvency on the basis of its imminent insolvency.

Voluntary insolvency

Insolvency is generally considered voluntary (*concurso voluntario*) if filed by the debtor.

The debtor is obliged to file a petition for insolvency within two months after it becomes aware, or should have become aware, of its state of insolvency. It is presumed that the debtor becomes aware of its insolvency, unless otherwise proved, if any of the circumstances that qualify as the basis for a petition for mandatory insolvency occur. If the debtor fails to file a petition for insolvency within the time period established by law, it may be unable to exercise certain courses of action (including, among others, the possibility of submitting a proposed settlement in advance) and personal liability of the members of the management body may arise or be increased.

Notwithstanding the foregoing, the general duty to file for insolvency within the referred two months does not apply if the debtor notifies the applicable court that it has initiated negotiations with its creditors to obtain support to reach a pre-packaged composition agreement (*propuesta de convenio anticipado*) or an out-of-court workout (a refinancing agreement) (the so-called "5 bis communication") or an out-of-court repayment agreement.

Effectively, by means of the 5 bis communication, on top of those two months, the debtor gains an additional three-month period to reach an agreement with its creditors or to obtain accessions to an anticipated composition agreement and one further month to file for the declaration of insolvency unless it is not insolvent at such time. During such period of time, creditors' petitions for mandatory insolvency will not be accepted. Likewise, the 5 bis communication prevents the commencement of court or out-of-court enforcement actions, and/or suspends (as applicable) existing enforcement actions over assets which are necessary for the company's business operations (other than those arising from public law claims) until any of the following circumstances occur: (i) an out-of-court workout (a refinancing agreement) is formalized; (ii) a court order is issued (*providencia*) accepting for processing the court's confirmation (*homologación judicial*) of admission of the refinancing agreement, (iii) an out-of-court repayment agreement is entered into, (iv) the necessary accessions for the admission of an anticipated CVA (as defined below) are obtained, or (v) the declaration of insolvency takes place.

In addition, enforcement proceedings that have been brought by creditors holding financial liabilities (as defined in the fourth additional provision of the Spanish Insolvency Act) are prohibited or suspended (as applicable) *provided* that it is evidenced that at least 51% of the creditors holding financial liabilities (by value) have supported the initiation of negotiations to enter into a refinancing agreement and have agreed to suspend or not initiate enforcement proceedings against the debtor while creditors holding financial liabilities are still negotiating. Nevertheless, secured creditors are entitled to bring enforcement proceedings against the corresponding secured assets although once proceedings have been initiated they shall be immediately suspended.

Mandatory insolvency

Insolvency is considered mandatory (*concurso necesario*) if filed by a third-party creditor.

A creditor can seek a debtor's declaration of insolvency if the creditor can prove that the debtor has failed to attach any assets, or sufficient assets, to pay the amount owed. A creditor may also apply for a declaration of insolvency if, *inter alia*: (i) there is a generalized default on payments by the debtor; (ii) there is a seizure of assets affecting or comprising the generality of the debtor's assets; (iii) there is a misplacement, "fire sale" or sale or ruinous liquidation of the debtor's assets; or (iv) there is a generalized default on certain tax, social security and employment obligations during the applicable statutory period (three months). Upon receipt of an insolvency petition by a creditor, the court may issue provisional interim measures to protect the assets of a debtor and may request a guarantee from the petitioning creditor asking for the adoption of such measures to cover damages caused by the preliminary protective measures.

The debtor will be entitled to file an opposition to such petition, and will have to prove that it is not insolvent. The court will then summon the parties to a hearing, and will finally render a court ruling either dismissing the application filed by the creditor, or declaring the insolvency of the debtor.

Request of joint insolvency

The insolvency of a company forming part of a group of companies, including the parent company, does not automatically lead to the insolvency of the remaining companies of the group, however, creditors may apply for a joint insolvency declaration of two or more of its debtors if either (a) there is a confusion of assets among them, or (b) they form part of the same group of companies. Therefore, the request for the joint insolvency of two or more legal entities may only be filed by a common creditor of the relevant companies and each of the affected companies must in fact be separately insolvent. Joint insolvency may also be requested by the companies themselves *provided* that they form part of the same group.

Any of the debtors, or the insolvency administrator, as the case may be, may apply for the procedural consolidation of insolvency proceedings already declared under certain circumstances (and, in particular, if the debtors form part of the same group of companies). In addition, creditors may apply for the procedural consolidation of the insolvency proceedings of two or more of its debtors already declared if either (a) there is a confusion of assets among them, or (b) they form part of the same group of companies, *provided* that a petition has not been submitted by any of the insolvent debtors or by the insolvency administrator.

Insolvency proceedings declared jointly or accumulated are processed in coordination, without consolidation of the estate of the insolvent debtors. As a result, and as a general rule, a "group insolvency" does not lead to a commingling of the debtors' assets and creditors of such group. This means that the creditors of one company of the group will not have recourse against other companies of the same group (except where cross-guarantees exist, in which case such a claim might be subordinated).

Conclusion of insolvency: proposal of agreement or liquidation

The Spanish Insolvency Act provides that insolvency proceedings conclude following either the implementation of an agreement between the creditors and the debtor (the "*CVA*") or the liquidation of the debtor or payment of the total debt to the debtor's creditors.

Enforcement and termination in a pre-insolvency scenario

The obligations under the Notes, the Guarantees and the Collateral might not necessarily be enforced in accordance with their respective terms in every circumstance. Such enforcement is subject to, *inter alia*, the nature of the remedies available in the Spanish courts, the acceptance by such court of jurisdiction, the discretion of the courts, the power of such courts to stay proceedings, the provisions of the Spanish Civil Procedure Act (*Ley 1/2000, de 7 de enero de Enjuiciamiento Civil*) regarding remedies and enforcement measures available under Spanish law and other principles of law of general application. In this regard:

- Spanish law does not expressly recognize the concept of an indemnity. The Spanish Civil Code establishes that any penalty (*cláusula penal*) agreed by the parties in an agreement will substitute damages (*indemnización de daños*) and the payment of interest (*abono de intereses*) in an event of breach, unless otherwise expressly agreed. Spanish courts may modify the penalty agreed between the relevant parties on an equitable basis if the debtor has partially or irregularly performed its obligations, unless the penalty was aimed at such partial performance. There is doubt as to the enforceability in Spain of punitive damages.

- Where obligations are to be performed in a jurisdiction outside Spain, they may not be enforceable in Spain to the extent that performance would be illegal under the laws of the applicable jurisdiction.

- Spanish law precludes the validity and performance of contractual obligations to be left at the discretion of one of the contracting parties. Therefore, Spanish courts may refuse to uphold and enforce terms and conditions of an agreement giving discretionary authority to one of the contracting parties.

- Spanish law precludes an agreement being terminated on the basis of a breach of obligations, undertakings or covenants which are merely ancillary or complementary to the main payment undertakings of the relevant agreement, and allows Spanish courts not to enforce any such termination.

Under Spanish law, as applied by the Spanish Supreme Court (*Tribunal Supremo*), acts carried out in accordance with the terms of a legal provision whenever said acts seek a result which is forbidden by or contrary to law, shall be deemed to have been executed in circumvention of law (*fraude de ley*) and the provisions whose application was intended to be avoided shall apply.

Certain effects of the insolvency for the debtor and on contracts

For the debtor

As a general rule and subject to certain exceptions, the debtor in a voluntary insolvency retains its powers to manage and dispose of its business, but is subject to the court appointed intervention of the insolvency administrators (*administración concursal*) (intervention regime). In case of mandatory insolvency, as a general rule and subject to certain exceptions, the debtor no longer has power over its assets, and management's powers (including the power to dispose of assets) are conferred solely upon the insolvency administrators (suspension regimen). However, the court has the power to modify this general regime subject to the specific circumstances of the case. In addition, upon the insolvency administrator's request, the court has the power to swap the intervention regime for a suspension regime or *vice versa*.

Actions carried out by the debtor that breach any required supervision of the insolvency authorities may be declared null and void unless ratified by the insolvency administrators.

On contracts

A declaration of insolvency does not affect agreements with reciprocal obligations pending on performance by either the debtor or the counterparty (executory contracts), which remain in full force and effect, and the obligations of the debtor will be fulfilled against the insolvent estate (*con cargo a la masa*). The court can nonetheless terminate any such contracts at the request of the insolvency administrators (*provided* that management's powers have been solely conferred upon the insolvency administrators), or the company itself (if its powers to manage and dispose of its business are only subject to the intervention of the insolvency administrators), when such termination is in the interest of the estate (rejection) (*resolución del contrato en interés del concurso*) or at the request of the non-insolvent party if there has been a breach of such contract. The termination of such contracts may result in the debtor having to return, and indemnify damages to, its counterparty against the insolvency estate (*con cargo a la masa*). On the other hand, the judge may decide to cure any breach of the debtor at its request or the insolvency administrators' request (assumption) (*mantenimiento del contrato en interés del concurso*), in which case the non-insolvent party shall be entitled to seek specific performance against the insolvency estate (pre-deductible claim from the estate). Lastly, all clauses in contracts with mutual obligations that entitle any party to terminate an agreement based solely on the other party's declaration of insolvency (*ipso facto* clauses) are deemed as not included in the agreement (void) and, therefore, unenforceable, except if expressly permitted by specific laws (i.e., agency laws).

In the event that the debtor, the insolvency administrators and the counterparty agree on the termination of the agreement and its effects, the insolvency court will agree such termination with the effects agreed between the affected parties; in the event of lack of agreement between them, if the insolvency court agrees the termination it will also decide the indemnifications to be received by the non-breaching party due to the termination of the agreement.

Additionally, the declaration of insolvency determines that interest accrual is suspended, except (i) credit rights secured with an *in rem* right, in which case interest accrues up to the value of the security (calculated in

accordance with the rules set out in the fourth additional provision of the Spanish Insolvency Act), and (ii) any wage credits in favor of employees, which will accrue the legal interest set forth in the corresponding Law of the State Budget (*Ley de Presupuestos del Estado*).

On enforcement proceedings

As a general rule, the enforcement rights of unsecured creditors are suspended upon the court declaration of insolvency.

The enforcement of any security over certain assets or rights that are necessary for the commercial or professional activity of the debtor, or to a business unit of the insolvent company (*in rem* securities) may not be commenced (and the procedures already initiated before the declaration opening insolvency proceedings shall be suspended) until the earlier of: (i) an arrangement of CVA being reached *provided* that the CVA does not affect such right or (ii) one year having elapsed as of the declaration of the insolvency without the opening of liquidation.

Enforcement will be suspended even if at the time of declaration of insolvency the notices announcing the public auction have been published. The stay will only be lifted when the court hearing the insolvency proceedings determines that the asset or rights is not considered necessary for the debtor to continue its professional or business activities. When it comes to determining which assets or rights of the debtor are used for its professional or business activities, courts have generally embraced a broad interpretation and will likely include most of the debtor's assets and rights. Finally, enforcement of the security will be subject to the provisions of the Spanish Law on Civil Procedure (*Ley 1/2000, de 7 de enero de Enjuiciamiento Civil*) and Spanish Insolvency Act (where applicable) and this may entail delays in the enforcement.

Ranking of credits

Creditors are generally required to report their claims to the insolvency administrators within one month from the last official publication of the court order declaring the insolvency, providing original documentation to justify such claims. Based on the documentation provided by the creditors and documentation held by the debtor, the insolvency administrators draw up a list of acknowledged creditors/claims and classify them according to the categories established in the Spanish Insolvency Act.

Under the Spanish Insolvency Act, claims are classified in two groups:

- Estate Claims (*créditos contra la masa*). The so-called "estate claims," are pre-deductible claims from the estate (excluding those assets of the debtor subject to *in rem* security). Debt against the insolvency estate includes, among others, (i) certain amounts of the employee payroll, (ii) costs and expenses of the insolvency proceedings, (iii) certain amounts arising from services provided by the debtor under reciprocal contracts and outstanding obligations that remain in force after insolvency proceedings are declared and deriving from obligations to return and indemnity in cases of voluntary termination or breach by the debtor, (iv) those that derive from the exercise of a claw-back action within the insolvency proceedings of acts performed by the debtor and correspond to a refund of consideration received by it (except in cases of bad faith), (v) certain amounts arising from obligations created by law or from the non-contractual liability of the insolvent debtor after the declaration of insolvency and until its conclusion, (vi) certain debts incurred by the debtor following the declaration of insolvency, (vii) in case of liquidation, the credit rights granted to the debtor under CVA and (viii) 50% of the new funds lent under a refinancing arrangement entered into in compliance with certain requirements. These claims are preferred to all others except for specially privileged claims specifically with regard to the assets (collateral) subject to the relevant security interest or special privilege. Estate claims are not subject to ranking or acknowledgement and, in principle, must be paid as and when they fall due.

- Insolvency Claims. Insolvency claims are classified as follows:

  – Specially Privileged Claims (*créditos con privilegio especial*): Creditors benefiting from special privileges, representing security over certain assets (*in rem* securities) up to the amount of the value of their security (in this regard, the value of a security shall be 90% of the reasonable value of the secured asset minus those claims that hold higher ranking security over such asset). The part of the claim exceeding the value of their security will be classified according to the nature of the claim. These claims benefiting from special privileges may entail separate proceedings, though subject to certain restrictions derived from a waiting period that may last up to one year and certain additional limitations set forth in the Spanish Insolvency Act. As a general rule, privileged creditors are not subject to the CVA unless they give their express support by voting in favor of the CVA and if certain majorities have been reached among privileged creditors (see "*—Conclusion of insolvency—Settlement*"). In the event of liquidation, they are the first to collect payment against the assets on which they are secured up to the value of the security. However, the administrator has the option to halt any enforcement of the securities and pay these claims as administrative expenses under specific payment rules.

  – Generally Privileged Claims (*créditos con privilegio general*): Creditors benefiting from a general privilege, including, among others, specific labor claims and specific claims brought by public entities or authorities are recognized for half their amount, and claims held by the creditor taking the initiative to apply for the insolvency proceedings, for up to 50% of the amount of such debt. New funds under a refinancing arrangement entered into in compliance with the requirements set forth in section 71.bis of the Spanish Insolvency Act in the amount not admitted as a debt against the insolvency estate (*crédito contra la masa*) are also credits with general privileges. As a general rule and except as set forth below (see "*—Conclusion of insolvency—Settlement*"), the holders of general privileges are not to be affected by the CVA if they do not agree to the said CVA and, in the event of liquidation, they are the first to collect payment against assets other than those secured by a specially privileged claim after specially privileged creditors, in accordance with the ranking established under the Spanish Insolvency Act.

  – Ordinary Claims (*créditos ordinaries*) Ordinary creditors (non-subordinated and non-privileged claims) are paid *pro rata* once estate claims and privileged claims have been paid.

  – Subordinated Claims (*créditos subordinados*): Subordinated creditors is a statutory category of claims which includes, among others: credits communicated late (outside the specific one-month period mentioned above); credits which are contractually subordinated *vis-à-vis* all other credits of the debtor; credits relating to unpaid interest claims (including default interest), except for those credits secured with an *in rem* right up to the secured amount; fines; and claims of creditors which are "specially related parties" to the debtor.

    The following shall be deemed as "specially related parties": (i) shareholders with unlimited liability; (ii) limited liability shareholders holding, directly or indirectly, 10% or more of the insolvent company's share capital (or 5% if the company is listed) at the time the credit is generated; or (iii) directors (either *de jure* or *de facto*), insolvency liquidators and those holding general powers of attorney from the insolvent company (including those people that have held these positions during the two years prior to the insolvency declaration); and (iv) companies pertaining to the same group as the debtor and their common shareholders provided such shareholders meet the minimum shareholding requirements set forth in (ii) above. Notwithstanding the above, creditors who have directly or indirectly capitalized their credit rights pursuant to a refinancing arrangement entered into in compliance with the

requirements set forth in section 71.bis or the fourth additional provision of the Spanish Insolvency Act shall not be considered as being in a special relationship with the debtor, in respect of credits against the debtor, as a result of the financing granted under such refinancing arrangement. Furthermore, in the absence of evidence to the contrary, assignees or awardees of claims belonging to any of the persons mentioned in this paragraph are presumed to be persons specially related to the debtor as long as the acquisition has taken place within two years prior to the insolvency proceedings being declared open.

Subordinated creditors do not vote on the CVA but are subject to its terms being paid once ordinary claims are satisfied pursuant to the terms of the CVA. Thus, subordinated creditors have limited chances of collecting payment according to the ranking established in the Spanish Insolvency Act.

As an exception to the subordination regime, new money granted to the debtor pursuant to an out-of-court workout regulated under the provisions referred to in previous paragraphs, which also contemplates a debt-for-equity swap executed before the granting of fresh money, shall not be classified as subordinated claim *provided* that certain requirements are met. This is an incentive to promote fresh money and debt-for-equity swaps in order to remove insolvencies out-of-court.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings and, therefore, such proceedings can have an effect on the estate (excluding enforcement proceedings with regard to financial collateral (as defined in Royal Decree Law 5/2005, of 11 March 2005)). When compatible, in order to protect the interests of the debtor and creditors, the Spanish Insolvency Act extends the jurisdiction of the court dealing with insolvency proceedings, which is then legally authorized to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labor, or administrative law).

Hardening periods

There is no claw-back date by operation of law. Therefore, there are no prior transactions that automatically become void as a result of the initiation of insolvency proceedings, but instead the insolvency administrators must expressly challenge those transactions that are considered detrimental to the insolvency estate. Under the Spanish Insolvency Act, upon the declaration of insolvency, only transactions that could be deemed as having damaged (*perjudiciales*) the debtor's estate (*i.e*., causing a so-called "patrimonial damage") during the two years prior to the date the insolvency is declared, may be challenged, even if there was no fraudulent intention. Transactions taking place earlier than two years prior to the declaration of insolvency may be rescinded subject to ordinary Spanish Civil Code based actions.

The Spanish Insolvency Act does not define the meaning of "patrimonial damage." Damage does not refer to the intention of the parties, but to the consequences of the transaction on the debtor's interest resulting in the damage to the debtor's estate or the prejudice to the equality of the treatment among creditors which drives insolvency proceedings (*pars condition creditorum*). There are several "irrebuttable presumptions" expressly set forth by the Spanish Insolvency Act (*i.e*., free disposals and prepayment or cancellation of the company's claims or obligations prior to them being due and where the due dates of the relevant claims or payment obligations fall after the date of declaration of insolvency, except if such obligations were secured by an *in rem* security, in which case such transactions are subject to a rebuttable presumption of "patrimonial damage" as set forth below). In addition to the above, the Spanish Insolvency Act sets forth certain actions which are deemed to cause a "patrimonial damage" to the debtor, but which are "rebuttable presumptions" and therefore subject to being contested by the other party (*i.e*., disposals in favor of "specially related parties," the provision of security in respect of previously existing obligations or in respect of new obligations replacing existing ones and the payment or other acts to terminate obligations being secured by an *in rem* security and which mature after the declaration of insolvency). Ordinary transactions carried out within the debtor's ordinary course of business cannot be rescinded, *provided* that they are carried out at arm's length.

In any event, fraudulent acts that have been entered into by creditors may always be rescinded and also those payments made by the debtor in respect of obligations which the debtor, at the time of payment, could not be compelled to pay. The consequence of the court resolution rescinding a prejudicial act is that the parties involved are required to return their reciprocal consideration with any accrued rents or interest.

Conclusion of insolvency

Settlement

Once the debtor's assets and liabilities have been identified, the Spanish Insolvency Act encourages creditors to reach an agreement regarding payment of the insolvency debts. This agreement may be proposed either by the debtor or by the creditors, and it shall set forth how, when and up to what amount creditors are to be paid. Once executed, this agreement must be honored by the debtor and respected by the creditors.

The settlement or CVA should contain proposals for write-offs and/or stays and it may also contain alternative or complementary proposals for all creditors or for certain classes of creditors (except for Public Law creditors), including conversion of debt into shares, into profit-sharing credits convertible bonds or subordinated debt, or any financial instrument different from the original debt. It may also include proposals for allocation of all assets or of certain assets to a specific person with a commitment from the acquirer to continue the activity and to pay off the debt as determined in the settlement agreement.

The proposals in the settlement shall include a payment schedule.

In order for a settlement or CVA to be deemed approved by the creditors, the following majorities shall be met at the creditors' meeting:

(i) If the CVA contains write-offs equal to or less than 50 per cent of the amount of the claims; stays on the payment of principal, interest or any other outstanding amount for a period not exceeding five years; or, in the case of creditors other than those related to the public administration or employment matters, the conversion of debt into profit participating loans over the same period, at least 50 per cent of the unsecured liabilities (ordinary credits) have voted in favor of such settlement or CVA. Notwithstanding the above, a vote by creditors representing a portion of the unsecured liabilities that is greater than the vote against will suffice when the settlement consists of (i) full payment of ordinary or unsecured claims within a period not exceeding three years or (ii) immediate repayment of outstanding ordinary unsecured claims applying a write off of less than 20 per cent.

(ii) If the CVA contains stays of over five years but no more than 10 years; write-offs of more than 50 per cent of the amount of the claims and, in the case of creditors other than those related to the public administration or employment matters, the conversion of debt into profit participating loans over the same period and any other proposal under article 100 of the Spanish Insolvency Act, 65 per cent of the unsecured liabilities (ordinary credits) should have voted for the settlement or CVA.

The holders of subordinated credits and those creditors considered as especially related to the debtor are not entitled to vote.

Although in principle secured creditors are not subject to an approved settlement or CVA (unless they have expressly voted in its favor) the effects of an approved CVA can be extended to secured and privileged

creditors *provided* that the relevant CVA of creditors has been approved by the following majorities of creditors within its category of creditors (labor creditors, public law creditors, financial creditors or others):

(i) if the CVA contains a write-off (or debt discharges) equal to or less than 50 per cent of the amount of the claims, stays for a period no longer than five years or conversion of debt into profit participating loans, also for a period no longer than five years, at least 60 per cent of privileged creditors have voted in favor; and

(ii) in case the CVA contains a write-off of more than 50 per cent of the claim; stays (for a period between five and 10 years), conversion of debt into profit participating loans also for a period of over five years but no more than 10 years, and any other proposal under article 100 of the Insolvency Act, at least 75 per cent of privileged creditors have voted in favor.

Cramdown effects of certain refinancing agreements

In order to seek protection against claw-back, refinancing agreements (out-of-court workouts) may be judicially sanctioned (*homologado*) by the commercial court that will be competent to conduct an eventual insolvency proceeding of the debtor, upon request by the debtor or by any creditor having entered into such refinancing agreements, if (i) they entail a significant increase of the debtor's credit or a change in the financial structure by either granting a longer term or replacing previous claims with new ones, *provided* that they meet a viability plan that allows the continuity of the debtor's business in the short and medium term; (ii) they have been subscribed by creditors holding financial liabilities representing, at least, 51% of the debtor's financial liabilities whether or not subject to financial supervision (public creditors, labor creditors and those of commercial transactions are excluded when calculating if the required thresholds are met) at the date of the refinancing agreement; (iii) the debtor's auditor issues a certificate acknowledging that the required thresholds have been reached (in the case of a group of companies, the majority refers both individually to each company and to the group as a whole where the intercompany claims are not taken into account); and (iv) the agreement is formalized in a public instrument. Judicially sanctioned refinancing agreements may not be subject to a claw-back action (save in case of fraud or because the formal criteria have not been met).

The following cramdown effects of homologated refinancing agreements may be imposed on (i) dissenting or non-participating unsecured financial creditors or (ii) on secured financial creditors to the extent of that part of their secured claim not covered by their security interest, as such security interest is to be valued in accordance with the rules set out the Spanish Insolvency Act:

(a) If the judicially sanctioned refinancing agreement is supported by creditors representing at least 60% of the debtor's financial liabilities:

  i. stays of payments either of principal, interest or any other owed amount may be granted for up to five years; or

  ii. the debt converted into so-called profit participation loans (*préstamos participativos*) of duration up to 5 years.

(b) Further, these effects may be extended to the amount of secured claims of non-participating or dissenting financial creditors in the amount covered by their security interest (valued in accordance with the rules set out in the fourth additional provision of the Spanish Insolvency Act), when the agreement has been entered into by financial creditors holding secured claims which represent at least 65% of the value of all secured claims of the debtor.

(c) If the homologated refinancing agreement is supported by creditors representing at least 75% of the debtor's aggregate financial liabilities:

(i) a deferral either of principal, interest or any other owed amount for a period of five or more years (but not more than 10 years);

(ii) haircuts (note that a cap has not been established);

(iii) capitalization of debt. Nevertheless, those creditors that have not supported such refinancing agreement (either because they did not sign the agreement or because they oppose it) may choose between (i) the debt for equity swap contemplated by the agreement; or (ii) a discharge of their claims equal to the nominal amount (including any share premium) of the shares/quota shares that would have corresponded to that creditor as a consequence of the relevant debt for equity swap;

(iv) conversion of debt into profit participation loans with a maturity between five and 10 years, convertible obligations, subordinated loans, payment in kind facilities, or in any other financial instrument with a ranking, maturity and features different to the original debt; and

(v) assignment of assets or rights as assignment in kind for total or partial payment of the debt (*datio pro soluto*).

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting financial creditors in the amount covered by their security interest (valued in accordance with the rules set out in the fourth additional provision of the Spanish Insolvency Act), when the agreement has been entered into by financial creditors holding secured claims which represent at least 80% of the value of all secured claims of the debtor.

In addition, under the agreements subject to a syndication regime, if at least, creditors representing 75 per cent of the total commitments approve to enter into a refinancing agreement, then the effects may be extended to the total creditors subject to such syndication regime.

Liquidation

Liquidation is conceived as an outcome subsidiary to settlement. It operates where a CVA is not reached or when it is decided upon by the insolvency court. The insolvent company is entitled to request the liquidation at any time and, in any event, it must file a petition for liquidation if, during the period while the settlement is in force, it becomes aware of no longer being able to meet the payment commitments and obligations undertaken after the approval of such settlement. In such a case, the company will be aimed at dissolution and the directors and liquidators will be removed. Deferred credits will compulsorily fall due and credits consisting of other benefits are converted into cash credits.

The insolvency administration will be required to prepare a liquidation plan that must be approved by the insolvency court. The insolvency administration is required to report quarterly on the liquidation and has one year to complete it. If the liquidation is not completed within one year, the court may appoint a different insolvency administration.

Fraudulent Conveyance Laws

Under Spanish law, in addition to the insolvency claw-back action, the insolvency administrator and any creditor may bring an action to rescind a contract or agreement (*acción rescisoria pauliana*) against the debtor and the third party which is a party to such contract or agreement, *provided* that the same is performed or entered into

fraudulently and the creditor cannot obtain payment of the amounts owed in any other way. Although case law is not entirely consistent, it is broadly accepted that the following requirements must be met in order for a creditor to bring such action:

- the debtor owes the creditor an amount under a valid contract and the fraudulent action took place after such debt was created;
- the debtor has carried out an act that is detrimental to the creditor and beneficial to the third party;
- such act was fraudulent;
- there is no other legal remedy available to the creditor to obtain compensation for the damages suffered; and
- debtor's insolvency, construed as the situation where there has been a relevant decrease in the debtor's estate making it impossible or more difficult to collect the claim.

The existence of fraud (which must be evidenced by the creditor) is one of the essential requirements under Spanish law for the action to rescind to succeed. Pursuant to Article 1,297 of the Spanish Civil Code (*Código Civil*): (i) agreements by virtue of which the debtor transfers assets for no consideration, and (ii) transfers for consideration carried out by parties who have been held liable by a court (*sentencia condenatoria*) or whose assets have been subject to a writ of attachment (*mandamiento de embargo*) will be considered fraudulent. The presumption referred to in (i) above is a *iuris et de iure* presumption (*i.e.* it cannot be rebutted by evidence), unlike the presumption indicated in (ii) above, which is a *iuris tantum* presumption (*i.e.* it is a rebuttable presumption).

If the rescission action were to be upheld, the third party would be liable to return to the debtor the consideration received under the contract in order to satisfy the debt owed to the creditor. Following that, the creditor would need to carry out the actions necessary to obtain the amount owed by the debtor. If the consideration received by the third party under the contract cannot be returned to the debtor, the third party must indemnify the creditor for such damages.

Set-off

The Spanish Insolvency Act generally prohibits set off of the credits and debts of the insolvent company once it has been declared insolvent, but the set off of credits and debts required in order to operate that were agreed before the declaration of insolvency can still apply. However, set-off may be exercised by a determined creditor vis-à-vis the insolvent company if the governing law of the reciprocal credit right of the insolvent company permits it under its insolvency scenarios.

Panama

Gaming Control Board Approval

In Panama, pursuant to the current Gaming Laws, Gaming & Services de Panama, S.A. must request a prior approval from the Gaming Control Board in order to pledge its shares in favor of any third party, including creditors. The Gaming Control Board usually takes between 30 to 60 calendar days in order to approve such request. The applicant, in this case Gaming & Services de Panama, S.A., must provide information about the beneficiary of the pledge and the documentation creating the lien over its shares.

Panama Insolvency Law

Gaming & Services de Panama S.A. will provide a Guarantee of the Notes. Under Panama law, your ability to receive payment on the Notes may be more limited than would be the case under U.S. bankruptcy laws.

In the case of merchants, Panama's insolvency or bankruptcy provisions are set forth mainly in the Code of Commerce, but certain provisions of the Civil Code and the Judicial Code also apply.

Except for certain types of merchants (such as banks), for which special legislation applies, these provisions establish an orderly court supervised liquidation procedure, the objective of which is the apportionment of assets among creditors in accordance with certain legally established rules and priorities. Court ordered reorganizations are not presently available under Panama law.

Under Panama law, the state of insolvency of a company must be determined and declared by a court as insolvent. Insolvency exists when a debtor fails to pay any debt, so long as the debt is due, expressed in monetary terms and ascertainable. A petition for such a declaration may be filed before the competent courts either by one or more creditors or the debtor, but the failure of a debtor to make such petition when insolvency exists may lead to criminal prosecution.

In the declaration of bankruptcy the court must establish the date as of which the state of insolvency existed, which usually will coincide with the date the petition seeking a declaration of bankruptcy was filed but may be fixed up to four years plus 30 days prior to the date of the petition.

The date of insolvency is important for establishing the period of time during which certain acts of the debtor may be reviewed and set aside or declared void by the court for the benefit of the bankruptcy estate. Acts that may be set aside or declared void include gratuitous acts, the granting of a security interest or a preference in respect of previously contracted obligations, the pre-payment of debts not yet due, and the payment in kind of debts that are past due.

Upon the declaration of bankruptcy by the court the debtor immediately becomes separated from its assets and cannot administer them or dispose of them; administration of a debtor's assets (the bankruptcy estate) is transferred to its creditors represented by a curator or administrator appointed by the court. Upon such declaration, the debts of the bankrupt, whether commercial or civil, are deemed to be due and payable as of the date the bankruptcy is declared; and all such debts cease accruing interest, except for those secured by pledge or mortgage and then only up to the value of the collateral. All judicial proceedings brought against the bankrupt debtor in any court within the four years prior to the date of the declaration of bankruptcy must be accumulated and dealt with in the bankruptcy proceedings. Any attachments over assets of the debtor which are issued by the bankruptcy court are given preference over attachments previously issued, except for attachments relating to property which is subject to a security interest such as a mortgage or pledge.

The Code of Commerce provides that a guarantor may demand that a creditor pursue the principal debtor and its assets before demanding payment from the guarantor or its bankruptcy. If the bankrupt is a guarantor and the obligations of the principal debtor are not due and payable, the Code of Commerce provides that the principal debtor must either prepay the debt or the bankruptcy estate would be released from the guarantee. In effect, the principal debtor is required to obtain a suitable guarantor to replace the bankrupt guarantee.

The Gaming Control Board of Panama has adopted regulations providing that the judicial administrator of an insolvent company with gaming activities authorized by the Gaming Control Board, such as Gaming & Services de Panama S.A., shall not be permitted to continue to engage in gaming activities, such as the operation of casinos, for the benefit of the creditors, unless previous approval from the Gaming Control Board has been obtained.

The Code of Commerce sets forth the following rules with respect to the application of the bankruptcy estate to the payment of the outstanding obligations: all creditors, whether or not they have a lien or privilege, have the right to be paid from the bankruptcy estate; the payment of credits must be made out of the income derived from the sale of the debtor's assets in accordance with the ranking set out in the Civil Code; secured creditors have the right to receive payment from the sale of the collateral; secured creditors may not participate in

the distribution of the bankruptcy estate unless they waive their security interest over the collateral; and secured creditors may nonetheless seek to recover any unsatisfied portion of their debt from the bankruptcy estate by participating with all of the unsecured creditors on a pro rata basis.

In bankruptcy, the credits will rank as to each other as follows:

- For movable property and assets of the bankrupt, the ranking of credits is:
    - credits for the construction, repair, preservation and appreciation of the sale price of movable property and assets in possession of the bankrupt, up to the value of the same;
    - credits for the transportation of the transported assets, for the price of the same, and preservation expenses and rights; and
    - credits for rents and leases of more than one year, over the movable assets located within the leased or rented property.
- For real estate property, assets and rights of the bankrupt, the ranking of credits is:
    - credits in favor of the Panamanian state in which the real estate is located, over the assets of taxpayers and for the amount of the taxes owed;
    - credits in favor of insurance companies, over the insured assets;
    - mortgage credits registered in the Public Registry, of mortgage assets; and
    - credits that have been pre-emptively registered in the Public Registry, due to a judicial order, attachment or execution of judicial sentence, over the assets that have been affected by said pre-emptive registration.
- Regarding other movable and real estate property, assets and rights of the bankrupt, the ranking of credits is:
    - credits in favor of any municipality for taxes owed by the bankrupt; and
    - credits owed in relation to expenses incurred by the bankrupt for purposes of judicial and administrative management of the insolvency and for the common interest of all creditors.

Bankruptcy proceedings in Panama and therefore the liquidation of a debtor may take a considerable amount of time.

In the event that the Panamanian Guarantor, Gaming & Services de Panama S.A., entered into bankruptcy proceedings, its Guarantee could be challenged. If any challenge to the validity of such Guarantee were successful, holders of the notes may not be able to recover any amounts under the Guarantee provided by Gaming & Services de Panama S.A. Likewise, upon such bankruptcy declaration, the Gaming Control Board could deny the court appointed curator the administration of Gaming & Services de Panama S.A. operation, in which case holders of the notes may not be able to recover any amounts under the Guarantee provided by Gaming & Services de Panama S.A. from operations that could otherwise continue until the bankruptcy proceedings are concluded.

Mexico

Enforcement of Share Pledges

Under Mexican law, any direct or indirect (for example, through enforcement of a share pledge) transfer of shares must be notified to the Ministry of Interior (*Secretaría de Gobernación*), including any change in the Mexican Subsidiary Guarantor's direct shareholding structure or in the shareholding structure of its shareholders (up until the beneficiary owner), and certain information about the new shareholders must be provided to the Ministry of Interior. The Ministry has the ability to reject shareholders that fail to comply with certain legal requirements (for example, when such shareholders are domiciled in a country with lower tax rates than Mexico). Thus, although this requirement is only supposed to be a notice to the Ministry after the direct or indirect transfer of the shares has happened, due to the power of the Ministry to reject certain shareholders, it should be considered an approval. Therefore, any enforcement of the share pledge over the shares of the Mexican Subsidiary Guarantor will be subject to the approval of the Ministry of Interior in Mexico.

Guarantees

The Guarantee granted by the Mexican Subsidiary Guarantor may not be enforceable in the event of a bankruptcy or judicial reorganization (*concurso mercantil*) of such Subsidiary Guarantor. While Mexican law does not prevent the Guarantee granted by the Mexican Subsidiary Guarantor from being valid, binding and enforceable against it, in the event the Mexican Subsidiary Guarantor is declared bankrupt or becomes subject to a judicial reorganization (*concurso mercantil*), the Guarantee granted by such Mexican Subsidiary Guarantor may be deemed to have been a fraudulent conveyance and declared void, mainly if it is determined that such Mexican Subsidiary Guarantor granted such Guarantee within a 270-day statutory look-back period, prior to the declaration of bankruptcy or reorganization, which may be extended by the court, unless such Mexican Subsidiary Guarantor proves that it acted in good faith and received fair consideration in exchange for such Guarantee, among others.

A legal challenge of the Mexican Subsidiary Guarantor's obligations under a Guarantee on fraudulent conveyance grounds could focus on the benefits, if any, realized by the Mexican Subsidiary Guarantor as a result of the issuance of the Notes. To the extent a Guarantee is voided as a fraudulent conveyance or held unenforceable for any other reason, the holders of the Notes would not have any claim against the Mexican Subsidiary Guarantor.

In the event that proceedings are brought in Mexico seeking enforcement of the Mexican Subsidiary Guarantor's obligations in Mexico, pursuant to article 8 of the Mexican Monetary Law; the Mexican Subsidiary Guarantor may discharge its obligations by paying any sums due in a foreign currency, in Mexican pesos at the exchange rate for Mexican pesos applicable on the date payment is made, as published by Mexico's Central Bank. If the Mexican Subsidiary Guarantor elects to make payments due on the Notes in Mexican pesos in accordance with the Mexican Monetary Law, we can make no assurances that the amounts paid may be converted back by the payee into U.S. dollars or euros at the same exchange rate or that, if converted, such amounts would be sufficient to purchase U.S. dollars or euros equal to the amount of principal, interest or additional amounts due on the Notes.

If the Mexican Subsidiary Guarantor files a petition for a bankruptcy or judicial reorganization (*concurso mercantil*) or is forced into bankruptcy or judicial reorganization (*concurso mercantil*) by any of its creditors, the accrual of interest on all unsecured debt of such Subsidiary Guarantor (including its Guarantee of the Notes) would be suspended on the date the bankruptcy or judicial reorganization (*concurso mercantil*) is declared by the competent court. Unsecured foreign currency denominated liabilities, including the liabilities under the Notes, would be converted into Mexican pesos at the exchange rate applicable on the date on which the declaration of bankruptcy or judicial reorganization is effective, and the resulting amount, in turn, will be converted to inflation indexed units, or "UDIs" at the rate set by Mexico's Central Bank. The exchange rate of "UDIs" into Mexican pesos is updated periodically by Mexico's Central Bank. Unsecured foreign currency denominated liabilities, including liabilities under the Notes, will not be adjusted to take into account any depreciation of the Mexican

peso occurring after the declaration of bankruptcy or judicial reorganization. In addition, all unsecured obligations under the Notes will cease to accrue interest from the date of the bankruptcy or judicial reorganization declaration, and will be satisfied only at the time the obligations of the unsecured creditors of the Mexican Subsidiary Guarantor are satisfied and will be subject to the outcome of, and amounts recognized as due in respect of, the relevant bankruptcy or judicial reorganization proceeding. Likewise, pursuant to Mexican laws regulating bankruptcy or judicial reorganization (*concurso mercantil*) and similar procedures, certain liabilities, such as employee payroll obligations, taxes in certain cases and debts secured by pledge or mortgage over assets, shall have priority over other creditors, and we cannot guarantee that the Subsidiary Guarantor will have sufficient resources to pay all of its creditors.

Mexican law provides that contractual obligations such as those provided for under the Guarantees provided by the Subsidiary Guarantor incorporated in Mexico may only exist to the extent that the obligations of the principal obligor(s) are valid. Therefore, it should be noted that upon the lack of genuineness, validity or enforceability of the obligations of the Issuer under the Notes, the obligations of the Subsidiary Guarantor incorporated in Mexico pursuant to its Guarantee shall be equally affected and, in such circumstance, the obligations provided for thereunder may be unenforceable in Mexico.

In addition, under Mexican law, the extension or the granting of grace periods to the principal obligor(s), any modification of guaranteed obligations that would increase any obligation of the Subsidiary Guarantor incorporated in Mexico pursuant to its Guarantee, or the novation (*novación*) of the principal obligation, would require the consent of the Mexican Subsidiary Guarantor. Therefore, it should be noted that the obligations of the Mexican Subsidiary Guarantor under the Guarantee might not be enforced by Mexican courts if the guaranteed obligations are extended, increased or novated (*novadas*) without the consent of the Mexican Subsidiary Guarantor at that time.

Italy

The following is a summary of certain limitations on the validity and enforceability of the security interests governed by Italian law and of certain insolvency law considerations that apply in Italy. This summary does not purport to be complete or to present all relevant considerations of Italian law which may be relevant.

Limitations on enforcement of security under Italian law

According to Italian law, the enforcement of any claims, obligations, security interest and rights in general may be subject to, *inter alia*, the following rules:

(i) the priority rights (so-called *prelazione*) granted by a pledge extend to interest accrued in the year in which the date of the relevant seizure or attachment or adjudication in bankruptcy falls, and to interest accrued and to be accrued thereafter, but only to the extent of legal interest and contractual interests (if agreed) within the applicable limits provided under Italian law and until the date of the forced sale in the context of the relevant foreclosure proceeding/bankruptcy proceedings;

(ii) a security interest does not prevent creditors of the relevant debtor, other than the pledgee, from continuing enforcement proceedings on the assets secured by the relevant pledge;

(iii) in case of bankruptcy of the grantor of the pledge over quotas or shares, the assets secured by the pledge could be freely sold to any third party in the context of the relevant bankruptcy proceeding and, as a consequence, the proceeds would be set aside for the prior satisfaction of the pledgee;

(iv) pursuant to Section 2744 of the Italian Civil Code, any agreement according to which the ownership of the pledged asset would be transferred to the relevant creditor in the event of failure to pay a secured debt is considered null and void; and

(v) the extension of existing security or the granting of new security interests in connection with the issuance of new notes or in connection with modifications to the secured obligations may create hardening periods for such security interests. The applicable hardening period for such security interests would run from the moment each security interest has been granted, executed, extended or recreated.

Trust and parallel debt

Under Italian law, the beneficiary of a security interest must be clearly identified in the relevant security document. It is uncertain and untested in the Italian courts whether, under Italian law, a security can be created and perfected (i) in favor of creditors (such as the holders of the Notes) which are neither direct parties to the relevant security documents nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of the Trustee of the Notes under the Indenture since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of the Trustee as agent or trustee for holders of the Notes under security interests on Italian assets is debatable under Italian law.

Under Italian law, this first issue is usually addressed by creating the security interest in favor of a representative appointed by the holders of the Notes in accordance with Section 2414-bis of the Italian Civil Code, which expressly authorizes such representative to exercise all rights and obligations (including creation of securities and enforcement rights) on behalf of the holders of the Notes. However, Section 2414-bis of the Italian Civil Code may not apply if an issuer is not organized under Italian law as such issuer may not appoint a relevant representative pursuant to Section 2417 of the Italian Civil Code.

Given the above, there is a risk that an Italian court may determine that the holders of the Notes at the time of the enforcement are not secured by the security under the security documents governed by Italian law and cannot enforce that security.

To address this potential issue, the Intercreditor Agreement provides for the creation of parallel debt. Pursuant to the parallel debt and subject to the terms of the Intercreditor Agreement and to applicable law the Security Agent, in its individual capacity, acting in its own name and not as agent or representative of the holders of the Notes, becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The security interests governed by Italian law will then secure such parallel debt to the extent permitted by law. To date, the Italian courts have not yet considered the enforceability of certain rights of a security agent benefiting from a parallel debt, and, accordingly, there is no certainty that the parallel debt procedure will per se eliminate or mitigate the risk of unenforceability by the holders of the Notes of Italian law security interests granted for their benefit. Therefore, if a challenge to the validity or enforceability of the security interest governed by Italian law were to be successful, there is a risk that the holders of the Notes, in relation to which the relevant perfection formalities acknowledging their status of secured creditors are not perfected at the time of the enforcement might be unable to recover any amounts under such security documents.

Certain Italian Insolvency Law considerations

The insolvency discipline set forth by Italian law may not be as favorable to investors' interests as those of creditors in other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in-court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be time consuming.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities, nor does it provide a comprehensive description of insolvency laws application when public companies are involved.

Certain provisions of Italian insolvency law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations. In this respect, the most recent reforms that have been approved by the Italian Government are:

(i) the reform approved by the Italian Government on June 23, 2015 by a Law Decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the "Decree"). The Decree entered into force on June 2015 and has been converted into law by the Law No. 132/2015 ("Law 132"). Law 132 entered into force on August 21, 2015; and

(ii) the amendments implemented by means of the adoption of (a) the Law Decree No. 59 of May 3, 2016, converted into law by Italian Law No. 119 of June 30, 2016, and (b) Italian Law No. 232 of December 11, 2016.

Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "Italian Bankruptcy Law") provides for different models of pre-insolvency and insolvency proceedings, namely:

(a) bankruptcy (*fallimento*);

(b) certified restructuring plans (*piani attestati di risanamento*);

(c) debt restructuring agreements (*accordi di ristrutturazione dei debiti*);

(d) pre-bankruptcy composition with creditors (*concordato preventivo*);

(e) extraordinary administration for large insolvent companies (*amministrazione straordinaria delle grandi imprese in stato di insolvenza*);

(f) special extraordinary administration (*amministrazione straordinaria speciale*); and

(g) compulsory administrative winding-up (*liquidazione coatta amministrativa*).

The Italian Bankruptcy Law, in bankruptcy proceedings and pre-bankruptcy composition with creditors (*concordato preventivo*), is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: (i) assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million in each of the three preceding fiscal years, (ii) gross revenues (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years or (iii) total indebtedness (including debt not overdue and payable) in excess of €0.5 million.

Bankruptcy Proceedings (fallimento)

Under Italian law, bankruptcy (*fallimento*) must be declared by a court after having ascertained the insolvency (*insolvenza*) of the debtor upon a petition filed by the same insolvent debtor, the public prosecutor or one or more creditors. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to meet regularly and with ordinary means its obligations as these come due. This must be a permanent rather than a temporary status.

Upon declaration of bankruptcy:

(i) subject to certain exceptions, creditors are prevented from individually taking any legal action against the debtor and no individual payment of credit is allowed. All credits are considered overdue and accrual of interest on the creditors' claims is suspended. Creditors must file their claims against the debtor by submitting a proof of claim before the competent bankruptcy court within the term assigned to them, and the designated judge (*giudice delegato*) may decide whether to admit the said claims into the bankruptcy liabilities. Under certain circumstances, secured creditors may enforce against the secured asset as soon as their claims are admitted into bankruptcy liabilities as preferred claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank pari passu with all of the bankrupt debtor's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the designated judge, who, after hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee (*comitato dei creditori*), decides whether to authorize the sale, and sets forth the relevant timing terms and conditions in his or her decision;

(ii) the administration of the debtor and the management of its assets is transferred from the debtor to the bankruptcy receiver (*curatore fallimentare*); and

(iii) any act (including payments) made by the debtor, other than those made through the receiver, becomes ineffective vis-à-vis the creditors;

(iv) although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been entirely performed by each of the parties, certain contracts are subject to specific rules expressly provided for by the Italian Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a designated judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of the creditors and is responsible for the liquidation of the assets of the debtor to the satisfaction of the creditors. The bankruptcy receiver may also evaluate the opportunity of a temporary continuation of the debtor's business, or of a temporary lease of the debtor's business, that shall in any case be authorized by the creditors' committee and the designated judge. The proceeds from the liquidation are distributed in accordance with statutory priority.

Statutory priorities

The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Under Italian law, the proceeds from the sale of the bankruptcy assets are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. According to Section 111 of the Italian Bankruptcy Law, the creditors admitted to the bankruptcy estate are entitled to receive the revenues of receiver's liquidation activities according to the following order of priority: (i) first, debts arising after the declaration of insolvency and therefore during the procedure (which form the category of "*crediti prededucibili*"), which are entirely satisfied; (ii) second, debts in relation to which a right of preference (either set out by the law or through a security interest) over the goods belonging to the bankruptcy assets from time to time disposed of, are to be satisfied on the relevant amount in accordance with the order provided by law; and (iii) lastly, the debts so-called "*chirografari*" (without any preference right) are satisfied pro-rata with the remaining amount.

Bankruptcy composition with creditors (*concordato fallimentare*).

Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed by one or more creditors or third parties starting from the

declaration of bankruptcy, whereas the debtor or its subsidiaries may file such a proposal only after one year following such declaration but before the lapse of two years from the decree giving effectiveness to the bankruptcy liabilities. The petition may provide for the division of creditors into classes having a homogeneous legal position and economic interests thereby proposing different treatment among the classes (that in any case shall not result in changes of statutory priority), the restructuring of debts and the satisfaction of creditors' claims in any technical form, including the assignment to the creditors of shares, stakes or securities or other financial instruments. The petition may also provide for partial repayment of secured claims *provided* that such secured claims would not obtain a full payment in case of sale of the secured asset. The *concordato fallimentare* proposal must be submitted for approval to the bankruptcy receiver and to the creditors' committee and—should the proposal split the creditors in different classes and provide for different treatments among the classes—it must receive the clearance of the bankruptcy court.

The *concordato fallimentare* proposal must be approved by the majority of the creditors admitted to vote (in case the debtor has issued notes or financial instruments, the *concordato fallimentare* proposal shall be sent to the bodies empowered to call a meeting of the holders of such notes or financial instruments for the relevant resolutions) and if creditors are divided in different classes, by the majority of the creditors included in the majority of the classes. Final confirmation by the court is also required.

Claw-back action

Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments made, a guarantee entered into or security interests granted by the debtor prior to its adjudication in bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions. In particular, the Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and actions or transactions which are voidable at the request of the bankruptcy receiver/extraordinary commissioner:

(a) *Acts ineffective by operation of law.*

(i) Under Section 64 of the Italian Bankruptcy Law, subject to certain limited exceptions, all transactions entered into for no consideration are ineffective vis-à-vis creditors if entered into by the bankrupt debtor in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Section 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without need to wait the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and

(ii) under Section 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective vis-à-vis creditors, if made by the bankrupt debtor in the two-year period preceding the insolvency declaration.

(b) *Acts that may be subject to claw-back actions*.

(i) The following acts and transactions, if made during the so-called "suspect period" or such other period specified below, may be declared ineffective, unless the non-solvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

A. onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt debtor exceeds 25% of the value of the consideration received by and/or promised to the debtor;

B. payments of debts, due and payable, made by the bankrupt debtor which were not paid in cash or by other customary means of payment in the year before the insolvency declaration;

C. pledges and mortgages granted by the bankrupt debtor in the year before the insolvency declaration in order to secure pre-existing debts, which had not yet fallen due at the time the new security was granted; and

D. pledges and mortgages granted by the bankrupt debtor in the six months before the insolvency declaration in order to secure mature debts, which had already fallen due at the time the new security was granted.

(ii) The following acts and transactions, if made during the "suspect period" or such other period specified below, may be declared ineffective if the bankruptcy receiver proves that the other party knew that the bankrupt debtor was insolvent:

A. the payments of debts that are immediately due and payable and any transactions for consideration entered into or made within six months before the insolvency declaration; and

B. the granting of security interests in favor of new debts (including those of third parties) and made within six months before the insolvency declaration.

(iii) Some specific transactions are exempt from claw-back actions including:

A. payment for goods or services made in the ordinary course of business according to market practice;

B. remittance on a bank account, *provided* that it does not materially and permanently reduce the bankrupt debtor's debt towards the bank;

C. the sale, including an agreement for sale registered pursuant to Section 2645-bis of Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; *provided* that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;

D. transactions entered into, payments made and guarantees issued with respect to the bankrupt debtor's assets, *provided* that they relate to the implementation of an out-of-court certified restructuring plan (*piano di risanamento attestato*) under Section 67, paragraph 3(d) of the Italian Bankruptcy Law or to the implementation of an "*accordo di ristrutturazione dei debiti*" under Section 182-bis of the Italian Bankruptcy Law and any act, payment and security interest validly performed after the filing of a request for a "*concordato preventivo*" procedure under Section 161 of the Italian Bankruptcy Law;

E. payments to the bankrupt debtor's employees and consultants concerning work carried out by them; and

F. payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared void within the Italian Civil Code ordinary claw- back period of five years (*revocatoria ordinaria*). Under Section 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt debtor disposed of its assets to the detriment of such creditor's rights be declared ineffective with respect to such creditor, *provided* that the bankrupt debtor was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim was originated, that such transaction was fraudulently entered into by the bankrupt debtor for the purpose of causing detriment to the bankrupt entity) and that, in the case of a transaction entered into with a third party, the third party was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim was originated, such third party participated in the fraudulent design). The burden of proof is entirely with the receiver.

Law 132 also introduced new Section 2929-bis to the Italian Civil Code, providing for a "simplified" claw-back action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g. gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale*—"family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third party purchaser.

Certified restructuring plans (piani attestati di risanamento)

According to Section 67, Paragraph 3, letter (d), of the Italian Bankruptcy Law, a company facing a period of financial distress may prepare a certified restructuring plan aimed at ensuring the recovery of its debt exposure and financial re-balancing.

The Italian Bankruptcy Law does not provide for any mandatory scheme or guidelines to be followed by a company for the purpose of preparing a certified restructuring plan. Therefore, the content of a certified restructuring plan can highly vary on a case-by-case basis, *provided* that it results suitable for the economic and financial adjustment of the relevant entrepreneur. Generally, a certified restructuring plan includes, among others: (i) an industrial and financial plan; (ii) a moratorium; (iii) a debt refinancing or rescheduling plan; (iv) an analytical description of all transactions, payments and guarantees that, pursuant to said plan, are to be made or granted in relation to the assets of the debtor. There is no entrustment of business to another entity; therefore, the debtor remains entitled to manage its business.

The certified restructuring plans are not subject to any form of judicial control or approval and, therefore, no application is required to be filed with the court or other supervisory authority. Furthermore, the certified restructuring plans are not required to be approved by a specific majority of all outstanding claims.

The most important effect arising from the preparation of a restructuring plan is the exemption (in case of subsequent declaration of bankruptcy) from claw-back actions for those transactions, payments and guarantees made or granted in relation to the assets of the debtor in furtherance of the restructuring plan. In order to trigger such a protective effect, the restructuring plan must be reviewed by an independent expert who shall issue an opinion certifying the reasonableness of the restructuring plan (in terms of ability of the debtor to fulfil its payment obligations) and the truthfulness of the data contained therein. The expert must possess certain specific professional requisites and qualifications (e.g., being registered in the auditors' registrar), and meeting the requirements under Section 2399 of the Italian Civil Code. The expert may be subject to liability in the case of misrepresentation or false certification.

Furthermore, in order to maintain restructuring plan's coverage from the claw-back actions, the truthfulness of any information and data contained therein must be monitored and updated on a continuous basis. In fact, in case of significant deviations from the data initially reflected in the restructuring plan or in case of impossibility to complete one or more strategic actions contemplated therein, the restructuring plan must be promptly amended and updated and subject to a new assessment by the independent expert.

The certified restructuring plans are usually chosen when few creditors (generally, banks or other financial institutions) hold the large part of the company's indebtedness, because, in this scenario, it's reasonably feasible to reach an agreement.

Debt restructuring agreements (accordi di ristrutturazione di debiti)

Pursuant to Section 182-bis of the Italian Bankruptcy Law, a debtor who is insolvent or in a situation of "financial distress" (i.e., facing financial crisis which does not yet amount to insolvency) can initiate this process and request the court's approval (*omologazione*) of the debt restructuring agreement entered into with its creditors, *provided* that:

(i) such agreement is agreed upon by the company with a number of creditors representing at least the 60% of the overall amounts of the outstanding receivables;

(ii) the agreement ensures that the non-participating creditors can be fully satisfied (a) 120 days from the date of approval of the agreement by the court, in the case of debt that is due and payable to the non-participating creditors as of the date of the approval (*omologazione*) of the debt restructuring agreement by the court, and (b) 120 days from the date on which the relevant debt becomes due, in case of debt that is not yet due and payable to the non-participating creditors as at the date of the approval (*omologazione*) of the debt restructuring agreement by the court; and

(iii) the viability of the agreement is attested by an independent professional designated by the company and having the requisites set forth by Section 67, Paragraph 3, letter (d), of the Italian Bankruptcy Law.

The proposed debt reconstructing agreement must be filed with the competent companies' register and becomes effective as from the date of its publication therein.

Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any conservative or enforcement actions against the assets of the debtor in relation to pre-existing receivables. The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, among other things, either for the prosecution of the

business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The 60-day moratorium can also be requested by the debtor while negotiations with creditors are pending (i.e., prior to the above-mentioned publication of the agreement), subject to certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days from the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. At such hearing, the court assesses whether the conditions for anticipating the moratorium are in place and, in such case, orders that no conservative or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which a debt restructuring agreement and the assessment by the expert must be deposited. The court's order may be challenged within 15 days from its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. After having settled the oppositions (if any), the court validates the agreement by issuing a decree, which can be appealed within 15 days from its publication.

The Decree, as amended by Law 132 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements, easing the requirements with respect to financial creditors.

Pursuant to the new Section 182-septies of the Italian Bankruptcy Law, introduced by the Decree, as amended by Law 132, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called "cram down"), subject to certain conditions being met, including that (i) the treatment of dissenting creditors is not worse than under any other available alternative and that (ii) all creditors (adhering and non-adhering to the agreement) have been informed about the negotiations and have been allowed to take part in them in good faith. If such conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors. Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of debtor's aggregate financial indebtedness would also bind the non-participating financial creditors, *provided* that an independent expert certifies the homogeneity of the classes and subject to certain conditions being met. The purpose is to prevent banks with modest credits from block restructuring operations involving more exposed bank creditors, resulting in the failure of the overall restructuring and the opening of a procedure. Financial creditors who did not participate in the agreement may challenge it within 30 days from receipt of the relevant application. Such debt restructuring agreements and standstill agreements will not affect the rights of non-financial creditors (e.g. trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to the agreement.

Pursuant to Section 182-quater of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised composition with creditors) enjoys priority status in cases of subsequent debtor's bankruptcy (such status also applies to financing granted by shareholders, but only up to 80% of such financing). Financing granted "in view of" (i.e., before) a presentation of a petition for a debt restructuring agreement or a court-supervised composition with creditors may be granted such priority status *provided* that it is envisaged by the relevant plan or agreement and that such priority is expressly provided for by the court at the time of approval of the plan or sanctioning (omologazione) of the agreement.

Moreover, pursuant to the new Section 182-quinquies of the Italian Bankruptcy Law, the court, pending the approval (*omologazione*) of the debt restructuring agreement pursuant to Section 182-bis, Paragraph 1, of the

Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Section 182-bis, Paragraph 6, of the Italian Bankruptcy Law may authorize the debtor, if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with in rem security (*garanzie reali*), *provided* that the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares that the new financing aims at providing a better satisfaction of the rights of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, to the extent already payable and due, *provided* that the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree, as amended by Law 132, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Section 161, Paragraph 6 of the Italian Bankruptcy Law. The provision of Section 182-quinques of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the compositions with creditors (*concordato preventivo*) outlined below.

Furthermore, according to Section 1 of Decree, as amended by Law 132, pending the sanctioning (omologazione) of the debt restructuring agreement pursuant to Section 182-bis, Paragraph 1, of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Section 182-bis, Paragraph 6, of the Italian Bankruptcy Law also in absence of the plan pursuant to Section 161, Paragraph 2, letter (e), of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so-called prededucibile) indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company.

Pre-bankruptcy composition with creditors (concordato preventivo)

A company which is insolvent or in a situation of crisis (i.e. financial distress which does not yet amount to insolvency) and that has not been declared insolvent by a court has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the commencement of bankruptcy proceedings. The proposal by the company may propose to the creditors different percentages of satisfaction of their claims, depending on the type and nature of such claims.

In order to be admitted to the procedure, the company must file before the local court (*i.e.*, the court of the place where it has its principal office) a petition containing the proposal for the restructuring of its debts together with several other documents listed in Section 161 of the Italian Bankruptcy Law (*inter alia*, detailed financial statements, a list of company's properties, a list of creditors and real rights holders and a recovery plan—attested by an independent expert—detailing methods and timing of fulfilment of the mentioned proposal). Within the following day, company's petition must be filed with the competent companies' register by the office of the clerk of the concerned court.

From the date of such filing to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Pre-existing creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the companies' register are ineffective against such pre-existing creditors.

The restructuring proposal of composition may provide that: (a) the business continues to be run by the debtor as a going concern; or (b) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated; or (c) the liquidation of all assets of the business. In addition, the restructuring proposal of composition may provide, *inter alia* for (a) the restructuring of debts and the satisfaction of creditors' claims in any manner, including the liquidation of assets or extraordinary transactions such as the granting to creditors and their subsidiaries or affiliated companies of shares, bonds (also convertible into shares), or other financial instruments and debt securities; (b) the transfer to a receiver ("*assuntore*") of the operations of the business involved in the proposed arrangement agreement; (c) the division of the creditors into different classes (thereby proposing different treatments among the classes); and (d) different treatments for creditors belonging to different classes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a so-called *concordato in bianco*, pursuant to Section 161, Paragraph 6, of the Italian Bankruptcy Law, as amended by Italian Law Decree No. 69/2013 as converted into Italian Law No. 98/2013 ("Law Decree 69/2013"). The debtor may file such petition along with: (i) its financial statements from the latest three financial years; and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the restructuring plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days. In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Section 182-bis of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may: (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Section 173 of the Italian Bankruptcy Law (e.g., concealment of part of assets, omission to report one or more claims, declaration of non-existent liabilities or commission of other fraudulent acts), will report it to the court which, upon further verification, may reject the petition for a *concordato preventivo*; and (ii) set forth reporting and information duties of the company during the abovementioned period. The statutory provisions providing for the stay of enforcement and interim relief actions by the creditors referred to in respect of the *concordato preventivo* also apply to preliminary petitions for *concordato preventivo* (so called *concordato in bianco*).

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the debtor has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor will file, on a monthly basis, the company's financial position, which is published, the following day, in the companies' register. Non-compliance with these requirements may impair on the admission of the application for the composition with creditors and, upon request of the creditors or the public prosecutor and *provided* that the relevant requirements are verified, it may result in debtor's declaration of bankruptcy. If the activities carried out by the debtor appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, ex officio, after having heard the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent.

Claims arising from acts lawfully carried out by the distressed company and new super senior indebtedness authorized by the court pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Section 182-bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Section 182-bis, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Section 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business (as recently introduced by Article 1 of the Decree, as amended by Law 132) are treated as super-senior (so-called *prededucibili)* pursuant to Section 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Section 67 of the Italian Bankruptcy Law. Italian Law No. 9/2014 specified that the super-seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Section 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

As mentioned above, the composition proposal may propose that: (i) the debtor's company's business continues to be run by the debtor's company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con*

continuità aziendale). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenues that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary for purpose. The independent expert will also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its corporate bodies (usually its board of directors) but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business). The debtor is allowed to carry out urgent extraordinary transactions only upon prior court authorization, while ordinary transactions may be carried out without authorization. Third-party claims, related to the interim acts legally carried out by the debtor are super-senior (so called *prededucibili*) pursuant to Section 111 of the Italian Bankruptcy Law.

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favourable vote of (i) the creditors representing the majority of the receivables admitted to vote, and (ii) in the event that the plan provides for more classes of creditors, the majority of the classes. The *concordato preventivo* is approved only if the required majorities of creditors expressly voted in favour of the proposal. Law 132 abrogated the implied consent rule under which those creditors who, although entitled, did not express their vote and those who did not express their dissent within 20 days from the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights at the creditors' meeting can do so (even via e-mail) within 20 days from the closure of the minutes of the creditors' meeting and, after such term, creditors who did not exercise their voting right will be deemed not to have approved the *concordato preventivo* proposal. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and, to the extent that, they waive their security or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal.

The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo*.

The Decree, as amended by Law 132, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor, to present an alternative plan to the debtor's composition proposal, subject to certain conditions being met, including, in particular, that the proposal of the debtor does not ensure the recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of a composition proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of a composition proposal based on the continuation of the going concern (*concordato con continuità aziendale*).

In addition, in order to strengthen the position of the unsecured creditors, Law 132 provides that a composition proposal with liquidation purpose (*concordato liquidatorio*) (i.e. a proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure

that the unsecured creditors are paid in a percentage of at least 20% of their claims. This provision does not apply to composition proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and homologated, the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Section 163-bis of the Italian Bankruptcy Law, introduced by the Decree as amended by Law 132, provides that, if a proposal for a composition with creditors pursuant to Section 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or going concern to an identified third party, the judicial commissioner may request to the court to open a competitive bidding process to the extent that it would be in the best interest of the creditors. After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having ascertained that the requirements of law are met, declare the company bankrupt.

Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)—Legislative Decree No. 270/1999 (so-called "Legge Prodi-bis")

This procedure is reserved for large companies, *i.e.* companies having more than 200 employees for at least one year before the default and an aggregated indebtedness which is more the ⅔ of both the gross assets and revenues.

The procedure begins with a declaration of insolvency issued by the court of the place where the company has its principal office. Upon such declaration, the court formally opens the so-called observatory period ("*periodo di osservazione*") and appoints a judicial commissioner ("*Commissario Giudiziale*") in charge of the ordinary management of the company.

Within 30 days from the declaration of insolvency, the judicial commissioner must assess the existence of any chances for the recovery of the company and must submit a report in that regard. After the deposit of this report, the Ministry of Industry has a 10-day term for submitting observations thereon and the court has a 30-day term for the evaluation of the company's recovery likelihood on the basis of, *inter alia*, the assessment rendered by the judicial commissioner.

If the court concludes that recovery possibilities exist, then the company is formally admitted to the extraordinary administration procedure and the so-called execution period ("*periodo di esecuzione*") starts.

After the opening of the procedure, the Ministry of Industry appoints an extraordinary commissioner ("*Commissario Straordinario*")—or a board composed by three commissioners—and a surveillance committee ("*Comitato di Sorveglianza*"). The extraordinary commissioner(s) is (are) required to draft a recovery plan within 60 days from the opening of the execution period (term extendable for further 60 days in case of particular difficulties). Pursuant to Section 27 of Legislative Decree No. 270/1999, the objective of the procedure, which is that of recovering financial and economic balance of the business activity or activities of the insolvent company, may be achieved through, alternatively:

i) a program of disposal of company's going concern (or concerns) to third parties (so-called going concerns disposal program—"*programma di cessione dei complessi aziendali*"), with continuation of the business activities by the insolvent company for a maximum period of time (which may vary depending on the type and size of the business of the insolvent company), or

ii) a program for the restructuring of the operations of the company (so-called restructuring program—"*programma di ristrutturazione*"), the implementation of which must not exceed a defined period of time which, again, varies depending on the size of the company, or

iii) as regard to companies operating in the essential public services field, a program of disposal of company's assets or contracts (so-called assets and contracts disposal program—"*programma di cessione dei complessi di beni e contratti*") with continuation of the business activities by the insolvent company for a maximum period of time (which may vary depending on the type and size of the business of the insolvent company).

Pursuant to Sections 20 and 52 of Legislative Decree No. 270/1999, debts arising as a result of activities (including the continuation of the business activity of the insolvent company) carried out either during the observation period or the execution period must be satisfied entirely and in priority as "*crediti prededucibili.*"

Section 168 of the Italian Bankruptcy Law applies during the timeframe between the declaration of insolvency and the admission to the procedure; therefore individual enforcement actions and individual protective measure are prohibited. If the company is finally admitted to the Prodi-bis procedure, the same prohibition *de facto* continues pursuant to Section 48 of Legislative Decree No. 270/1999.

During the observatory period and since the extraordinary administration procedure is formally opened, the effectiveness of the contracts still in force is not automatically affected. According to Section 50 of Legislative Decree No. 270/1999, after the company is finally admitted to the Prodi-bis procedure:

i) the extraordinary commissioner is entitled to terminate the contracts, but they remain in force (and must be performed by both parties) until the extraordinary commissioner exercises such a right;

ii) after the approval of the program to be executed, the other party to the contract is entitled to set a 30-day term to the extraordinary commissioner for him or her to communicate his or her intentions as to the termination of the contract. If the extraordinary commissioner does not communicate his or her intention to continue, the contract is deemed terminated.

The effects of commissioner's choice are governed by the provisions set forth by Italian Bankruptcy Law applicable to the relevant contracts.

Special extraordinary administration ("Amministrazione straordinaria speciale")—Law Decree No. 347/2003 (so-called "Legge Marzano")

This procedure was introduced with the aim of addressing financial difficulties of very large companies, *i.e.* companies having more than 500 employees and aggregated indebtedness in excess of 300 million Euros.

According to Section 8 of Law Decree No. 347/2003, any matter not specifically addressed by said legislation shall be deemed governed, *mutatis mutandis*, by the provisions of Legislative Decree No. 270/1999.

The special extraordinary administration is enacted upon company's request. The company must file a petition before the Ministry of Industry who, once assessed the fulfilment of any preconditions provided by law, admits the company to the procedure. Within a 15-day term following the communication of the beginning of the procedure, the company's insolvency must be declared by the competent court (otherwise, if the company is not found insolvent by the court, the special extraordinary administration procedure is closed up).

Pursuant to Section 4 of Law Decree No. 347/2003, after the company's admission to the special extraordinary administration procedure, the appointed judicial commissioner has a 180-day term (extendable for further 90 days) to draft a recovery plan. The Ministry of Industry shall approve or reject such recovery plan within

30 days from its submission. The recovery plan drafted within a special extraordinary administration procedure must be aimed, first, at the reorganization of the company, while the sale of company's assets is admitted only upon rejection of the first draft of the proposal and shall be drafted by the judicial commissioner within a further 60-day term.

Pursuant to Section 4, Paragraph 2, of Law Decree No. 347/2003, upon the company's admission to the extraordinary administration procedure after the approval of the Ministry of Industry, Section 48 of Legislative Decree No. 270/1999 shall apply regarding the prohibition of enforcement actions and individual protective measures on the goods admitted in the procedure.

The effects of the admission to the special extraordinary administration procedure on the agreements in force as of the date thereof and not fully performed are set forth in Section 50 of Legislative Decree No. 270/1999.

Compulsory administrative winding-up (liquidazione coatta amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for public interest entities, such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be wound-up pursuant to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector.

A compulsory administrative winding-up is a special insolvency proceeding since the entity is liquidated not by the bankruptcy court, but by the relevant administrative authority that oversees the industry in which the entity operates. The procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (e.g., in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind-up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to a compulsory administrative winding-up.

Interim financing

The Decree, as amended by Law 132, introduced the possibility for debtors to also obtain authorization to receive urgent interim financing and to continue to use existing trade receivables credit lines (*linee di credito autoliquidanti*) necessary for their business needs before a court approval of a composition with creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) with priority status (*prededucibilità*) in case of subsequent bankruptcy without the expert certification and through an accelerated review process by the relevant court, upon, among others, the relevant debtor's declaration that interim finance is urgently needed and the debtor's inability to access such finance would cause imminent and irreparable damage. The court must decide on the request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors.

Before the entry into force of the Decree, debtors could be granted financing with priority status (*prededucibilità*) before a court's approval of a composition with creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) if: (i) an expert certified that such financing is functional to the overall restructuring process; or (ii) such financing is provided for by the plan or the agreement, provided in each case that the court approved such priority status.

Insolvency law reform

On January 10, 2019 according to the guiding principles set out in Law No. 155/2017, the Italian Government passed the Legislative Decree no. 14/2019 (*Codice della crisi d'impresa e dell'insolvenza*; hereinafter the "Code" or the "New Italian Insolvency Law") containing a comprehensive revision of the Italian Insolvency Law.

The Code, published on the Official Gazette of the Italian Republic on February 14, 2019, will enter into force, as far as the matters addressed herein are concerned, on August 15, 2020. Accordingly, the following paragraphs aim at providing only a general and high level framework of the Code as it cannot be excluded that the current provisions of the Code could be subjected to amendments until August 15, 2020.

The New Italian Insolvency law is based on certain general principles set forth by Law No. 155/2017, summarized as follows:

(a) the word "bankruptcy" (*fallimento*) is replaced by "judicial liquidation" (*liquidazione giudiziale*), with the aim to avoid any reputational damages connected to the word "bankruptcy" and to offer to the entrepreneur declared insolvent actual chances to restart business activities;

(b) a statutory definition of "distress" (*crisi*), equated to probable future insolvency, is set forth and is defined as the determination that prospective cash-flows will be insufficient to meet the debtor's expected obligations;

(c) an early warning phase is set forth, as an out-of-court and confidential procedure aimed at (i) ensuring a rapid analysis of the causes of the economic and financial distress of the entrepreneur at an early stage by means of certain alert measures and (ii) leading to an assisted composition with creditors;

(d) a single judicial process is established in order to ascertain the insolvency, applicable to all debtors irrespectively of the nature of the ensuing insolvency proceedings;

(e) restructuring proceedings seeking to maintain the debtor's business as a going concern are treated by the courts as priority matter and the use of composition proposals on a going concern basis (*concordato con continuità aziendale*) are preferred, as opposed to proposals with a liquidation purpose;

(f) procedures aimed at dealing with the crisis and insolvency of the Italian companies belonging to the same group are set forth; and

(g) a new judicial liquidation procedure is set forth.

Upon entering into force, the Code will entirely substitute and supersede the Italian Bankruptcy Law. Therefore, all pre-insolvency and insolvency proceedings started before August 15, 2020, will be regulated by the Italian Bankruptcy Law, while all pre-insolvency and insolvency proceedings started after August 15, 2020, will fall under the application of new rules set forth in the Code.

The following is a general overview of the key features of the reform introduced by the Code.

Early warning phase and alert measures

The Code provides for alert measures aimed at preventing and addressing distress situations at an early stage by imposing an active obligation upon the debtor's corporate bodies to take the necessary actions to address a situation of distress at a time when insolvency could still be avoided. According to the Code, also certain public creditors (such as social security agencies, tax agencies and tax collectors), are required by law to inform the

debtor when its exposure towards them has exceeded certain statutory thresholds. Such a reporting is addressed to a newly created non-jurisdictional distress composition body (so-called *OCRI*) to be established by each chamber of commerce, aimed at triggering a consultation procedure (before a panel of professionals and experts to be appointed from time to time) which should assist the debtor in reaching agreements with its creditors or in filing for a restructuring or insolvency procedure.

In the event that the debtor does not cooperate, the OCRI must notify the public prosecutor so that it can determine whether to file with the Court for the opening of a judicial liquidation procedure.

Judicial liquidation proceedings

The Code provides that the term "bankruptcy" and any other word deriving therefrom shall be replaced by "judicial liquidation".

Apart from such formal amendment, the rules of the procedure are not widely changed: the disclipline concerning the powers of the Courts and of the delegated judge (*giudice delegato*), the functions of the Court-appointed receivers and of the creditors' committees, the effects of the procedure on the debtor's assets and on the pending courts proceedings, the assessment of liabilities and the liquidation and allocation of the debtor's assets have not been substantially altered in comparison with the discipline previously provided for by the Italian Bankruptcy Law.

The most important innovation concerns the commencement of the judicial liquidation procedure, as the Code provides that the statutory auditors may also file the request and extends the conditions according to which the public prosecutor is allowed to file the request. The initiative to start a judicial restructuring procedure remains reserved to the debtor.

Other innovations have been introduced by the Code with reference to employment relationships during the procedure and with reference to the mechanisms of ascertainment of liabilities (by introducing electronic filing of the relevant creditors' and third parties' applications). New judicial liquidation also contemplates (i) improvements to the rules governing the appointment of the liquidator (i.e. the new bankruptcy receiver) and the relevant powers, (ii) changes in order to make the assessment of the liabilities quicker, (iii) changes to improve transparency and (iv) certain changes to the claw-back rules.

Lastly, the Code provides that the beginning of the judicial liquidation does not necessarily trigger the halting of the debtor's business.

Pre-bankruptcy composition with creditors (concordato preventivo)

Under the Code, the main innovations relating to the *concordato preventivo* are the following.

Types of plans

According to the Code, the plan on the basis of which the request for composition with creditors is submitted may entail the satisfaction of the creditors through (i) business continuity or (ii) liquidation of the debtor's assets.

In the *concordato* plans envisaging the continuation of the debtor's business as a going concern, the business continuity can be ensured both directly by the debtor, if the debtor continues to conduct its business, or indirectly by a third party. Creditors are satisfied primarily by the proceeds of the (directly or indirectly) business continuity, including by the sale of the inventory. The revenues of the first two years of the implementation of the *concordato* plan shall derive from a business activity to which is dedicated a number of employees equal at least to 50% of the overall average number of employees employed by the debtor during the two-years period prior to the submission of the request for *concordato preventivo*.

In order to submit a request for a *concordato preventivo* with liquidation of debtor's assets (i.e., with no preservation of the business as a going concern), an external contribution of equity funds in an amount sufficient to increase the expected recovery of unsecured creditors by at least 10% (in comparison with the possible outcomes of a judicial liquidation) is required, provided that the unsecured creditors must recover at least 20% of their credits.

Conditions for access the procedure

In order for a debtor—which could be subject to judicial liquidation—to be admitted to the *concordato preventivo*, such debtor must be in a state of distress or insolvency according to the Code.

The proposal for *concordato preventivo* must be based on a feasible plan, to be submitted together with an opinion released by an independent expert, entrusted by the debtor, who certifies the truthfulness of the business data and the feasibility of the plan. A similar opinion must be submitted in the event of substantial changes to the *concordato* proposal or to the plan. In case of a *concordato preventivo* with business continuity, the expert's opinion must also certify that the prosecution of the business activity is functional to the best satisfaction of the creditors.

The *concordato* plan may provide for (i) the restructuring of debts and the satisfaction of creditors in any form and through any means, (ii) according to specific procedures, the assignment of the debtor's assets to an assumptor (*assuntore*), (iii) the division of creditors into different classes, and (iv) different treatment of creditors belonging to different classes.

If the *concordato preventivo* provides for business continuity, the underlying plan may provide for a moratorium for the payment of credits assisted by privilege, pledge or mortgage for a period up to two years from the court's approval (*omologazione*) of the *concordato*. Such moratorium is allowed only if the plan does not contemplate the liquidation of the assets guaranteeing secured creditors.

Competing proposals and offers

One or more creditors representing at least 10% of the overall claims resulting from the financial position filed by the debtor are entitled to submit a competing proposal for the *concordato* together with the underlying plan. For the calculation of the 10% the receivables of the company that controls the debtor, the one controlled by it and those subject to common control are not taken into account. The debtor, directly or indirectly, and third parties related to the debtor (e.g., the spouse, the partner, the relatives up to the fourth degree, or the related parties) are not allowed to submit competing proposals. Competing proposals will not be allowed if the opinion of the independent expert entrusted by the debtor certifies that the *concordato* proposal submitted by the debtor ensures the payment of 30% of unsecured credits; the percentage is reduced to 20% if the debtor has activated the early warning mechanisms and initiated the aided composition of the distress according to the Code.

If the *concordato* plan envisages an irrevocable offer from a third party for the purchase of debtor's business or several branches of business or specific goods, the procedure either continues with a tender offer among more bidders or ends with the sale to the third party offeror.

Approval and court's approval (omologazione)

The *concordato preventivo* is approved by favorable vote of the creditors representing the majority of the claims admitted to vote. If classes of creditors are provided, the *concordato* is approved if the majority of the credits admitted to the vote is also reached in the majority of the classes. If a single creditor holds more than 50% of the claims admitted to vote, the *concordato preventivo* is approved if voted also by the majorities of the other creditors. If the required majorities are not reached, the Court opens the judicial liquidation process.

The *concordato* procedure ends with the issuance of the approval judgment (*sentenza di omologazione*) by the competent Court. In case one dissenting creditor who is part of a dissenting class, or if classes of creditors are

not established, the dissenting creditors representing 20% of the claims admitted to the vote, dispute the convenience of the *concordato* proposal, the Court may approve the *concordato preventivo* if it deems that the relevant claims can be satisfied within the *concordato* procedure to an extent not lower than within the judicial liquidation.

The approved *concordato preventivo* is mandatory for all creditors.

Debt restructuring agreements (accordi di ristrutturazione di debiti)

In comparison with the Italian Bankruptcy Law, the Code sets forth that the debtor in a state of crisis or insolvency can enter into debt restructuring agreements with creditors representing at least 30% of the overall credits provided that *(a)* the agreement does not envisage any delay for the payment of non-participating creditors and *(b)* no temporary protective measures are requested by the debtor. If such conditions are not met, the percentage of credits to be comprised in the agreement rises up to 60%, as currently provided for by the Italian Bankruptcy Law. The Code also provides for a mandatory scheme of the debt restructuring agreements and the documents that must be attached thereto. Furthermore, according to the Code, the stay of individual creditors' enforcement and interim actions will apply only if requested by the debtor (while under the Italian Bankruptcy Law it was triggered by a filing or pre-filing for a judicial restructuring procedure); the duration of the stay will be determined by the court on a case-by-case basis for no more than 12 months. The possibility of extending the effects of a debt restructuring agreement to non-participating creditors is no longer limited to non-participating financial creditors if, *inter alia*, (a) the agreement has a non-liquidating nature, providing for the prosecution of business activity (either directly or indirectly), and the creditors are satisfied significantly or predominantly by the proceeds of the business continuity, (b) the claims of the participating creditors belonging to the category represent 75% percent of all creditors belonging to the category, or (c) the non-participating creditors can be satisfied at least equally to the the judicial liquidation. Finally, under the Code, the possibility of extending the effects of a standstill agreement (*convenzione di moratoria*) to non-participating creditors is no longer limited to non-participating financial creditors.

Corporate group restructuring

The Code introduces a set of rules for the management of the insolvency of groups of companies whose main center of interest is located in Italy. In particular, insolvency proceedings with respect to a group of companies may be started through a single petition to the same court (regardless of the location of the registered office of the group members) aimed at establishing a single procedure, whether it is a composition with creditors (*concordato preventivo*), a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) or a judicial liquidation, on the basis of a single plan. Although a single plan is submitted, assets and liabilities of each member of the group will be reflected separately, without taking into consideration any substantial consolidation.

Other significant innovations in comparison with Italian Bankruptcy Law

(i) *Claw back actions*. Under the Code, the principles which regulate claw-back actions, the relevant cases in which acts or transactions are ineffective by operation of law or voidable at the request of the bankruptcy receiver/extraordinary commissioner and the lengths of the claw-back periods are the same as previously provided under the Italian Bankruptcy Law, except for the provisions of paragraphs 2 and 3 of Section 164 of the Code, which add two more cases of acts which are ineffective by operation of law: the repayments of (i) certain shareholders' loans and (ii) loans granted by the company which exercises the activity of direction and coordination over the debtor, both with claw-back period of one year.

Under the Code, claw-back periods for claw-back actions are applied to an anticipated timeframe: claw-back periods will be applied to acts and transactions which took place prior to the submission of the application which led to the opening of the judicial liquidation and to acts and transactions which took place after the submission of such application, when the latter was

followed by the judicial liquidation of the debtor (while, under the Italian Bankruptcy Law, claw-back periods applied to acts and transactions which took place prior to the insolvency declaration).

(ii) *Statutory priorities.* Statutory priorities will be regulated by Section 221 of the Code, which sets forth a new rank of subordinated debts (so-called "*crediti postergati*").

(iii) *Judicial liquidation composition with creditors (concordato nella liquidazione giudiziale)*. In comparison with the Italian Bankruptcy Law, the Code sets forth that: (i) the debtor's composition proposal within the judicial liquidation must always provide additional contributions increasing the value of the assets of at least 10%, and (ii) if the debtor has issued notes or financial instruments, the holders of such notes or financial instruments must be gathered into a class of creditors.

(iv) *Certified restructuring plans (piani attestati di risanamento)*. In comparison with the Italian Bankruptcy Law, which does not not provide for any mandatory scheme or guidelines to be followed by a company for the purpose of preparing a certified restructuring plan, the Code set forth the mandatory scheme and the documents that must be attached to it.

Luxembourg

Applicable law

The Notes will be secured by security interests governed by Luxembourg law. Under Luxembourg private international law rules, in order to determine which conflict of laws rule applies to *in rem* security interests, a Luxembourg court would distinguish between two aspects: (i) the contract between the parties that grants a security interest to one of them and governs the rights and obligations between the parties, and (ii) the "proprietary aspects" of the security interest that confer rights in the collateral, *i.e.*, the creation of rights *in rem*.

For each aspect, Luxembourg private international law draws a distinction for conflict of laws purposes and provides that: (i) the proper law of the contract (*lex contractus*) chosen by the parties or designated in accordance with the rules of regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations ("*Rome I Regulation*") governs the respective contractual rights and obligations of the parties, and (ii) the *lex rei sitae*, that is the law of the place where the assets are located, or deemed to be located, governs the proprietary aspects, i.e. creation, perfection, ranking and enforceability of a security interest.

For financial instruments such as registered shares the *lex rei sitae* is, from a Luxembourg conflict of laws perspective, deemed to be the law of the place where the register is located. For financial instruments such as bearer shares the *lex rei sitae* is, from a Luxembourg conflict of laws perspective, deemed to be the law of the place where the shares are physically located. For book-entry financial instruments the *lex rei sitae* is, from a Luxembourg conflict of laws perspective, deemed to be the law of the place where the relevant account is located. For claims, the *lex rei sitae* is, from a Luxembourg conflict of laws perspective, deemed to be the law of the place where the debtor of such claims is located.

Insolvency laws

The insolvency laws of Luxembourg may not be as favorable as insolvency laws of jurisdictions with which investors may be familiar. Insolvency proceedings with respect to a Luxembourg company may proceed under, and be governed by, Luxembourg insolvency laws. The following is a brief description of certain aspects of insolvency laws in Luxembourg. Under Luxembourg insolvency laws, the following types of proceedings (together referred to as "insolvency proceedings") may be brought against a Luxembourg company to the extent that it has its registered office or center of main interest or an establishment (both such terms within the meaning of the EU Insolvency

Regulation) in Luxembourg (in the latter case assuming that the center of main interests is located in a jurisdiction where the EU Insolvency Regulation is applicable) or its central administration (*administration centrale*) is in the Grand Duchy of Luxembourg (within the meaning of the Luxembourg Companies Law):

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the company, by any of its creditors or by the Luxembourg public prosecutor. Following such a request, the courts having jurisdiction may open bankruptcy proceedings if the company (a) is in a state of cessation of payments (*cessation de paiement*) and (b) has lost its commercial creditworthiness. If a court considers that these conditions are met, it may open bankruptcy proceedings *ex officio*. The main effect of such proceedings is the suspension of all measures of enforcement against the company, except, subject to certain limited exceptions, for secured creditors, and the payment of creditors in accordance with their rank upon the realization of assets. However, secured creditors who are holding security interests falling within the scope of the Financial Collateral Law 2005 may enforce their security regardless of the bankruptcy adjudication. In addition, the managers or directors of a Luxembourg company that ceases its payments (i.e., is unable to pay its debts as they fall due with normal means of payment) must within a month of them having become aware of the company's cessation of payments, file a petition for bankruptcy (*faillite*) with the court clerk of the district court of the company's registered office. If the managers or directors fail to comply with such provision they may be held (i) liable towards the company or any third parties on the basis of principles of managers' or directors' liability for any loss suffered and (ii) criminally liable for simple bankruptcy (*banqueroute simple*) in accordance with article 574 of the Luxembourg commercial code;

- controlled management proceedings (*gestion contrôlee*), the opening of which may only be requested (i) by the company and not by its creditors and (ii) if the company has lost it commercial creditworthiness or is unable to completely fulfill its obligations. Under such proceeding, a court may order provisional suspension of payments, including a stay of enforcement of claims except for certain categories of secured creditors. Security interests falling within the scope of the Financial Collateral Law 2005 will, however, be enforceable notwithstanding the controlled management proceedings; and

- composition proceedings (*concordat préventif de la faillite*), the opening of which may only be requested by the company, to the extent being in financial difficulties, and not by its creditors themselves, subject to obtaining the consent of the majority of its creditors representing three quarters of the claims that have been accepted by the court. The court's decision to admit a company to the composition proceedings triggers a provisional stay on enforcement of claims by creditors except for certain secured creditors. Security interests falling within the scope of the Financial Collateral Law 2005 will, however, be enforceable notwithstanding the composition proceedings.

In addition to these proceedings, the ability of the holders of Notes to receive payment on the Notes may be affected by a decision of a court to grant a reprieve from payments (*sursis de paiement*) or to put the Luxembourg company into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious violation of the *Code de Commerce* (the "Luxembourg Commercial Code") or of the Luxembourg law of August 10, 1915 on commercial companies, as amended. The management of such liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

The liabilities of a company incorporated in Luxembourg in respect of the Notes will, in the event of its liquidation following bankruptcy or judicial liquidation proceedings, rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those of the concerned company's debts that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law include, among others, certain amounts owed to the Luxembourg Revenue, value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise, social security contributions, and remuneration owed to employees.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized) and subject to application of the relevant priority rule and liens and privileges arising mandatorily by law. During insolvency proceedings, all enforcement measures by unsecured creditors are suspended.

Favorable rules apply in relation to security interests over claims or financial instruments securing monetary claims (or claims for the delivery of financial instruments) pursuant to the Financial Collateral Law 2005. Article 20 of the Financial Collateral Law 2005 provides that Luxembourg law financial collateral arrangements (pledges, security assignments and repo agreements) over claims and financial instruments falling within the scope of the Financial Collateral Law 2005, as well as valuation and enforcement measures agreed upon by the parties are valid and enforceable even if entered into during the pre-bankruptcy preference period (*période suspecte*) against third-parties, commissioners, receivers, liquidators and other similar persons notwithstanding the insolvency proceedings (save in the case of fraud).

Article 24 of the Financial Collateral Law 2005 provides that foreign law security interests over claims or financial instruments granted by a Luxembourg pledger will be valid and enforceable as a matter of Luxembourg law notwithstanding any Luxembourg insolvency proceedings, if such foreign law security interests are similar in nature to a Luxembourg security interest falling within the scope of the Financial Collateral Law 2005. If Article 24 applies, Luxembourg preference period rules are disapplied (save in the case of fraud).

Article 21(2) of the Financial Collateral Law 2005 provides that where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is enforceable against third parties, administrators, insolvency receivers, liquidators and other similar persons if the collateral-taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of such proceedings, measures or arrangements. Following a judgment of the European Court of Justice dated November 10, 2016 in Case C 156/15, any assets becoming part of the estate after the commencement of the insolvency proceedings may not be considered as being subject to the financial collateral security interests falling within the scope, and benefiting from the regime established by, the Financial Collateral Law 2005.

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended, subject to the exceptions under the Financial Collateral Law 2005. Other than as described above, the ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of controlled management proceedings expressly providing that the rights of secured creditors are frozen until a final decision has been taken by a Luxembourg court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of the relevant Luxembourg company's liabilities in order to take effect.

Furthermore, you should note that declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings. However, during such controlled management proceedings a notice of default may still be served.

Generally, Luxembourg insolvency laws may also affect transactions entered into or payments made by a Luxembourg company during the pre-bankruptcy hardening period which is a maximum of six months and 10 days preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date, if the bankruptcy judgment was preceded by another insolvency proceeding (e.g., a suspension of payment or controlled management proceeding) under Luxembourg law. In particular:

- pursuant to article 445 of the Luxembourg Commercial Code, some specific transactions (in particular, the granting of a security interest for antecedent debts, the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any

other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; and the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the 10 days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;

- pursuant to article 446 of the Luxembourg Commercial Code, payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt's cessation of payments; and

- article 448 of the Luxembourg Commercial Code and article 1167 of the Luxembourg Civil Code (*action paulienne*) gives the insolvency receiver (acting on behalf of the creditors) the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

The Financial Collateral Law 2005 expressly provides that Luxembourg financial collateral arrangements (such as Luxembourg pledges over receivables and financial instruments), including enforcement measures, are valid and enforceable even if entered into during the pre-bankruptcy period, against all third parties including supervisors, receivers, liquidators and any other similar persons or bodies irrespective of any bankruptcy, liquidation or other situation, national or foreign, of composition with creditors or reorganisation affecting anyone of the parties, save in case of fraud.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts except for *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were crucial. The contracts, therefore, subsist after the bankruptcy order, but the insolvency receiver may choose to terminate certain contracts. However, as of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. The bankruptcy order provides for a period of time during which creditors must file their claims with the clerk's office of the Luxembourg district court sitting in commercial matters. After having converted all available assets of the company into cash and after having determined all the company's liabilities, the insolvency receiver will distribute the proceeds of the sale, on a pro rata basis, to the creditors after deduction of the receiver fees and the bankruptcy administration costs.

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the EU Insolvency Regulation. In particular, in accordance with Article 8 of the EU Insolvency Regulation, rights *in rem* over assets located in another jurisdiction where the EU Insolvency Regulation applies will not be affected by the opening of insolvency proceedings, without prejudice however to the applicability of rules relating to the voidness, voidability or unenforceability of legal acts detrimental to all the creditors (subject to the application of article 24 of the Financial Collateral Law 2005 as described above in combination with Article 16 of the EU Insolvency Regulation).

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes (including the Guarantees).

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or any U.S. state securities laws and, unless so registered, 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 U.S. Securities Act and applicable state securities laws. Accordingly, the Notes (including the Guarantees) are being offered and sold only to QIBs in reliance on Rule 144A under the U.S. Securities Act and to persons who are not U.S. persons and who are outside the United States in an offshore transaction in reliance on Regulation S under the U.S. Securities Act. As used in this section, the terms "*United States*," "*U.S. person*" and "*offshore transaction*" have the meanings given to them in Regulation S.

In addition, until 40 days after the later of the commencement of the Offering and the Issue Date, an offer or sale of the Notes (including the Guarantees) within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

Each purchaser of the Notes (including the Guarantees), by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer, each Guarantor, and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Notes (including the Guarantees) have not been and will not be registered under the U.S. Securities Act or any applicable state securities law; are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any state securities law, including sales pursuant to Rule 144A and Regulation S; and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any applicable state securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (5) below.

(2) It is not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer or any Guarantor or acting on behalf of the Issuer or any Guarantor and it is either:

   (a) a QIB and is aware that any sale of the Notes (including the Guarantees) to it will be made in reliance on Rule 144A and the acquisition of the Notes (including the Guarantees) will be for its own account or for the account of another QIB; or

   (b) not a U.S. person, nor is it purchasing for the account of a U.S. person, and is purchasing the Notes (including the Guarantees) outside the United States in an offshore transaction in accordance with Regulation S.

(3) It acknowledges that neither the Issuer, the Guarantors nor the Initial Purchasers, nor any person representing the Issuer, the Guarantors or the Initial Purchasers, has made any representation to it with respect to the Offering or sale of any Notes (including the Guarantees), other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes (including the Guarantees). It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of the information contained in this Offering Memorandum. It also acknowledges that it has had access to such financial and other information concerning the Issuer and the Notes (including the Guarantees) as it has deemed

necessary in connection with its decision to purchase any of the Notes (including the Guarantees), including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) It is purchasing the Notes (including the Guarantees) for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state or other securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes (including the Guarantees) pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) It agrees, on its own behalf and on behalf of any investor account for which it is purchasing the Notes (including the Guarantees), and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, not to offer, sell or otherwise transfer such Notes prior to the date (the "Resale Restriction Termination Date") that is, in the case of Notes sold in reliance on Rule 144A, one year after the later of the Issue Date, the issue date of any additional Notes and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereof), or is, in the case of Notes sold in reliance on Regulation S, 40 days after the later of the Issue Date, the issue date of any additional Notes, and the date on which such Notes (or any predecessor thereof) were first offered to persons other than Distributors (as defined in Rule 902 of Regulation S), except (i) to the Issuer, the Guarantors or any subsidiary thereof; (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes to be 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 under the U.S. Securities Act; (iv) pursuant to an offshore transaction to persons who are not U.S. persons and who are outside the United States within the meaning of Regulation S under the U.S. Securities Act and in reliance on Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clauses (iv) or (v) prior to the Resale Restriction Termination Date 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 the New Note is completed and delivered by the transferor to the Trustee and (III) agrees that it will give to each person to whom the New Note is transferred a notice substantially to the effect of this legend. Each purchaser acknowledges that each New Note (and each Guarantee) 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 OF THE UNITED STATES OR OTHER JURISDICTION, AND, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, 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, ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, (1) REPRESENTS THAT (A) IT IS A "*QUALIFIED INSTITUTIONAL BUYER*" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("*RULE 144A*")) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND (2) AGREES NOT TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "*RESALE RESTRICTION TERMINATION DATE*") THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF THIS SECURITY, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES, AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY)] [IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF THIS SECURITY, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES, AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR THERETO) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS] ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, 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 AN OFFSHORE TRANSACTION TO PERSONS WHO ARE NOT U.S. PERSONS OCCURRING OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANOTHER 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 CLAUSES (D) OR (E) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE 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 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. [IN THE CASE OF REGULATION S NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER

HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON, NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON, AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT. AS USED HEREIN, THE TERMS "*OFFSHORE TRANSACTION*," "*UNITED STATES*," AND "*U.S. PERSON*" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT.]

BY ACCEPTANCE OF THIS SECURITY, EACH ACQUIRER AND SUBSEQUENT TRANSFEREE OF THIS SECURITY OR ANY INTEREST HEREIN WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) NO PORTION OF THE ASSETS USED BY SUCH ACQUIRER OR TRANSFEREE TO ACQUIRE OR HOLD THIS SECURITY OR ANY INTEREST HEREIN CONSTITUTES ASSETS OF ANY (I) EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR PROVISIONS UNDER ANY OTHER U.S. OR NON-U.S. FEDERAL, STATE, LOCAL OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, "SIMILAR LAWS"), OR (III) ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE THE ASSETS OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT DESCRIBED IN CLAUSE (I) AND (II) (EACH OF THE FOREGOING DESCRIBED IN CLAUSES (I), (II) AND (III) REFERRED TO AS, A "PLAN") OR (B) (1) THE ACQUISITION, HOLDING AND DISPOSITION OF THE SECURITY OR ANY INTEREST HEREIN WILL NOT CONSTITUTE OR RESULT IN A NON EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR ANY SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS AND (2) NEITHER THE ISSUER, THE GUARANTORS, THE INITIAL PURCHASERS NOR ANY OF THEIR RESPECTIVE AFFILIATES (COLLECTIVELY, THE "RELEVANT PARTIES") HAS ACTED AS THE PLAN'S FIDUCIARY, OR HAS BEEN RELIED UPON FOR ANY ADVICE, WITH RESPECT TO THE PLAN'S DECISION TO ACQUIRE OR HOLD AN INTEREST IN THIS SECURITY AND NONE OF THE RELEVANT PARTIES SHALL AT ANY TIME BE RELIED UPON AS THE PLAN'S FIDUCIARY WITH RESPECT TO ANY DECISION TO ACQUIRE, CONTINUE TO HOLD OR TRANSFER AN INTEREST IN THIS SECURITY.

If the purchaser purchases the Notes (including the Guarantees), it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes (including the Guarantees) as well as to holders of these Notes (including the Guarantees).

(6) The following legend shall be included, if applicable.

THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. UPON REQUEST, THE ISSUER WILL PROMPTLY MAKE AVAILABLE TO A HOLDER OF THIS NOTE INFORMATION REGARDING THE ISSUE PRICE, THE AMOUNT OF OID, THE ISSUE DATE AND THE YIELD TO MATURITY OF THIS NOTE. HOLDERS SHOULD CONTACT THE ISSUER'S MANAGER, 2-4 RUE EUGENE RUPPERT, L 2453 LUXEMBOURG.

(7) It agrees that it will give to each person to whom it transfers the Notes (including the Guarantees) notice of any restrictions on transfer of such Notes.

(8) It acknowledges that the Transfer Agent will not be required to accept for registration of transfer any Notes (including the Guarantees) except upon presentation of evidence satisfactory to the Issuer and the Transfer Agent that the restrictions set forth therein have been complied with.

(9) It acknowledges that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes (including the Guarantees) are no longer accurate, it will promptly notify the Initial Purchasers. If it is acquiring any Notes (including the Guarantees) as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(10) It understands 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 (including the Guarantees) or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes (including the Guarantees) 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*" and "*Transfer Restrictions*."

(11) It represents that it understands that the Issuer shall not recognize any offer, sale, pledge or other transfer of the Notes (including the Guarantees) other than in compliance with the above-stated restrictions.

(12) It represents and agrees that either (a) no portion of the assets used by such acquirer or transferee to acquire and hold the Notes or any interest therein constitutes assets of any (i) employee benefit plan subject to Title I of ERISA, (ii) plan, individual retirement account or other arrangement that is subject to Section 4975 of the Code, or provisions under any other U.S. or non-U.S. federal, state, local or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "*Similar Laws*"), or (iii) entity whose underlying assets are considered to include the assets of any such plan, account and arrangement described in clauses (i) and (ii) (each of the foregoing described in clauses (i), (ii) and (iii) referred to as a "*Plan*") or (b) (1) the acquisition, holding and disposition of the Notes or any interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or any similar violation under any applicable Similar Laws and (2) neither the Issuer, the Guarantors, the Initial Purchasers nor any of their respective affiliates (collectively, the "*Relevant Parties*") has acted as the Plan's fiduciary, or has been relied upon for any advice, with respect to the Plan's decision to acquire or hold an interest in the Notes and none of the Relevant Parties shall at any time be relied upon as the Plan's fiduciary with respect to any decision to acquire, continue to hold or transfer an interest in any Note.

LEGAL MATTERS

Certain legal matters are being passed upon for the Issuer and the Guarantors by Simpson Thacher & Bartlett LLP with respect to matters of U.S. federal and New York State law and English law, by J&A Garrigues, S.L.P. with respect to matters of Spanish law, by Arendt & Medernach SA with respect to matters of Luxembourg law, by Morgan & Morgan with respect to matters of Panamanian law, by Orsingher Ortu Avvocati Associati with respect to Italian law and by Garrigues Mexico, S.C. with respect to matters of Mexican law.

Certain legal matters are being passed upon for the Initial Purchasers by Linklaters LLP with respect to matters of U.S. federal and New York State law, English law and Luxembourg law, by Linklaters, S.L.P. with respect to matters of Spanish law, by Tapia Linares y Alfaro with respect to matters of Panamanian law and by Studio Legale Associato in association with Linklaters LLP with respect to Italian law.

INDEPENDENT AUDITORS

The Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 have been audited by Ernst & Young S.L. and Cirsa's consolidated financial statements as of and for the year ended December 31, 2017 have been audited by Ernst & Young S.L. and Cortés & Pérez Auditores y Asesores Asociados, S.L., each independent auditors, as stated in their reports appearing herein.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg for the purpose of facilitating the Original Acquisition and issuing debt, the Guarantors of the Notes have been incorporated or organized in Spain, Panama and Mexico. Security documents will be governed by the laws of Spain, Panama, Mexico, Italy, Luxembourg and England and Wales. The directors or managers and executive officers of the Guarantors may be non-residents of the United States, and the Issuer's assets and those of such persons may be located outside the United States. Although the Issuer will appoint an agent for service of process in the United States and will submit to the jurisdiction of the courts of the State of New York, in each case in connection with any action under U.S. securities laws, you may not be able to effect service of process on non-residents of the United States or the Issuer within the United States in any action, including actions predicated on civil liability provisions of the U.S. federal and state securities laws or other laws.

Spain

Certain of the Guarantors and Collateral are incorporated and granted under the laws of the Kingdom of Spain. The directors and executive officers of the referred Guarantors may live outside the United States. Substantially all of the assets of the directors and executive officers of said Guarantors may be located outside the United States. As a result, it may not be possible for you to serve process on such persons or the Guarantors in the United States or to enforce judgments obtained in U.S. courts against them or the Issuer or the Guarantors based on civil liability provisions of the securities laws of the United States.

The United States and Spain are not party to a treaty providing for reciprocal recognition and enforcement of judgments. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in Spain, in accordance with and subject to Article 523 of the Spanish Civil Procedure Act (*Ley 1/2000, de 7 de enero de Enjuiciamiento Civil*) and subject to Law 29/2015, of July 30, on International Legal Cooperation in Civil Matters (*Ley 29/2015, de 30 de julio, de Cooperación Jurídica Internacional en material civil*) (the "International Legal Cooperation in Civil Matters Act") which repeals Articles 951 to 958 of the former Spanish Civil Procedure Act of 1881 (*Real Decreto de Promulgación de 3 de febrero de 1881 de Enjuiciamiento Civil*).

A party in whose favor such judgment was rendered should initiate the recognition proceedings (*exequatur*) in Spain before the relevant Court of First Instance (*Tribunal de Primera Instancia*) or Commercial Court (*Juzgado de lo Mercantil*), as the case may be. According to the International Legal Cooperation in Civil Matters Act, recognition and enforcement in Spain of such U.S. judgment could be obtained *provided* that the following conditions have been met (which conditions, under prevailing Spanish case law, do not include a review by the Spanish Court of First Instance or Commercial Court, as the case may be, of the merits of the foreign judgment):

(i) the U.S. judgment is final and conclusive (*firme*);

(ii) such U.S. judgment was rendered by a court having jurisdiction over the matter since the dispute is clearly connected to the United States and the choice of the court is not fraudulent;

(iii) where rendering the judgment, the courts rendering it did not infringe an exclusive ground of jurisdiction provided for in Spanish law or based their jurisdiction on exorbitant grounds and the choice of court is not fraudulent;

(iv) the rights of defense of the defendant were protected where rendering the judgment, including, but not limited to, that the document introducing the proceedings was duly made known to the defendant in a timely manner that allowed for adequate defense;

(v) the U.S. judgment was not rendered by default (i.e., without appearance or without the possibility to appear for the defendant);

(vi) such U.S. judgment does not contravene Spanish public policy rules (*orden público*) or mandatory provisions;

(vii) there is no material contradiction or incompatibility of the U.S. judgment with a judgment rendered or judicial proceedings outstanding in Spain; there is no pending proceeding between the same parties and in relation to the same issues in Spain;

(viii) there is no material contradiction or incompatibility with an earlier judgment rendered in any other State *provided* that such judgment complies with the applicable conditions to be enforceable in Spain;

(ix) that there is not an ongoing proceeding between the same parties and dealing with the same subject which was opened before a Spanish court prior to the opening of the proceedings before the foreign court; or

(x) the Spanish Guarantors are not subject to an insolvency proceeding in Spain and the foreign judgment does not meet the requirements provided for in the Spanish Insolvency Act.

According to Article 3.2 of Spanish International Cooperation in Civil Matters Act, the Spanish Government may refuse to cooperate with other states' authorities if there has been a reciprocal refusal to cooperate or a legal prohibition on providing cooperation is imposed by such other state's authorities, *provided* that the Spanish Government passes a Royal Decree for these purposes.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by Spanish law (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in Spain or from Spanish persons in connection with a judicial or administrative U.S. action.

The Spanish courts may express any such order in a currency other than euro in respect of the amount due and payable by a Spanish Guarantor, but in case of enforcement in Spain, the court costs and interest will be paid in euros. Any judgment obtained against any Spanish Guarantors in any country bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council would be recognized and enforced in accordance with the terms set forth thereby.

The enforcement of any judgments in Spain will be subject to, among others, the following requirements: (a) documents in a language other than Spanish must be accompanied by a translation into Spanish (translator's fees will be payable); (b) certain professional fees are required for the verification of the legal authority of a party litigating in Spain if needed; (c) the payment of certain court fees, and (d) the procedural acts of a party litigating in Spain shall be directed by an attorney at law and the party shall be represented by a Court Agent *(procurador*). In addition, please note that Spanish civil proceedings rules cannot be amended by agreement of the parties and will therefore prevail notwithstanding any provision to the contrary in the Notes.

If an original action is brought in Spain, Spanish courts may refuse to apply the designated law if its application contravenes Spanish public policy (*orden público*) or it may not grant enforcement in the event that they deem that a right has been exercised in such a manner to constitute an abuse of right (*abuso de derecho*). Pursuant to Article 54 of the current Spanish Procedural Law (*Ley 1/2000, de 7 de enero, de Enjuiciamiento Civil*) the parties to an agreement are entitled to clearly agree to the submittal to one judge (juzgado) or court (*tribunal*) (*provided* that under the Spanish Procedural Law and the Spanish Judicial Law (*Ley 6/1985, de 1 de Julio, Orgánica del Poder Judicia*l) the relevant judge or court is competent to solve the corresponding dispute); therefore such

article does not cover the validity of nonexclusive jurisdiction clauses, at least for conflicts between different Spanish courts.

Panama

The Panamanian Guarantor, Gaming & Services de Panama S.A., is incorporated under the laws of the Republic of Panama and none of its directors or executive officers are residents of the United States. Furthermore, a substantial portion of its assets and a substantial portion of the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Panamanian Guarantor or such persons, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. Federal or state securities.

The United States and the Republic of Panama are not currently bound by a bilateral treaty providing for reciprocal recognition and enforcement of judgments (exequatur). A U.S. judgment that is enforceable in the United States for the payment of monies rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not be directly enforceable in the Republic of Panama. In the absence of any such treaty or proof that similar Panamanian judgments are not recognized and enforced in the jurisdiction rendering the judgment (in which case the judgment will not be recognized in the Republic of Panama), judgments rendered by a foreign court will be recognized and enforced in the Republic of Panama *provided* that it meets the following requirements contemplated in the article 1419 of the Judicial Code of Panama:

- that the foreign judgment was rendered as a consequence of the exercise of an action in personam, with the exception of what the law especially regulates for successions in other countries; that the foreign judgment was rendered as part of a proceeding in which the lawsuit was personally served on the defendant;

- that the obligation which is sought to be enforced in Panama is legal and not contrary to public policy in the territory of the Republic of Panama;

- that the copy of the foreign judgment must be authentic (that is, it must have been authenticated either by the Panamanian Consul of the place where it was issued or by apostille prior to its submission in the Republic of Panama as part of the request of enforcement); and

- that a copy of the judgment is translated into Spanish by a licensed translator in Panama.

A petition must be submitted to the Supreme Court of Panama, to determine if the foreign judgment can or cannot be enforced in Panama. The Supreme Court's Fourth Chamber will deliver a copy of the petition to the party against whom the judgment will be enforced and to the Attorney General of Panama, giving each a term of five days to submit arguments in connection with the petition.

The Issuer and the Guarantors have agreed that any suit, action or proceeding arising out of or based upon the indenture, the notes or the Guarantees may be instituted in any Federal or state court located in New York City, and the Issuer and the Guarantors have appointed Blackstone Management Partners L.L.C. as their agent for service of process in any such suit, action or proceeding.

Mexico

A judgment for money obtained in a foreign court would be enforceable in Mexico against the Mexican Subsidiary Guarantor, without a re-examination on its merits, pursuant to Articles 569 and 571 of the Federal Code of Civil Procedure of Mexico and Article 1347-A of the Commerce Code. Such statutes provide, *inter alia*,

that a judgment for money rendered outside Mexico may be enforced by Mexican courts, to the extent the Mexican court in which enforcement is sought confirms that:

- such judgment was obtained in compliance with the legal requirements of the jurisdiction of the court rendering such judgment, and in compliance with all legal requirements of the applicable documents, as the case may be;

- such judgment is strictly for the payment of a certain sum of money, based on an *in personam* action (as opposed to an action *in rem*);

- service of process is made personally on the Mexican Subsidiary Guarantor or on its duly approved process agent; *provided*, however, that as a result of service of process carried out in such manner, the Mexican Subsidiary Guarantor is not prevented from exercising its rights to answer any lawsuit, be heard and provide evidence in connection therewith;

- the obligation which enforcement is sought, does not violate Mexican law, public policy of Mexico (*orden público*), international treaties or agreements binding upon Mexico and generally accepted principles of international law;

- the applicable procedure under the laws of Mexico with respect to the enforcement of foreign judgments is complied with (including the issuance of a letter by the competent authority of such jurisdiction requesting enforcement of such judgment and its certification as authentic by the corresponding authorities of such jurisdiction, in accordance with the laws thereof);

- the judgment is a final judgment according to the laws of the respective governing law;

- the foreign court, as the case may be, recognizes the principles of reciprocity in connection with the enforcement of Mexican judgments in such jurisdiction;

- the judgment fulfills the necessary requirements to be considered authentic; and

- the action in respect of which such judgment is rendered is not the subject matter of a lawsuit among the same parties, pending before a Mexican court.

Mexican courts may deny the execution of a foreign resolution if it is proven that the country who issued the foreign judgment denies the enforcement of Mexican resolutions (lack of reciprocity).

Luxembourg

As there is no treaty in force governing the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and Luxembourg, courts in Luxembourg will not automatically recognize and enforce a final judgment rendered by a United States court. A valid, final, non-appealable and conclusive judgment against an issuer incorporated in Luxembourg with respect to the Notes obtained from a court of competent jurisdiction in the United States which remains in full force and effect after all appeals that may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg, subject to compliance with the enforcement procedures (exequatur) set out in the relevant provisions of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*) and Luxembourg case law, being:

- the judgment of the U.S. court is enforceable (*exécutoire*) in the United States;

- the U.S. court had full jurisdiction over the subject matter leading to the judgment (that is, its jurisdiction was in compliance both with Luxembourg private international law rules and with the applicable domestic U.S. federal or state jurisdictional rules);

- the U.S. court has applied to the dispute the substantive law which would have been applied by Luxembourg courts or, at least, the order must not contravene the principles underlying those rules (based on case law and legal doctrine, it is not certain that this condition would still be required for an exequatur to be granted by a Luxembourg court);

- the judgment must not have been obtained by fraud but in compliance with the rights of the defendant to appear, and if the defendant appeared, to present its defense and its own procedural laws; and

- the considerations of the foreign order, as well as the judgment, do not contravene international public policy as understood under the laws of Luxembourg or have been given proceedings of a penal, criminal or tax nature (which would include awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, to the extent that the same would be classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages)) or rendered subsequent to an evasion of Luxembourg law (*fraude à la loi*). Ordinarily an award of monetary damages would not be considered as a penalty, but if the monetary damages include punitive damages such punitive damages may be considered as a penalty.

If an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, Luxembourg courts may refuse to apply the designated law (i) if the choice of such foreign law was not made bona fide or (ii) if the foreign law was not pleaded and proved or (iii) if pleaded and proved, such foreign law as contrary to mandatory Luxembourg laws or incompatible with Luxembourg public policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought. Also, an exequatur may be refused in respect of punitive damages. In practice, Luxembourg courts now tend not to review the merits of a foreign judgment, although there is no clear statutory prohibition of such review.

Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than euro, a Luxembourg court would have power to give judgment expressed as an order to pay a currency other than euro. However, enforcement of the judgment against any party in Luxembourg would be available only in euro and for such purposes all claims or debts would be converted into euro.

Under Luxembourg law, contractual provisions allowing the service of process against a party to a service agent could be overridden by Luxembourg statutory provisions allowing the valid serving of process against a party in accordance with applicable laws at the registered office of such party.

Italy

As there is no treaty in force governing the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and Italy, Italian courts will not automatically recognize and enforce a final judgment rendered by a United States court. A final judgment against a person residing, or a company incorporated, in Italy obtained from a Court of competent jurisdiction in the United States may be recognized and enforced through a court of competent jurisdiction of Italy subject to compliance with the provisions set forth by Article 64 of Italian Law No. 218 of May 31, 1995, in case the following requirements are met:

- the U.S. court which rendered the final judgment had jurisdiction upon the matter according the Italian principles on jurisdiction;

- summons and complaints were appropriately served on the defendants in accordance with applicable U.S. laws and, during the proceeding, no defendant's fundamental right to a defense has been violated;

- the parties to the proceeding appeared before the U.S. court in accordance with the U.S. laws or the proceeding were conducted in absentia (*in contumacia*) in accordance with the U.S. laws;

- the judgment rendered by the U.S. court is final, binding and not subject to any further appeal (*passato in giudicato*) in accordance with U.S. laws;

- the judgment rendered by the U.S. court is not conflicting with any earlier final and binding judgment issued by an Italian court;

- there is no pending proceeding before any Italian court among the same parties and arising from the same facts and circumstances, which started prior to the commencement of the proceedings before the relevant U.S. court; and

- the content of the judgment rendered by the U.S. court does not violate Italian public policy.

In addition, according to Article 67 of Law No. 218, 1995, if a judgment rendered by a U.S. court is not complied with, its recognition is challenged or its enforcement becomes necessary, then a specific proceeding must be brought before the competent Court of Appeal in the Republic of Italy to this end. The Court of Appeal will not consider the merits of the case but will exclusively ascertain the fulfillment of all the requirements set out above (including that requiring that the judgment rendered by the U.S. court is not contrary to public policy in Italy).

If an original action is brought in Italy, Italian courts may refuse to apply the U.S. federal securities laws if their application violates Italian public policy or it may apply certain substantive provisions of Italian law that are regarded as mandatory.

England and Wales

The United States and the United Kingdom do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters (although the United States and the United Kingdom are both parties to the 1958 New York Convention on the Recognition and Enforcement of Arbitral Awards). Any judgment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities law, would not be directly enforceable in England and Wales and is subject to the common law rules of enforcement. In order to enforce any such judgment in England and Wales, proceedings must be initiated by way of civil law action on the judgment debt before a court of competent jurisdiction in England and Wales. In this type of action, an English court generally will not reinvestigate the merits of the original matter decided by a U.S. court and/or enforce a judgment, *provided that*:

- the relevant U.S. court had jurisdiction (under English rules of private international law) to give the judgment or the judgment is not final or conclusive;

- the original judgment is final and conclusive on the merits of the claim and is for a definite sum of money (and is not payable in respect of a tax, fine or penalty);

- the enforcement of such judgment would not contravene public policy, a statute in England or the European Convention on Human Rights;

- the original judgment is not for multiple damages;

- the original judgment is not inconsistent with a prior judgment on the same subject matter and between the same parties;

- the English proceedings were commenced within the relevant limitation period;

- before the date on which the U.S. court gave judgment, the issues in question were not the subject of a judgment of an English court or of a court of another jurisdiction whose judgment is enforceable in England;

- the original judgment has been not obtained by fraud or in proceedings in which the principles of natural justice were breached;

- the bringing of proceedings in the relevant U.S. court was not contrary to an agreement under which the dispute in question was to be settled otherwise than by proceedings in that court (to whose jurisdiction the judgment debtor did not submit), for example by way of arbitration or proceedings in a different court;

- the bringing of proceedings in the relevant U.S. court was not contrary to an agreement that any dispute would be settled by reference to a different governing law than applied by the U.S. court;

- no order has been made that remains effective under section 9 of the UK Foreign Judgments (Reciprocal Enforcement) Act 1933 applying that section to U.S. courts including the relevant U.S. court; and

- no relevant power has been exercised by the United Kingdom Government pursuant to section 5(4) of the Protection of Trading Interests Act 1980.

If an English court gives judgment for the sum payable under a U.S. judgment, the English judgment will create an obligation which can be enforced as a debt in fresh legal proceedings. It may be necessary to serve the proceedings out of the jurisdiction, and parties must consider whether it is necessary to obtain the permission of the court to do so. It may not be possible to obtain an English judgment or to enforce that judgment if the judgment debtor is subject to any insolvency or similar proceedings, or if the judgment debtor has any set off or counterclaim against the judgment creditor.

Subject to the foregoing, investors may be able to enforce in England and Wales judgments in civil and commercial matters obtained from U.S. federal or state courts in the manner described above.

It is, however, uncertain whether an English court would impose liability on us in an action predicated upon U.S. federal securities law brought in England and Wales.

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 this Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by the Group 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, the Group will, during any period in which it is neither subject to the reporting requirements of Section 13(a) 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 U.S. Securities Act. Any such request should be directed to the Issuer at 2-4, rue Eugène Ruppert, L-2453 Luxembourg.

The Group is not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture governing the Notes and so long as the Notes are outstanding, the Group will furnish periodic information to holders of the Notes. See "*Description of the Notes—Certain Covenants—Reports*."

LISTING AND GENERAL INFORMATION

Listing

Application has been made for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trade on the Euro MTF Market in accordance with the rules and regulations of that exchange.

For as long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Luxembourg Stock Exchange's Euro MTF Market and the rules and regulations of that exchange require, copies of the following documents may be inspected and obtained at the registered offices of the Issuer:

- the Indenture;
- the future standalone audited financial statements of the Issuer;
- the organizational documents of the Issuer and the Guarantors; and
- the documents listed in the Index to Financial Statements below, including the annual consolidated financial statements, any interim financial statements and any other documents or reports to be published by us and furnished to holders of the Notes.

We prepare annual audited consolidated financial statements. English translations of all of our future audited consolidated financial statements will be available free of charge at the office of the Issuer in Luxembourg. In addition, we prepare quarterly unaudited consolidated financial statements. English translations of all future quarterly unaudited consolidated financial statements of we will also be available free of charge at the office of the Issuer in Luxembourg.

There has been no significant change in the financial or trading position of the Issuer, the Group or the Guarantors since December 31, 2018 and no material adverse change in the financial position or prospects of the Issuer, the Group or the Guarantors since December 31, 2018.

Except as disclosed or described in this Offering Memorandum, the Issuer has no other material outstanding third-party indebtedness on the date hereof.

Except as disclosed or described in this Offering Memorandum, we believe that the ongoing litigation that the Issuer or Guarantors are involved in, will not have a material adverse effect on our business, financial condition, or results of operations.

Clearing information

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The Rule 144A Global Note will have a Common Code of 199095293 and an ISIN of XS1990952936. The Regulation S Global Note will have a Common Code of 199095277 and an ISIN of XS1990952779.

The Issuer

Cirsa Finance International S.à r.l. (formerly, LHMC Finco S.à r.l.) is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg for the purpose of facilitating the Original Acquisition and issuing debt, with its registered office at 2-4, rue Eugène Ruppert, L-2453 Luxembourg. The Issuer is registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés à Luxembourg*) under number B224669. The Issuer was incorporated on May 22, 2018 for an unlimited duration. The LEI code of the Issuer is 254900KUJN6DHWH2K029.

Guarantor information

The following table lists the Guarantors as of the date of the Offering Memorandum, along with their date of incorporation or organization, address of registered office, company or business number and primary activities.

Name	Date of Incorporation, Amalgamation or Formation	Address of Registered Office	Company/ Business Number	Primary Activities
Cirsa Enterprises, S.L.U.	11/15/2017	Calle Serrano 41, 40 planta, C.P. 28001, Madrid	B87959649	Holding company
Cirsa Gaming Corporation, S.A. . .	05/10/1978	Carretera de Castellar, 298, Terrassa	A08511149	Holding company
Cirsa International Business Corporation, S.L.U.	19/06/2018	28022 Madrid, calle Fermina Sevillano, number 5-7	B67243717	Holding company
Gaming & Services de Panama S.A.	05/23/1991	50th Street and 73rd Street, San Francisco Township, Cirsa Building, Panama City, Province of Panama, Republic of Panama	Electronic Folio 247629, Image 34, Roll 32423	Operation of gaming machines
Promociones e Inversiones de Guerrero, S.A.P.I. de C.V. . . .	08/06/1993	Mexico City	Registry number with the Public Registry of Commerce: 180,867	Operating of gaming machines
Uniplay S.A.U.	06/02/2006	Calle Fermina Sevillano 5-7 Madrid	A61817458	Operation of gaming machines
Global Game Machine Corporation, S.A.U.	07/23/1980	Pi I Margall, 201, 08224 Terrassa	A08642787	Operation of gaming machines
Juegomatic, S.A.U.	04/28/1977	Carretera de Cadiz, 91-93 Málaga	A29039799	Operation of gaming machines
Integración Inmobiliaria World de México, S.A., de C.V	10/26/2006	Mexico City	Registry number with the Public Registry of Commerce: 355,882	Holding company
Cirsa Interactive Corporation, S.L.U.	11/27/1998	Carretera de Castellar, 298, Terrassa	B61818381	Operation of gaming machines
Universal de Desarrollos Electrónicos, S.A.U.	09/02/1982	Carretera de Castellar, 298, Terrassa	A08768335	Operation of gaming machines
Casino Nueva Andalucía Marbella, S.A.U.	02/25/1978	Casino Nueva Andalucía, Carretera Cádiz-Málaga-Marbella, km. 180, Málaga	A29043064	Operation of gaming machines
Genper, S.A.U.	02/21/1983	Pi I Margall, 201, Terrassa	A08805301	Operation of gaming machines
Comercial de Desarrollos Electrónicos, S.A.U.	11/09/1983	Pi I Margall, 201, Terrassa	A48140875	Operation of gaming machines

Auditors

The Company's special purpose consolidated financial statements as of and for the year ended December 31, 2018 have been audited by Ernst & Young S.L. and Cirsa's consolidated financial statements as of and for the year ended December 31, 2017 have been audited by Ernst & Young S.L. and Cortés & Pérez Auditores y Asesores Asociados, S.L., each independent auditors, as stated in their reports appearing herein.

Corporate authority

On May 3, 2019, following a meeting of the managers approving the issuance of the Notes, the Issuer has obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes.

Persons responsible

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

Absence of significant changes

There has been no material adverse change to: (a) the Issuer; or (b) the Issuer's group structure; or (c) the Issuer's business or accounting policies; or (d) the financial or trading position of the Issuer, since December 31, 2018.

Absence of litigation

Except as otherwise disclosed in this Offering Memorandum, the Group is not involved (and have not been involved in the twelve months preceding the date of the Offering Memorandum) in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) that may have or have had in the recent past, significant effects on the Group's financial position or profitability.

Periodic reporting under the U.S. Exchange Act

The Issuer is not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act.

INDEX TO FINANCIAL STATEMENTS

Independent Audit Report in accordance with International Audit Standards

Cirsa Enterprises Group
Special purpose consolidated financial statements
December 31, 2018

Ernst & Young, S.L.
Edificio Sarrià Forum
Avda. Sarrià, 102-106
08017 Barcelona
España

Tel: 933 663 700
Fax: 934 053 784
ey.com

Building a better working world

INDEPENDENT AUDIT REPORT ON SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

To the Finance Management of Cirsa Enterprises, S.L.:

Opinion

We have audited the accompanying special purpose consolidated financial statements of Cirsa Enterprises, S.L. (the Parent) and its Subsidiaries (the Group or Cirsa Enterprises Group), which comprise the consolidated statement of financial position at December 31, 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the explanatory notes thereto, which include a summary of the significant accounting policies (together known as "the consolidated financial statements"). The special purpose consolidated financial statements have been prepared by the Finance Management of Cirsa Enterprises, S.L. on the basis of the financial reporting criteria described in Note 2, since these were the criteria that the Parent Company considers most adequate to achieve the purpose for which they were prepared.

In our opinion, the accompanying consolidated financial statements have been prepared, in all material respects, in conformity with the financial reporting criteria described in Note 2.

Basis for opinion

We have conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). Furthermore, we have complied with other ethical requirements in compliance with IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter paragraph—Basis of accounting and restrictions on distribution and utilization

We draw attention to the accompanying explanatory Note 2, which describes the basis of the accounting principles and criteria used. As indicated in said note, the special purpose consolidated financial statements have not been prepared to meet legal requirements and have been mainly prepared to show one year of activity of the Cirsa Enterprises Group, which would be different from that resulting from the issuance of consolidated annual accounts. Consequently, the consolidated financial statements may not be suitable for other purposes. Our report is intended solely for the Group's Finance Management and must not be distributed to or used by any other parties. Our audit opinion is not further qualified in respect of this matter.

Other matters

The special purpose consolidated financial statements have been audited applying International Auditing Standards. This report can under no circumstances be considered an audit report in the terms established by the prevailing audit regulations in Spain.

Responsibility of Finance Management for the consolidated financial statements

Finance Management are responsible for the preparation of the accompanying special purpose consolidated financial statements in accordance with the financial reporting criteria described in Note 2, and for the internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Finance Management are responsible for assessing the Cirsa Enterprises Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Finance Management either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with IAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with IAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Finance Management.
- Conclude on the appropriateness of the Finance Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We communicate with the Finance Management of the Parent Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ERNST & YOUNG, S.L.

Joan Tubau Roca

April 8, 2019

Cirsa Enterprises Group

Special Purpose Consolidated Financial Statements
for the year ended December 31, 2018

(Translation of Special Purpose Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Cirsa Enterprises Group

Consolidated financial statement of financial position

at December 31

ASSETS

(Thousands of euros)	Notes	2018	2017
Non-current assets		**2,533,233**	**1,150,735**
Goodwill	5	968,100	92,912
Other intangible assets	6	1,103,676	399,188
Property, plant and equipment	7	297,461	431,050
Investments accounted for using the equity method	8	78,990	57,820
Financial assets	9	39,426	113,225
Deferred tax assets	19.4	45,580	56,540
Current assets		**307,546**	**464,749**
Inventories	12	17,903	17,753
Trade and other receivables	9	112,509	185,694
Other financial assets	9	14,886	32,544
Other current assets		10,056	16,569
Cash and cash equivalents	13	152,192	212,189
Total assets		**2,840,779**	**1,615,484**

EQUITY AND LIABILITIES

(Thousands of euros)	Notes	2018	2017
Equity		**666,757**	**12,942**
Issued capital	14.1	70,663	24,577
Share premium	14.1	635,940	9,500
Treasury shares	14.2	—	(184)
Retained earnings	14.3	125,103	34,174
Translation differences		(1,201)	(362,632)
Profit/(loss) for the year attributable to the Parent		(284,009)	70,828
Non-controlling interests	14.4	120,261	236,679
Non-current liabilities		**1,907,553**	**1,179,650**
Corporate bonds	15	1,521,952	938,536
Bank borrowings	16	52,122	37,927
Other non-trade payables	17	31,971	63,570
Provisions	18	12,094	18,396
Deferred tax liabilities	19.4	289,414	121,221
Current liabilities		**266,469**	**422,892**
Corporate bonds	15	2,949	4,615
Bank borrowings	16	33,938	69,270
Trade payables		42,761	124,772
Other non-trade payables	17	173,757	208,926
Current income tax payable	19.2	13,064	15,309
Total equity and liabilities		**2,840,779**	**1,615,484**

Cirsa Enterprises Group

Consolidated statements of comprehensive income

for the years ended December 31

(Thousands of euros)	Notes	2018	2017* (Restated)
CONTINUING OPERATIONS			
Income from gaming activities		1,824,138	1,748,678
Other operating income		142,923	130,792
Bingo prizes		(226,869)	(217,863)
Total operating income		**1,740,192**	**1,661,607**
Variable rent		(271,068)	(265,661)
Total operating income net of variable rent	**3.1**	**1,469,124**	**1,395,946**
Cost of sales		(71,276)	(68,115)
Employee benefits expense	22.1	(281,850)	(228,109)
Utilities and external services	22.2	(276,669)	(256,656)
Gaming taxes and other similar taxes		(511,044)	(492,234)
Charge to depreciation and amortization and impairment of assets	5, 6 & 7	(192,338)	(176,513)
Change in operating provisions		(3,249)	(2,759)
Finance income		2,249	4,012
Finance costs		(136,470)	(68,100)
Chg. in financial provisions		3	—
Gains/(losses) on investments in associates	8	4,578	(90)
Exchange gains / (losses), net	22.3	(11,513)	(1,275)
Gains/(losses) on disposal/derecognition of non-current assets		8,488	(5,023)
Profit / (loss) before tax		**33**	**101,084**
Income tax	19.2	(28,378)	(39,139)
Net profit/(loss) for the year from continuing operations		**(28,345)**	**61,945**
DISCONTINUED OPERATIONS			
Net profit/(loss) for the year from discontinued operations	20	(240,366)	25,646
Net profit/(loss) for the year		**(268,711)**	**87,591**
Profit/(loss) for the year attributable to non-controlling interests	14.4	15,298	16,763
Profit/(loss) for the year attributable to the Parent		**(284,009)**	**70,828**
Net profit/(loss) for the year		**(268,711)**	**87,591**
Exchange gains (losses)		(1,201)	(54,863)
Tax effect		—	—
Total other comprehensive income that will be reclassified to profit or loss in subsequent years		**(1,201)**	**(54,863)**
Total other comprehensive income that will not be reclassified to profit or loss in subsequent years		**—**	**—**
Total other comprehensive income for the year, net of tax		**(269,912)**	**32,728**
Comprehensive income attributable to:			
Parent Company		(285,210)	15,965
Non-controlling interests	14.4	15,298	16,763
Total other comprehensive income for the year, net of tax		**(269,912)**	**32,728**

(*) Prior-year figures have been restated as a result of the disposal of the Argentinean companies, an activity that has been discontinued in the current year.

Cirsa Enterprises Group

Consolidated statement of changes in equity

for the years ended December 31

(Thousands of euros)	Issued capital (Note 14.1)	Share premium	Treasury shares (Note 14.2)	Retained earnings (Note 14.3)	Translation differences	Non-controlling interests (Note 14.4)	Total
At December 31, 2016	**24,577**	**9,500**	**(184)**	**34,174**	**(307,187)**	**250,954**	**11,834**
Net profit/(loss) for the year 2017(*)	—	—	—	70,828	—	16,763	87,591
Other comprehensive income(*)	—	—	—	—	(55,445)	582	(54,863)
Total 2017 comprehensive income	**24,577**	**9,500**	**(184)**	**105,002**	**(362,632)**	**268,299**	**44,562**
Other movements:							
• Additions for the year—Business combinations	—	—	—	—	—	1,117	1,117
• Dividends paid	—	—	—	—	—	(32,737)	(32,737)
At December 31, 2017	**24,577**	**9,500**	**(184)**	**105,002**	**(362,632)**	**236,679**	**12,942**
Net profit/(loss) for the year 2018 (including effect of sale of Argentinean companies)	—	—	—	(284,009)	391,735	(92,660)	15,066
Other comprehensive income	—	—	—	—	(1,201)	—	(1,201)
Total 2018 comprehensive income	**24,577**	**9,500**	**(184)**	**(179,007)**	**27,902**	**144,019**	**26,807**
Other movements:							
• Contribution by the Sole Shareholder, net of the purchase and sale transaction of the Group	46,086	626,440	184	20,101	(29,103)	2,484	666,192
• Dividends paid	—	—	—	—	—	(26,242)	(26,242)
At December 31, 2018	**70,663**	**635,940**	**—**	**(158,906)**	**(1,201)**	**120,261**	**666,757**

(*) Prior-year figures have been restated as a result of the disposal of the Argentinean companies, an activity that has been discontinued in the current year

Cirsa Enterprises Group
Consolidated cash flow statements
for the years ended December 31

(Thousands of euros)	Notes	2018	2017* (Restated)
Cash flows from operating activities			
Profit/(loss) for the year before tax		33	101,084
Adjustments to profit/(loss) due to:			
Change in operating provisions		2,506	2,759
Depreciation and amortization and impairment losses on non-current assets	5, 6 & 7	193,082	176,512
Gains/(loss) on disposals/derecognition of non-current assets		(8,487)	5,022
Finance costs		129,640	64,178
Exchange gains / (losses), net	22.3	11,513	1,275
Other		14,406	(5,501)
Change in:			
Inventories		(2,007)	(1,152)
Trade and other receivables		3,759	1,569
Suppliers and other accounts payable		6,428	1,588
Gaming taxes payable		(4,991)	(1,217)
Other operating assets and liabilities, net		2,444	(9,112)
Income tax paid		(23,995)	(36,954)
Net cash from continuing operations		**324,330**	**300,051**
Net cash from discontinued operations		**21,419**	**35,872**
Net cash from operating activities		**345,750**	**335,923**
Cash flows from/(used in) investing activities			
Acquisition of property, plant, and equipment		(107,684)	(96,769)
Acquisition of intangible assets		(52,504)	(47,421)
Proceeds from disposal of property, plant and equipment		29,354	34
Acquisition of investments in other companies		(55,058)	(54,110)
Other financial investments		(14,480)	—
Interest received and income from financial investments		2,280	1,287
Net cash used in investing activities from continuing operations		**(198,092)**	**(196,979)**
Net cash used in investing activities from discontinued operations		**(28,942)**	**(980)**
Net cash used in investing activities		**(227,034)**	**(197,959)**
Cash flows from/(used in) financing activities			
Cash inflows from bank loans		1,450,220	1,631,219
Cancelation of bank loans		(1,470,600)	(1,649,914)
Cancelation of bonds		(977,600)	—
Contribution by the Sole Shareholder, net of the purchase and sale transaction of the Group and new bond issue		948,664	—
Finance leases		(400)	—
Interest paid		(92,743)	(65,102)
Dividends paid and other payments		(25,344)	(16,570)
Net cash used in financing activities from continuing operations		**(167,803)**	**(100,367)**
Net cash used in financing activities from discontinued operations		**(7,449)**	**(21,112)**
Net cash used in financing activities		**(175,252)**	**(121,479)**
Net increase/(decrease) in cash and cash equivalents		**(56,536)**	**16,485**
Net effect of exchange gains/(losses) on cash		**(3,459)**	**(4,287)**
Cash and cash equivalents at January 1		**212,189**	**199,991**
Cash and cash equivalents at December 31, from continuing operations		**152,192**	**175,099**
Cash and cash equivalents at December 31, from discontinued operations		**—**	**37,090**

(*) Prior-year figures have been restated as a result of the disposal of the Argentinean companies, an activity that has been discontinued in the current year.

Cirsa Enterprises Group

Notes to the consolidated financial statements

for the year ended December 31, 2018

1. GROUP INFORMATION

1.1 Group activity

Cirsa Enterprises, S.L. (hereinafter *the Company or the Parent Company*) and its subsidiaries (hereinafter *the Group or the Cirsa Group*) consist of a set of companies operating in the gaming and leisure sector, carrying out the following activities:

- the design, manufacture and marketing of slot machines that are sold to both group companies and third parties, and the development of interactive gaming mechanisms and systems.
- operation of slot machines, bingo halls and casinos, in both Spain and abroad.

Until December 31, 2017 the Cirsa Group parent company was Cirsa Gaming Corporation, S.A. On July 3, 2018 the company Cirsa Enterprises, S.L. acquired 100% of the shares of Cirsa Gaming Corporation, S.A. from the former shareholders. Cirsa Enterprises, S.L. formerly LHMC Bidco, S.L. was incorporated on November 15, 2017. Information about this transaction is provided in Note 10.

Therefore, the new consolidatable group was born on July 3, 2018 with the inclusion of the Cirsa Gaming Corporation, S.A. subgroup and the bond-issuing company, Cirsa Finance International, S.a.r.l., which was incorporated on May 22, 2018. As indicated in sections 1.2 and 2.1, the consolidated annual accounts of the Cirsa Group will be prepared under International Financial Reporting Standards by its ultimate parent company in Luxembourg, LHMC Topco, S.a.r.l. They will be translated and filed with the Mercantile Registry in due time and form. Consequently, the Company meets the criteria for exemption from preparing consolidated annual accounts under article 43 of the Commercial Code.

As a result of the foregoing, the accompanying consolidated financial statements cannot be considered consolidated annual accounts under Spanish GAAP, but special-purpose consolidated financial statements, whose purpose and basis of presentation are disclosed in section 2.1 below. Although these consolidated financial statements have been prepared on a voluntary basis, they have been authorized for issue by the Board of Directors as if it were a legal requirement.

The 2018 financial statements of the companies comprising the Group have yet to be approved by the corresponding General Meetings of Shareholders or Owners. However, the Board of Directors of the Group Parent expect that the aforementioned financial statements will be approved without significant modification and, therefore, they will have no impact on the special purpose consolidated financial statements.

1.2 Group structure

The Parent Company, which is domiciled in Madrid, at Calle Fermina Sevillano, 5-7, is a subsidiary of its Sole Shareholder LHMC Midco, S.a.r.l., which is in turn a subsidiary of LHMC, Topco, S.a.r.l. (both domiciled in Luxembourg, at Rue Eugène Ruppert, 2-4). The fund that holds the shares of the new Cirsa Enterprises Group is ultimately controlled by The Blackstone Group.

The details of the Company's subsidiaries at December 31, 2018 and 2017 are shown on Appendix I, classified into the following categories:

- Subsidiaries: Subsidiaries are companies controlled either directly or indirectly by the Company so that it can manage the financial and operating policies in order to obtain profit from the investment.

1. GROUP INFORMATION (Continued)

- Joint ventures: The jointly controlled companies are entities ruled by a contractual arrangement between the partners whereby they establish joint control on the business, and which requires the unanimous consent of the venturers regarding the operating decisions.
- Associates: The associates are enterprises not included in the previous two categories and in which there is an ownership interest on a long-term basis that favors their activity, but with limited influence over their management and control.

(NOTA: The 'Ownership percentage' column in Appendix I is obtained by multiplying the successive percentages over the ownership chain and, therefore, shows the final ownership at Company level).

Joint operations in the Argentinean Temporary Joint Ventures (UTE CBA-CIESA and UTE CBA-Magic Star were consolidated until the date of disposal. For comparative purposes, the information affecting some of the items in the balance sheet in 2017 is as follows:

(Thousands of euros)	Figures affected by ownership percentage 2017
Non-current assets	7,360
Current assets	151,291
Non-current liabilities	(19,760)
Current liabilities	(14,771)

1.3 Changes in the scope of consolidation

During 2018 changes have been made to the legal structure of the Group. The most significant one has given rise to the new consolidated Group, Cirsa Enterprises, S.L. and Subsidiaries.

Given the significance of this transaction, a summary thereof and all related considerations have been disclosed in Note 10.

1. GROUP INFORMATION (Continued)

The changes in the scope of consolidation are summarized as follows:

2018

- Acquisition of companies (excluding the transaction disclosed in Note 10)

(Thousands of euros)	% voting rights	Consolidation method	Total Assets in the consolidated statement of financial position at December 31, 2018	Operating income in the 2018 consolidated statement of comprehensive income
SGB 2 SRLU(*)	100%	Full	—	—
Casinos del Caribe, S.R.L.(**)	100%	Full	14,868	1,261
Acquisitions of Nortia Group companies(***)				
Unión de Operadores Reunidos, S.A.(****)	50%	Equity method	16,146	—
Societé du Casino Le Mirage, S.A.	51%	Full	2,339	2,239
Felix Jimenez Morante, S.A.	50%	Equity method	827	—
Recreativos Oropesa, S.L.U.	50%	Equity method	62	—
Talluntxe, S.A.U.	100%	Full	1,783	1,973
			36,025	**5,473**

(*) The company SGB2 was acquired in January 2018 by the group company Cirsagest, S.p.a. During October 2018 it merged with said company. Consequently, total assets and operating income contributed to the consolidated group is included in the financial statements of Cirsagest.

(**) At the date of gaining control Casinos del Caribe, S.R.L wholly owned the company Merengue Bar Gran Casino Jaragua, G.C.J, S.R.L.U.

(***) Companies acquired from the Nortia Group during 2018, in addition to the Cirsa subgroup as a result of the purchase and sale transaction carried out on July 3, 2018.

(****) At the date of gaining control Unión de Operadores Reunidos, S.A. wholly owned the company Recreativos Miami, S.A.U.

All acquisitions shown in the table above have given rise to a business combination. Additionally, another business combination has been carried out in Mexico, which has been integrated into the financial statements of Promociones e Inversiones de Guerrero, S.A.P.I de C.V., whereby a gambling hall was acquired, agreeing to the purchase of fixed assets (slot machines) and intangible assets (exclusive rights over the activity and portfolio of customers) for an overall amount of 16,306 thousand euros.

The information on the business combinations carried out during the year, excluding the one disclosed in Note 10, is shown in Note 4.

1. GROUP INFORMATION (Continued)

- Incorporation of companies

During 2018 the following companies have been incorporated:

(Thousands of euros)	% held by the Group	Consolidation method	Total Assets in the consolidated statement of financial position at December 31, 2018	Operating income in the 2018 consolidated statement of comprehensive income
Cirsa Finance International, S.A.R.L.U. . .	100%	Full	75	—
Cirsa International Business Corporation, S.L.U	100%	Full	3,360	62
Nortia Real State Colombia, S.L.U	100%	Full	—	—
Unidesa Operations Services, S.L.U.	100%	Full	—	—
Sportium Global Investments, SGI, S.A. . .	60%	Equity method	—	—
			3,435	62

The information on the percentages of voting rights, consolidation methods and other information on the companies above is shown in Appendix I.

1. GROUP INFORMATION (Continued)

- Sale of companies resulting in loss of control

During the current year, the following companies have been sold resulting in a loss of control and/or significant influence on their businesses:

	Ownership % at prior year end	Consolidation method at prior year end	Ownership % after the sale	Consolidation method after the sale
Recreativos Trece, S.L.	50%	Equity method	—	—
Disposals of Nortia Group companies(*)				
Complejo Hotelero Monte Picayo, S.A.U.	100%	Full	—	—
Jesali, S.A.U.	100%	Full	—	—
Casino de Asturias, S.A.	40%	Equity method	—	—
Gestión del Juego Integral, S.A.U.	100%	Full	—	—
Cirsa Panamá, S.A.U.	100%	Full	—	—
Silver Cup Gaming, Inc.	50%	Equity method	—	—
Las Perlas Beach Resort, Co	17%	Equity method	—	—
Cirsa Venezuela, C.A.U.	100%	Full	—	—
Cirsa Caribe, C.A.	70%	Full	—	—
Cirsaecuador, S.A.U.	100%	Full	—	—
Ariv, S.A (ARG)	50%	Equity method	—	—
Casino Buenos Aires, S.A. (ARG)	100%	Full	—	—
CBA-CIESA, UTE	50%	Proportional	—	—
Casino Rosario (ARG)	50%	Full	—	—
Ivisa- Casino Buenos Aires, U.T.E. (ARG)	100%	Full	—	—
Traylon, S.A. (ARG)	55%	Full	—	—
Magic Star, S.A. (ARG)	50%	Proportional	—	—
Sobreaguas, S.A. (ARG)	100%	Full	—	—
Alavera, S.A. (ARG)	50%	Equity method	—	—
Emjucasa, S.A. (ARG)	50%	Equity method	—	—
Binbaires, S.A. (ARG)	33%	Equity method	—	—
Bingames, S.A.U.	100%	Full	—	—
Cirsa International Gaming Corporation, S.A.U.	100%	Full	—	—

(*) Companies sold to the Nortia Group during 2018, as a result of the purchase and sale transaction carried out on July 3, 2018.

1. GROUP INFORMATION (Continued)

The results from these sales in the consolidated financial statements are detailed in the following table:

(Thousands of euros)	Change in non-controlling interests	Results from the sale
Recreativos Trece, S.L.	—	(286)
Companies sold to Grupo Nortia Business Corporation, S.L.	(107,958)	(240,366)
	(107,958)	(240,652)

The impact of the disposal of the group of companies of which Cirsa Gaming Corporation, S.A. was the parent to Grupo Nortia Business Corporation, S.A. after the sale includes the change in non-controlling interests and the results from the sale, that is, the year-on-year results of the companies sold plus the results from the sale of said companies.

- Change in the ownership percentage or consolidation methods

The changes in the ownership percentage or consolidation method during 2018 are as follows:

	Consolidation method		Consolidation method	
(Thousands of euros)	2018	2017	2018	2017
New York Games, S.L.U.	Full	Full	100%	50%
Cirsa +, S.R.L.	Full	Full	100%	51%

The changes in the table above correspond to the acquisition of ownership interests in said companies until reaching 100%. However, the consolidation method has not changed since the full consolidation method was already used in the prior year.

- Other changes in equity

During the current year Global Manufacturing Corporation, S.A., Sternal Bay Venezuela, C.A. and Cirsa Funding Luxembourg, S.A. were dissolved and wound up. The first two companies were dormant or showed low activity and their dissolution and wind-up have generate no significant results for the Group. The third company was the holding of the previously issued bonds, which have been early repaid during the current year.

Additionally, during the current year, the company Cirsagest, SPAU has taken over the company SGB 2 SRLU, which has also become a Cirsa group company during the current year (see section *Acquisition of companies*). Logically, this take-over transaction has had no impact on the Group's consolidated financial statements.

Additionally, in 2017 there were changes in the corporate names of several companies that belonged to the Group; Madrileña de Servicios para Bingo, S.L. became International Mex Business, S.L., Global Gaming became Global Real State SAS and, lastly, Caballo 5, S.L. became Sant Cugat Desarrollos de Tecnologías, S.L.

1. GROUP INFORMATION (Continued)

2017

- Acquisition of companies

(Thousands of euros)	% voting rights	Consolidation method	Total Assets in the consolidated statement of financial position at December 31, 2017	Operating income in the 2017 consolidated statement of comprehensive income
Miky, S.L.(*)	100%	Full	49,083	14,353
Barnaplay, S.A.	100%	Full	901	2,268
Gimar Jocs, S.L.	100%	Full	1,493	510
Bingo Santven, S.A.U.	100%	Full	7,015	9,699
Global TC Corp, S.A.U.	100%	Full	1,783	316
Triveneto Games S.R.L.	100%	Full	1,084	—
Sierra Machines, S.A.C.	100%	Full	16,152	10,875
Inmobiliaria Rapid, S.A.C.	100%	Full	12,195	3,086
L&G Business, S.L.	100%	Full	87	2
Recreativos Ergosa, S.L.U.(**)	100%	Full	1,034	186
Automáticos Essan, S.A.U.	100%	Full	502	76
MCA Automatics, S.L.	100%	Full	8,143	200
Social Games Online, S.L.	100%	Full	3,393	—
Italtronic, S.R.L.	100%	Full	4,815	717
Operadora De Entretenimiento Manzanillo, S.A.	60%	Full	5,104	3,668
Promociones Sol Ibiza, S.A.	51%	Full	649	19
			113,433	**45,975**

(*) At the date of gaining control Miky S.L. wholly owned the companies Barnaplay, S.A. and Gimar Jocs, S.L.

(**) At the date of gaining control Recreativos Ergosa, S.L.U. wholly owned the company Automáticos Essan, S.A.U.

All acquisitions shown in the table above have given rise to a business combination. Additionally, in Colombia and Mexico two additional business combinations have been carried out and integrated into the financial statements of Winner Group, S.A. (Colombia) and Promociones e Inversiones de Guerrero, S.A. (Mexico), whereby two gambling halls have been acquired for 5.9 and 3.1 million euros, respectively. The operating revenues generated by these acquisitions amount to 2,547 thousand euros and 1,531 thousand euros, respectively.

The information on the business combinations carried out during the year is shown in Note 4.

1. GROUP INFORMATION (Continued)

- Incorporation of companies

In 2017 the following companies were incorporated:

(Thousands of euros)	% held by the Group	Consolidation method	Total Assets in the consolidated statement of financial position at December 31, 2017	Operating income in the 2017 consolidated statement of comprehensive income
Cirsa Brasil Participaçoes, LTDA	100%	Full	—	—
Sportium Apuestas Andalucía, S.L.U.	50%	Equity method	2,959	—
Sportium Apuestas Colombia, S.A.S.	60%	Equity method	878	—
Sportium Apuestas Ceuta, S.L.U.	50%	Equity method	9	—
New York Games, S.L.U	50%	Equity method	1	—
			3,847	**—**

The assets shown in the table above for the companies that are consolidated using the equity method relate to the investments, resulting from applying said method, recorded in the consolidated statement of financial position at December 31, 2017.

- Sale of companies resulting in loss of control

During 2017, the following companies were sold resulting in a loss of control and/or significant influence on their businesses:

	Ownership % at prior year end	Consolidation method at prior year end	Ownership % after the sale	Consolidation method after the sale
Gestión Bingos Gobylan, S.A.(*)	100%	Full	—	—
S.C.B. Margarita, C.A.	100%	Full	—	—
Cirsa Insular, C.A.	100%	Full	—	—
Tirrenogames, S.R.L.	50%	Equity method	—	—
Giochigenova,S.R.L.	50%	Equity method	—	—
			—	**—**

(*) At both December 31, 2016 and the date of sale, the company Gestión de Bingos Gobylan, S.A. held equity instruments representing 4.63% of the company Red de Bingos Canarios, S.A.

1. GROUP INFORMATION (Continued)

The results from these sales in the consolidated financial statements are detailed in the following table:

(Thousands of euros)	Change in non-controlling interests	Results from the sale
Gestión Bingos Gobylan, S.A.	—	(388)
S.C.B. Margarita, C.A.	—	—
Cirsa Insular, C.A.	—	—
Tirrenogames, S.R.L.	—	284
Giochigenova,S.R.L.	—	476
	—	**372**

The total assets and operating income that these companies contributed to the consolidated statement of financial position at December 31, 2016 and the 2016 consolidated statement of comprehensive income, respectively, are shown below:

(Thousands of euros)	Total Assets in the consolidated statement of financial position at December 31, 2016	Operating income in the 2016 consolidated statement of comprehensive income
Gestión Bingos Gobylan, S.A.	1,893	4,911
S.C.B. Margarita, C.A.	4	—
Cirsa Insular, C.A.	160	—
Tirrenogames, S.R.L.	1,217	—
Giochigenova,S.R.L.	422	—
	3,696	**4,911**

The assets shown in the table above for the companies that at 2016 year end were consolidated using the equity method (Tirrenogames, S.R.L. and Giochigenova,S.R.L.) relate to the investments, resulting from applying said method, recorded in the consolidated statement of financial position at December 31, 2016.

- Other changes in equity

During 2017 the companies Binred Madrid, S.A., Hostebar 98, S.L., Cirsa Amusement France, S.A., Entidad Gestora del Bingo Siglo XXI, S.L.U., Pol Management Corporation, BV., Polispace S.L., International Gaming Manufacturing, S.A., Global Cinco Estrellas, S.A., Gestora de Inversiones Cobiman, S.L.U., Binelec, S.L., Global Amusement Partners Corp, S.A., and Push Games S.L. were dissolved and wound up. These companies were dormant or showed low activity and their dissolution and wind-up did not generate any significant results for the Group.

Additionally, during the current year the companies Gonmatic, S.L.U. and Electrónicos Trujillanos, S.L.U. have been taken over by Uniplay S.A.; Triveneto Games, S.r.l. has been taken over by Cirsagest, S.P.A.; Recreativos Rodes, S.A.U. has been taken over by Genper, S.A. and the companies Promociones Tauro, S.L.U, Mabel 96, S.L.U. and Automaticos Siglo XXI, S.L. have been taken over by Juegomatic, S.A.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS

2.1 Basis of presentation of the special purpose financial statements

The Group prepares consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European (IFRS-EU) Union published by the International Accounting Standards Board (IASB) and further interpretations. At the date these consolidated financial statements were authorized for issue, the consolidated annual accounts of the Cirsa Group in Luxembourg had not yet been prepared by LHMC Topco, S.a.r.l.

Except for that indicated below and Notes 2.1.1 and 2.1.2, the accounting policies used in the preparation of these special purpose consolidated financial statements meet every prevailing standard at the date they were authorized for issue. The International Financial Reporting Standards as adopted by the European Union establish application alternatives in some cases. The options applied by the Group are described in the several accounting policies detailed in these Notes.

The special purpose consolidated financial statements have been prepared in order to present information on the consolidated financial position and results of the Cirsa Group's gaming business for a whole financial year, and for comparative purposes, to present fair and useful information to the users of the special purpose consolidated financial statements, mainly, the holders of the bonds issued by the Group in Luxembourg. In this regard, certain premises are included herein, which are indicated in the subnotes below, that do not agree with the International Financial Reporting Standards as adopted by the European Union, only in relation to said additional premises.

Specifically, although the Group is not required to present comparative information in the current year as this is a new consolidatable Group, the 2018 consolidated financial statements, which have been prepared at historical cost, show the 2017 figures for the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes there to for comparative purposes.

This matter is described in greater detail in Notes 2.1.1 and 2.1.2 below.

2.1.1 Premises used in the preparation of the special purpose consolidated financial statements

The adjustments introduced by the Group's Finance Management to prepare the accompanying consolidated financial statements are summarized as follows:

- The special purpose consolidated financial statements include the financial information on the audited 2017 consolidated annual accounts of Cirsa Gaming Corporation, S.A. and Subsidiaries. The 2017 financial information is identical to the information authorized for issue in said consolidated annual accounts, except for the discontinued activities (explained below) and a reclassification between Other financial assets and Cash and cash equivalents amounting to 30,970 thousand euros corresponding to cash in hoppers.
- The financial information on the 2018 consolidated financial statements has been prepared from Cirsa Gaming Corporation, S.A. and Subsidiaries for the first six months of the current year, and from then on includes the effects of the business combination that Cirsa Enterprises, S.L. (the acquiring company) made on the Cirsa Group, as well as the integration of the new financial debt (and finance cost) related to the corporate bonds issued by Cirsa Finance International, S.a.r.l. in 2018. Consequently, the special purpose consolidated financial statements include a consolidated

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

statement of comprehensive income, a consolidated statement of changes in equity and a consolidated cash flow statement for a 12-month period instead of a 6-month period, which would be presented considering that the parent company, Cirsa Enterprises, S.L., acquired the shares of the Cirsa Gaming Corporation Group and gained control over it on July 3, 2018.

- Both the statement of changes in equity and the cash flow statement include a line called 'Contribution by the Sole Shareholder, net of the purchase and sale transaction of the Cirsa Group and the new bond issue' for the effect on the Cirsa Group's equity and cash of the capital increase, the issue of new corporate bonds and the (paid) purchase and sale transaction of the Group.
- The income statement of the gaming business in Argentina has been discontinued as a result of the purchase and sale transaction described in Note 1, since the companies included in said scope have been transferred to Nortia Business Corporation, S.L., and classified in both the 2018 and 2017 income statements as 'Discontinued operations'.

The business combination for the purchase of Cirsa Gaming Corporation, S.A. by Cirsa Enterprises, S.L. and its accounting effects (in relation to the aforementioned consolidation adjustments and those derived from the application of the 'Purchase Price Allocation' of IFRS 13 *Business Combinations*) remain at the date of acquisition (July 3, 2018).

2.1.2 Other basis of presentation of the special purpose consolidated statement of financial position

- Information to be disclosed in the Notes

The International Financial Reporting Standards as adopted by the European Union require that the presentation of the Notes help the users understand the financial statements and compare them with those presented by other entities. For this purpose, the information disclosed in these Notes has been considered appropriate and sufficient, and therefore, it was not deemed relevant to include any other disclosures required by Spanish legislation but not required by the International Financial Reporting Standards.

- Comparative information

Under the International Financial Reporting Standards as adopted by the European Union, a new consolidatable Group is not required to present comparative information. As mentioned above, and since this information is necessary for the users of these consolidated financial statements, (i.e. the bond holders), comparative information has been presented for all statements and notes, except for the exemptions indicated in Note 2.1.1 above.

Except for the aforementioned premises and those indicated in Note 2.1.1, the accounting principles and criteria used in the measurement and presentation of the assets and liabilities of the Cirsa Enterprises Group at December 31, 2018 agree with the principles and criteria set forth in the International Financial Reporting Standards as adopted by the European Union. In any case, due to the aforementioned exceptions, the financial statements are not presented in accordance with Financial Reporting Standards as adopted by the European Union but with the specific accounting bases described in Note 2.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

2.2 Estimates and judgments

The preparation of the consolidated financial statements requires Group Management to exercise judgment and to make estimates and assumptions that affect the application of the accounting policies and the recorded assets, liabilities, income and expenses. The estimates and assumptions taken into account have been based upon historical experience and other factors which were considered to be reasonable in the light of the circumstances. Consequently, the results obtained could differ from those assumptions

The estimates and assumptions are continuously reviewed. Any changes to accounting estimates are recognized in the period they are made if they apply solely to that period, or for that period and subsequent periods if they affect both. The key estimates and judgments are as follows:

- Business combinations and goodwill

The Group assesses for each business combination, the fair value of assets, liabilities and acquired contingent liabilities, allocating the cost of the business combination to the identified elements. Likewise, goodwill arising from the acquisition is assigned to its corresponding cash-generating unit, based on expected synergies, for subsequent impairment tests (Note 11). As a result of the purchase and sale of the shares of Cirsa Gaming Corporation, S.A. a business combination has arisen, with a consideration paid of 1,453 million euros and an excess price that has been assessed and allocated (purchase price allocation) according to the analysis made by an independent expert.

- Impairment of assets

The Group assesses for impairment at year end for all non-financial assets which carrying amount could be unrecoverable. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually, or when there is evidence of impairment, based on financial projections and estimates of future operating cash flows. During 2018 the Group has not recorded any impairment loss on goodwill or assets (2017: impairment losses of 5.8 million euros on goodwill and 0.5 million euros on assets) (Note 11).

- Useful life of non-current assets with finite lives.

The Group regularly reviews the useful lives of its items of property, plant and equipment and intangible assets. If its estimates of useful life are changed, it prospectively adjusts allocations to depreciation or amortization. During the years 2018 and 2017 it was not necessary to readjust the useful life of any non-current asset with finite life.

- Recoverability of deferred tax assets

When the Group, or any of the companies included in it, recognizes deferred tax assets, the estimated taxable profits that will be generated in future years are reviewed at year end in order to assess their recoverability, and any impairment loss is recognized accordingly. At December 31, 2018 the Group has recorded deferred tax assets amounting to 45,580 thousand euros (56,540 thousand euros at December 31, 2017), as indicated in Note 19.4.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

- Provision for taxes and other risks

Provisions are recognized for taxes and risks that will probably arise based on related studies. At December 31, 2018 the Group has recorded provisions for taxes and other risks amounting to 12,094 thousand euros (18,396 thousand euros at December 31, 2017), as detailed in Note 18.

- Consolidation methods

The assessment of whether control is exercised when the Group does not have absolute majority of voting rights, but agreements with the other shareholders have been reached, requires the Group to make estimates and judgments to determine whether it has unilateral rights to manage relevant activities in accordance with IFRS 10. Additionally, in order to establish the consolidation method of certain entities over which control is not exercised also requires Group Management to make judgments and estimates to determine whether they are considered jointly controlled companies, joint operations or associates.

2.3 Standards and interpretations approved by the European Union applied for the first time in 2018

The accounting policies used in the preparation of these special purpose consolidated financial statements comprise all applicable standards at the beginning of the period, including those that came into force in the current year:

- IFRS 9 *Financial instrument*s

IFRS 9 *Financial instruments* replaces IAS 39 *Financial instruments: recognition and measurement*. This standard consolidates the three phases of the financial instrument project: classification and measurement, impairment and hedge accounting. Except for hedge accounting, which has been prospectively applied, the Group has applied the standard retrospectively, but has not restated comparative information.

The application of IFRS 9 has not resulted in any changes in the statement of financial position and equity at January 1. As for the effect of applying the requirements for determining impairment, given the Group's activity, there has been no increase in impairment losses.

1. Recognition and measurement

There have been no changes in the statement of financial position or equity as a result of the classification and measurement requirements of IFRS 9. All financial assets measured at fair value continue to be measured at fair value.

It is expected that unlisted company shares will be kept in the foreseeable future. The Group has opted to present changes in fair value in other comprehensive income and, therefore, no significant impact has been recorded.

Its loans and trade receivables are held to collect contractual cash flows which are only expected to take the form of principal and interest payments. The Group analyzed the characteristics of the cash flows from these instruments and concluded that they meet the criteria for being measured at amortized cost in accordance with IFRS 9. Consequently, these instruments need not be reclassified.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

2. Impairment

IFRS 9 requires the Group to recognize expected credit losses (ECLs) in respect of all of its debt securities, loans and trade receivables either on a 12-month or lifetime basis. The Group applies the simplified approach and recognizes expected losses on all trade receivables. Due to the nature of the loans and receivables from its respective businesses, the Group has determined that there has been no impact on impairment losses.

3. Hedge accounting

The Group has had no impact as a result of applying hedge accounting since it has not entered into any cash flow or fair value hedges.

- IFRS 15 *Revenue from Contracts with Customers.*

IFRS 15, which was published in May 2014 and amended in April 2016, establishes a new five-step model applicable to the recognition of revenue from contracts with customers. Under IFRS 15, revenue must be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

This standard repeals all prior revenue recognition related standards. The Group adopts the new standard on the required application date using the partial retrospective approach.

The Group's business mainly consists in:

- the design, manufacture and marketing of slot machines that are sold to both group companies and third parties, and the development of interactive gaming mechanisms and systems.
- Operation of slot machines, bingo halls, casinos and lotteries, in both Spain and abroad.

(a) Marketing of slot machines

The application of this standard has had no impact on the Group's results for contracts with customers under which the sale of machines is generally the only contractual obligation. The Group expects to recognize the related revenue when control of the asset is transferred to the customer, which is customarily when the goods are delivered.

(b) Operation of slot machines, bingo halls, casinos and lotteries

1. Loyalty points program

Under IFRIC 13 *Customer loyalty programs*, the loyalty program offered by the Group in its casinos division results in the allocation of a portion of the transaction price to the loyalty program using the fair value of points issued, and the recognition of deferred revenue in relation to points issued but not yet redeemed or expired (called "Player tracking" by the Group). Group Management have quantified this matter as not significant enough to require an adjustment in the consolidated financial statements.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

2. Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. Given the Group's activity, the information included in these special purpose consolidated financial statements is considered to be appropriate and sufficient in connection with the application of this standard.

2.4 Standards and interpretations published by the IASB, but not applicable in the current year

The Group intends to adopt the standards, interpretations and amendments issued by the IASB, whose application is not mandatory in the European Union as at the date of authorizing the accompanying special purpose consolidated financial statements for issue, when they are effective, to the extent applicable to the Group.

IFRS 16—*Leases*

IFRS 16 was issued in January 2016 and supersedes IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC 15 *Operating leases—Incentives* and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. IFRS 16 establishes principles the recognition, measurement, presentation and disclosure of leases, and requires lessees to record all leases under a single lessee accounting model similar to the current recognition of finance leases in accordance with IAS 17.

IFRS 16 establishes that lessees shall recognize in the consolidated balance sheet a financial liability for the present value of the payments to be made over the remaining life of the lease agreement and a right-to-use asset for the underlying asset, which is measured based on the amount of the associated liability, to which the initial direct costs incurred are added. Additionally, the recognition criteria for lease expenses has changed. Lease expenses are now recorded as a depreciation charge for the lease asset and as a financial expense for the lease liability. As for current lessor accounting, the standard does not substantially change and entities shall continue to classify the lease as an operating or finance lease based on the extent to which risks and rewards inherent to the ownership of the asset are substantially transferred.

The Cirsa Group has applied the following policies, estimates and criteria:

- The Group has applied the exemption from recognizing leases in which the underlying asset is a low-value asset (below 5,000 US dollars) and matures in the short term (maturity below or equal to 12 months).
- The Group has applied the practical expedient indicated in paragraph C3 of appendix C to IFRS 16 that stipulates that an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application.
- The Group opted not to recognize the components that are not leases separately from those that are leases for those assets in which materiality of these components is not significant in respect of the total value of the lease.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

- For transition purposes, the Group decided to apply the modified retrospective approach, under which comparative information for prior years will not be restated.
- The Group decided to measure the initial right-of-use asset for an amount equal to the lease liability at January 1, 2019 for all lease agreements.
- An incremental borrowing rate has been applied by homogeneous portfolio of leases, country and lease term. Incremental interest rates at the date of initial application have been around 2% in Spain and Italy, and between 4% and 13% in Latin America.
- In order to determine the lease term as the non-cancelable period of the lease the Group has considered the initial term of each lease, considering that it is not reasonably certain whether the unilateral option to extend or terminate the lease, if any, will be exercised.

The estimated impacts from the initial application at January 1, 2019 of the IFRS are summarized below, although the Group is working on setting the resulting adjustment.

- Recognition of assets in the 'Right-of-use assets' caption (non-current asset) for an approximate amount of 265 million euros and increase in debt in the 'Non-current and current finance lease liabilities' amounting to 212 and 53 million euros, respectively. They basically correspond to leases on offices, vehicles, buildings and halls where the Group's gaming activities are carried out.

The main estimated impact that the application of IFRS 16 would have had on the consolidated statement of comprehensive income for the annual period ended December 31, 2018 would have been:

- Increased depreciation expense for the right-of-use asset for an approximate amount of 56 million euros offset by decreased operating expenses and, consequently, increased gross operating profit, as well as increased finance costs for the lease liabilities; in any case, the consolidated profit/(loss) for the period would not be significantly affected.

IFRIC 23 Uncertainty over income tax treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following aspects:

- whether an entity considers uncertain tax treatments separately.
- the assumptions an entity makes about the examination of tax treatments by taxation authorities.
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity shall determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. The interpretation is effective for annual periods beginning on or after January 1, 2019, although some exemptions on transition are permitted.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

The Group will apply the interpretation as from its effective date. Although the Group operates within a complex multinational tax environment, no significant impact is expected from this standard.

Annual improvements to IFRS—2015-2017 Cycle

The IASB has made the following amendments to the standards, which the Group does not expect to have any significant impact:

IFRS 3 Business combinations—Previously held interest in a joint operation

The amendments to IFRS 3 clarify that when an entity obtains control of a business that previously was a joint operation, it shall apply the requirements for business combinations achieved in stages, remeasuring previously held interests in the assets and liabilities of the joint operation at the fair value. The amendments shall be applied to business combinations whose acquisition date is in annual period beginning on or after January 1, 2019 with early application permitted.

IAS 12 Income Tax—Consequences of Payments on Instruments Classified as Equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it shall apply them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

IAS 23 Borrowings costs—Borrowing costs eligible for capitalization

The amendments clarify that an entity considers as part of its borrowing costs any borrowing cost originally incurred for the purpose of obtaining a qualifying asset when substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amendments must be applied to borrowing costs incurred for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

2.5 Consolidation methodology

Consolidation methodology is described in the following sections:

Consolidation methods

The methods applied to obtain these consolidated financial statements were as follows:

- Full consolidation method for subsidiaries
- Equity method for associates and jointly controlled companies

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

Harmonization

The financial year of the companies within the consolidation perimeter ends on December 31. For consolidation purposes the corresponding 2018 financial statements of each company have been used.

The accounting principles applied by the companies comply with Group policies and, accordingly, no harmonization adjustments were necessary.

Elimination of internal transactions

The intercompany balances arising from financial operations, rental agreements, payment of dividends, financial assets and liabilities, purchase and sale of inventories and non-current assets and rendering of services have been eliminated. In regard with purchase and sale transactions, the unrealized margin on assets, as well as depreciation, has been adjusted in order to show the assets at their original cost to the Group.

Translation of financial statements in foreign currency

The financial statements of foreign companies have been translated into euros prior to their consolidation following the year-end rate method. Accordingly, assets and liabilities are translated at the spot rate prevailing at December 31, capital and reserves at the historical rates, and revenues and expenses at the averages rate for the year. Differences arisen from this process have been recorded directly under Translation differences in net equity.

2.6 Business combinations

When Group gains control over one constituted business, or directly over a business' net assets, the consideration transferred is assigned to assets and liabilities, measured at fair value. The difference between the sum of fair values and the sum of the consideration transferred plus the amount of any non-controlling interest in the acquiree at acquisition date is recognized as goodwill where it is positive or as income in the consolidated statement of comprehensive income where the difference is negative.

The consideration transferred in a business combination is measured at fair value. This is calculated as the sum of the acquisition fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer.

The costs related to the acquisition, such as finder's fees, advice, legal, accounting valuation and other professional or consulting fees, are recognized as expenses in the years when they are incurred and the services are provided.

2.7 Intangible assets

Intangible assets are initially measured at acquisition cost less accumulated amortization and any impairment loss.

Goodwill is not amortized as it is considered to have an indefinite useful life. Instead, it is tested for impairment at least annually as well as intangible assets with indefinite useful lives. Likewise, the net carrying amount of intangible assets having finite useful life is tested for impairment when there is evidence or changes of not recovering the carrying amount, similar to the criteria established for property, plant and equipment.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

Research expenses are charged to expenses when incurred, while development costs related to an individual project are capitalized when the Group can demonstrate the technical feasibility and profitability, the availability of financing resources, and incurred costs can be measured reliably. Development expenses to be capitalized, including the cost of materials, personnel expenses directly attributable and a fair proportion of overheads, are amortized using a declining method (50% the first year) over the period for which they expect to obtain profits or income from such project, which generally comprises three years.

Amounts paid to the owners of the sites where the slot machines are located on an exclusivity basis are capitalized as installation rights. They are amortized on a straight-line basis over the contract term.

Administrative concessions are amortized on a straight-line basis, according to the concession term, as well as transfer rights of leased premise.

Software is amortized on a straight-line basis over three years.

2.8 Property, plant and equipment

Property, plant and equipment are measured at acquisition cost less accumulated depreciation and any recognized impairment loss.

The Group assesses whether there is an indication that the net carrying amount of property, plant and equipment may be impaired. If any indication exists, assets or cash-generating units are recorded at their recoverable amount.

Expenses for repairs which do not extend the useful life of the assets, as well as maintenance expenses, are taken to the consolidated statement of comprehensive income in the year incurred. Expenses incurred for expansion or improvements which increase the productivity or prolong the useful life of the asset are capitalized. Future expenses for restoring and retirement are recognized, at present value, as a cost component, with a liability provision as counterpart.

Depreciation charges are calculated over the estimated useful lives of the assets. Property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful life. A declining

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

basis is used alternatively for some assets, basically slot machines, since it better follows the actual pattern of income related to these assets.

	Method	Rate
Commercial buildings (new/used) and plant	Straight-line	2-4%
Production installations (new/used)	Straight-line	8-16%
Other installations	Straight-line	8-12%
Production machinery	Straight-line	10%
Other production equipment	Straight-line	20%
New slot machines ("A" and "B" / "V" and "C")	Declining/Straight line	20%
Used slot machines	Straight-line	40%
Furniture (new/used)	Straight-line	10-20%
Vehicles (new/used)	Declining/Straight line	10-32%
Tools and furniture (new/used)	Straight-line	30-60%
Data processing equipment (new/used)	Declining/Straight line	25-50%
Molds and dices	Straight-line	25%
Other PP&E items	Straight-line	16%

The finite useful life of slot machines is necessarily subject to exogenous factors (mainly market and competence) of difficult forecast. In the event that such equipment completes its useful life before the base period used for depreciation, the net balance of the related good at the removal date is charged as depreciation for the year, given its recurrent and typical features, as well as its corrective nature of systematic depreciation performed on related goods.

2.9 Investments in associates

Investments are accounted for under the proportional consolidation method or the equity method, that is, they are accounted initially at cost and its carrying amount is increased or decreased in order to recognize the part of the result of the invested company attributed to the Group from the acquisition date.

Part of the profit (loss) for the year of the invested company is recorded in the Group consolidated statement of comprehensive income. Dividends received reduce the amount of the investment.

Changes in the invested company's equity different than those generated by income of the period are directly recorded as changes in the Group's net equity.

2.10 Financial assets

Financial assets are initially recorded at fair value. For investments not measured at fair value with changes in results, directly attributable transaction costs are added. The Group establishes the classification of financial assets at the initial recognition, and, when appropriate and allowed, the classification is assessed again at each year end.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

Loans and receivables

The Group recognizes in this category trade and non-trade receivables, which include financial assets with fixed or determinable payments not quoted on active markets and for which the Group expects to recover the full initial investment, except, where applicable, in cases of credit deterioration.

Following initial recognition, these financial assets are measured at amortized cost.

Nevertheless, trade receivables which mature within less than one year with no contractual interest rate, as well as prepayments and loans to personnel, the amount of which is expected to be recovered in the short term, are carried at nominal value both at initial and subsequent measurement, when the effect of not discounting cash flows is not significant.

2.11 Cancelation of financial assets and liabilities

Financial assets (or, when applicable, part of a financial asset or part of a group of similar financial assets) are derecognized when:

- Rights to related cash flows have expired;
- The Group has retained the right to receive related cash flows, but has assumed the liability of fully paying them within the established terms to a third party under a transfer agreement;
- The Group has transferred the rights to receive related cash flows and (a) has substantially transferred the risks and rewards incidental to the ownership of the financial asset, or (b) has not transferred or retained the asset's risks and rewards, but has transferred the control over the asset.

Financial liabilities are derecognized when the related liability is settled, cancelled or expired. When a financial liability is replaced for other from the same borrower but with substantially different terms, or the conditions of the existing liability are substantially modified, such change or modification is recorded as a disposal of the original liability and an addition of a new liability. Difference of related carrying amounts is recognized in the consolidated statement of comprehensive income.

2.12 Inventories

Inventories are accounted for at the lower of the acquisition cost and the recoverable amount.

The recoverable amount of raw materials is the replacement cost. Nevertheless, no provision is set aside for raw materials and other consumables used in production, if the finished products in which they are to be incorporated will be sold above cost. The recoverable value of finished products corresponds to the estimated sales price less related selling expenses.

The cost value of finished products includes materials measured at the weighted average acquisition price, third-party work, labor and production overhead.

2.13 Cash and cash equivalents

This heading includes cash, current accounts, bank deposits and other financial investments maturing within less than three months from the acquisition date, provided that risks of the substantial alteration of their value are not significant.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

In terms of the consolidated statement of cash flows, cash and cash equivalents include the abovementioned concepts, net of bank overdrafts, if applicable.

2.14 Impairment of assets

Non-financial assets

The Group assesses at each year end whether there is an indication that a non-current asset may be impaired. If any indication exists, and when an annual impairment test is required, the Group estimates the asset's recoverable amount. The recoverable amount is the higher of the cash-generating unit (CGU) fair value less cost to sell and value in use, and it is established for each separate asset, unless for assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and its carrying amount is reduced to the recoverable amount. To assess value in use, expected cash flows are discounted to their present value using risk free market rates, adjusted by the risks specific to the asset. Impairment losses from continuing activities are recognized in the consolidated statement of comprehensive income.

The Group assesses at year end indicators of impairment losses previously recorded in order to verify whether they have disappeared or decreased. If there are indicators, the Group estimates a new recoverable amount. A previously recognized impairment loss is reversed only if the circumstances giving rise to it have disappeared, since the last loss for depreciation was recognized. In this regard, the asset's carrying amount increases to their recoverable amount. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset.

The reversal is recognized in the consolidated statement of comprehensive income. Upon such reversal, the depreciation expense is adjusted in the following periods to amortize the asset's revised book value, net of its residual value, systematically over the asset's useful life.

Financial assets

The Group assesses at year end if financial assets or group of financial assets are impaired. To assess the impairment of certain assets, the following criteria are applied:

- Assets measured at amortized cost

If there is objective evidence that there is an impairment loss of loans and other receivables recorded at amortized cost, the loss is measured as the difference between the book value and the present value of estimated cash flows, discounted at the current market rate upon initial recognition. The book value is reduced by an allowance, and the loss is recorded in the consolidated statement of comprehensive income.

Impairment loss is reversed only if the circumstances giving rise to it have ceased to exist. Such reversal is limited to the carrying amount of the financial asset that would have been recognized on the reversal date had no impairment loss been recognized.

In regard with trade and other receivables, when there is objective evidence of not collecting them, an adjustment is made based on identified bad debts risk.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

2.15 Treasury shares

Treasury shares are recorded as a direct decline in the Group's equity. They are measured at cost value, without recognizing any impairment loss. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase or sale of the Group's own equity instruments.

2.16 Provisions

Provisions are recognized when:

- the Group has a present obligation either legal, contractual or constructive as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount of the obligation can be reliably measured.

When the effect of the cash temporary value is significant, the provision is estimated as the present value of the future cash flows required to settle the obligation.

The discount rate applied in the assessment of the obligation's present value only corresponds to the temporary value of money and does not include the risks related to the estimated future cash flows related to the provision. The increase of the provision derived from the aforementioned discount is recorded as a financial expense.

2.17 Interest yield loans and credits

Loans and credits are initially measured at cost value, which is the fair value of the contribution received, net of issuance costs related to the debt.

Upon initial recognition, interest yield loans and credits are recognized at amortized cost using the effective interest rate method, including any issuance cost and discount or settlement premium.

2.18 Translation of balances in foreign currency

Transactions in foreign currency are translated at the spot rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the closing date. Unrealized exchange gains or losses are recognized in the consolidated statement of comprehensive income. As an exception, exchange gains or losses arising from monetary assets and liabilities that reflect investments in foreign subsidiaries are recorded in *Translation differences* in equity, with no impact on the consolidated statement of comprehensive income.

2.19 Leases

Leases are considered to be financial leases when all risks and rewards incidental to ownership of the leased item are substantially transferred to the Group. Assets acquired under financial lease arrangements are recognized as property, plant and equipment at the beginning of the lease term in the consolidated statement of financial position, recording an asset equivalent to the fair value of the

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

leased item or, if lower, the present value at the commencement of the lease of the minimum lease payments. A financial liability is recorded for the same amount.

Lease payments are apportioned between finance charges and reduction of the lease liability, in order to maintain a constant interest rate of the outstanding debt. The finance charges are recorded directly in the consolidated statement of comprehensive income. These assets are depreciated, impaired, and derecognized using the same criteria applied to assets of a similar nature.

Leases are considered to be operating leases when all risks and rewards incidental to ownership of the leased item are substantially maintained by the lessor. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income when accrued over the lease term.

2.20 Revenues

Revenues are recognized when it is probable that the economic benefits from the transaction will flow to the Group and the amount of income and costs incurred or to be incurred can be reliably measured.

Revenues from exploiting slot machines are measured at the collected amount. The percentage of the amount collected from slot machines attributable to the owner of the premises where the machine is located is included as operating expense under *Variable rent*.

Revenues from bingo cards are recognized for the total amount of sold cards, based on their face value, while recognizing the prizes granted to players as a decrease in operating revenues. The card cost is recorded in *Consumptions*, and the gaming tax rate over purchased bingo cards is included under *Gaming taxes*.

Revenue from casinos is recorded for the net amount from the game ("win"), after deducting prizes removed by players.

Revenue from sale of finished products is measured when risks and significant benefits incidental to the ownership of the assets have been transferred to the buyer and the outcome can be estimated reliably, circumstance that generally arises with the effective goods delivery.

Interest income is recorded based on the time passed, including the asset's effective yield.

2.21 Restructuring expenses

Expenses incurred in restructuring processes, mainly indemnities to personnel, are recognized when a formal and detailed plan exists to perform such process by identifying the main parameters (i.e. main locations, functions and approximate number of affected employees, estimated payments and the implementation schedule) and creating a real and valid expectation among affected employees in regard with the process.

2.22 Income tax

Deferred income tax is recognized on all temporary differences at the closing date between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

Deferred tax liabilities are recognized for all temporary differences, except for taxable temporary differences arisen from an acquired goodwill, which amortization is not tax deductible and those arisen upon the initial recognition of an asset or liability in a transaction, other than a business combination, and that at the transaction date did not affect the accounting or the tax result.

Likewise, a deferred tax liability is recognized for all taxable temporary differences from investments in subsidiaries, associates or jointly controlled companies, except when both the following conditions are met: (a) the Group is able to manage the reversal date of the temporary difference and (b) the temporary difference will not be reversed in the future. In this regard, when the results are generated in subsidiaries in countries where there is not an agreement to avoid double taxation and the Group's policy is the repatriation of dividends, the Group records a deferred tax related to the effective amount that would be filed when profits are repatriated.

Deferred tax assets are recognized for all deductible temporary differences, tax credits and unused tax loss carryforwards, to the extent that it is probable that future taxable profit will be available against which these assets may be utilized, except for deductible temporary differences arisen upon the initial recognition of an asset or liability in a transaction, other than a business combination, and that at the transaction date did not affect the accounting or the tax result.

Furthermore, only a deferred tax asset is recognized for all deductible temporary differences from investments in subsidiaries, associates or jointly controlled companies when both the following conditions met: (a) the temporary difference will be reversed in the future, and (b) it is probable that future taxable profit will be available against which these temporary differences may be utilized.

The recovery of deferred tax assets is reviewed at year end, reducing the amount in assets to the extent that it is probable that future taxable benefits will not be available and consequently these assets could not be utilized.

Deferred taxes are measured based on the tax legislation and charge rates enacted or to be enacted, at the date of consolidated statement of financial position.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities, respectively.

2.23 Contingencies

When unfavorable outcome of a situation that leads to a potential loss is likely to occur (i.e. more than 50% of possibilities), the Group establishes a provision which is recorded based on the best estimate of present value of expected future disbursement. On the other hand, if expectations of favorable resolution are more likely, no provision is recorded, which is reported in the notes of existing risks, unless the possibility of a negative outcome is clearly considered remote.

2.24 Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the consolidated statement of financial position as current and non-current according to their maturity date. Current assets mature within one year from the closing date, and non-current assets mature in more than such period.

3. FINANCIAL INFORMATION BY OPERATING SEGMENT

The Group's activities are organized and managed separately based on the nature of the services and products provided. Each segment represents one strategic business unit that provides different services and offers products to different markets whose operating profit or loss are examined on a regular basis by the Group's ultimate operating decision-making body in order to decide on the resources to be allocated to the segment and assess its performance.

An operating segment has been considered to be an identifiable unit of the Group responsible for supplying a unique product or service, or alternatively a set of these which are inter-related, and which is characterized by being subject to risks and yields of a different nature from those which correspond to other operating segments within the Group.

Assets, liabilities, income and expenses by segment include those directly attributable, together with those which may be reasonably attributed. Unallocated captions by the Group correspond to deferred tax assets and liabilities balances.

Transfer prices between segments are determined based on the actual costs incurred increased by a reasonable trade margin.

3.1 Operating segments

The distribution of the operating segments on which information is disclosed coincides with the information usually handled by Management. The operating segments defined by the Group are as follows:

Slots:

It owns and operates slot machines in bars, cafés, restaurants and amusement arcades in Spain and Italy. It also provides machine interconnection services in Italy.

B2B:

It designs, manufactures and distributes slot machines and gaming kits for the Spanish and international markets. The division sells directly or through distributors to other divisions of the Group, mainly slot division, and third parties

Casinos:

The Group operates with two types of casinos, traditional casinos, which include table games and casino slot machines, and electronic casinos which only operate with casino slot machines.

Bingos:

Operation of bingo halls mainly in Spain and, to a lesser extent, in Italy and Mexico. These halls operate through the sale of bingo cards to customers and, to a lesser extent, through slot machines and restaurant services.

3. FINANCIAL INFORMATION BY OPERATING SEGMENT (Continued)

Other segments:

Segments that aggregately represent less than 10% of total external and internal revenue, less than 10% of the combined result of all segments with aggregated benefits, and less than 10% of total assets have been considered as irrelevant. Thus, no specific information thereon is provided and they have been grouped together under this generic heading.

The table below shows information on the income and results, certain information on assets and liabilities, and other information regarding these business segments at December 31, 2018 and 2017.

2018

(Thousands of euros)	Slots	B2B	Casinos	Bingos	Eliminations and other	Total
Assets by segment						
Allocated non-current assets	279,158	33,859	324,795	108,068	1,741,773	2,487,653
Unallocated non-current assets	—	—	—	—	45,580	45,580
Allocated current assets	118,015	49,412	86,875	28,729	24,515	307,546
Total assets	**397,173**	**83,271**	**411,669**	**136,797**	**1,811,869**	**2,840,779**
Liabilities by segment						
Allocated liabilities	(551,235)	(30,135)	(184,153)	(99,403)	(1,019,683)	(1,884,609)
Unallocated liabilities	—	—	—	—	(289,413)	(289,413)
Total Liabilities	**(551,235)**	**(30,135)**	**(184,153)**	**(99,403)**	**(1,309,096)**	**(2,174,022)**
Operating income net of variable rent						
Sales to external customers	707,468	47,017	505,248	227,351	(17,960)	1,469,124
Intra-group revenue	674	42,485	1,644	4,708	(49,511)	—
Total operating income net of variable rent	**708,142**	**89,502**	**506,892**	**232,059**	**(67,471)**	**1,469,124**
Profit/(loss)						
EBITDA(*)	141,080	12,681	182,973	55,696	(64,146)	328,284
Finance income	10,533	2,607	4,254	1,261	(16,406)	2,249
Finance costs	(26,051)	(2,273)	(11,839)	(4,815)	(91,492)	(136,470)
Profit / (loss) before tax	29,815	(2,467)	106,880	26,134	(160,329)	33
Income tax	(1,496)	(2,473)	(31,540)	(8,790)	15,921	(28,378)
Profit / (loss) after tax	28,319	(4,940)	75,340	17,344	(144,408)	(28,345)
Non-monetary expenses						
Charge to depreciation and amortization and impairment of assets	(88,482)	(4,430)	(80,003)	(27,289)	7,866	(192,338)
Change in operating provisions	(3,027)	(46)	(178)	2	—	(3,249)
Other significant expenses						
Employee benefits expense	(71,344)	(20,168)	(89,300)	(45,633)	(55,405)	(281,850)
Utilities and external services	(77,479)	(15,387)	(144,360)	(66,638)	27,195	(276,669)
Gaming taxes	(376,087)	(150)	(82,091)	(52,532)	(184)	(511,044)
Other segment information						
Investment in non-current assets (cash flow)	70,044	4,227	47,480	37,940	497	160,188
Investments in associates (balance sheet):	67,042	—	—	11,948	—	78,990
Non-controlling interests (profit and loss)	4,779	228	8,388	1,903	—	15,298

(*) EBITDA is defined for financial reporting purposes, as profit or loss before income tax, finance income or costs, profit or loss from investments in associates, profit or loss from sale/derecognition of non-current assets, change in operating provisions and depreciation and amortization charges and impairment.

3. FINANCIAL INFORMATION BY OPERATING SEGMENT (Continued)

2017

(Thousands of euros)	Slots	B2B	Casinos	Bingos	Eliminations and other	Total
Assets by segment						
Allocated non-current assets	280,748	119,805	429,825	97,453	166,364	1,094,195
Unallocated non-current assets	—	—	—	—	56,540	56,540
Allocated current assets	122,177	66,816	224,867	19,951	30,938	464,749
Total assets	**402,925**	**186,621**	**654,692**	**117,404**	**253,842**	**1,615,484**
Liabilities by segment						
Allocated liabilities	(557,208)	(94,947)	(493,383)	(114,903)	(220,879)	(1,481,320)
Unallocated liabilities	—	—	—	—	(121,222)	(121,222)
Total Liabilities	**(557,208)**	**(94,947)**	**(493,383)**	**(114,903)**	**(342,101)**	**(1,602,542)**
Operating income net of variable rent						
Sales to external customers	672,424	47,972	483,304	218,814	(26,568)	1,395,946
Intra-group revenue	669	45,951	1,741	3,550	(51,911)	—
Total operating income net of variable rent	**673,093**	**93,923**	**485,045**	**222,364**	**(78,479)**	**1,395,946**
Profit/(loss)						
EBITDA(*)	128,751	11,946	181,496	53,879	−25,240	350,832
Finance income	2,077	4,664	6,767	1,124	−10,620	4,012
Finance costs	(22,061)	(4,307)	(15,686)	(5,532)	(20,514)	(68,100)
Profit / (loss) before tax	4,417	8,193	102,134	26,480	−40,139	101,085
Income tax	(2,539)	(2,896)	(34,893)	(8,132)	9,321	(39,139)
Profit / (loss) after tax	1,877	5,297	67,240	18,348	(30,817)	61,945
Non-monetary expenses						
Charge to depreciation and amortization and impairment of assets	(101,018)	(3,002)	(69,624)	(17,722)	14,853	(176,513)
Change in operating provisions	(2,696)	(22)	26	(67)	—	(2,759)
Other significant expenses						
Employee benefits expense	(66,018)	(18,338)	(85,284)	(43,668)	(14,801)	(228,109)
Utilities and external services	(76,414)	(14,367)	(134,729)	(60,849)	29,703	(256,656)
Gaming taxes	(363,205)	(153)	(75,431)	(53,284)	(161)	(492,234)
Other segment information						
Investment in non-current assets (cash flow)	66,805	6,621	48,212	22,264	288	144,190
Investments in associates (balance sheet):	6,894	1,430	11,015	38,481	—	57,820
Non-controlling interests (profit and loss)	2,092	296	11,839	2,536	—	16,763

(*) EBITDA is defined for financial reporting purposes, as profit or loss before income tax, finance income or costs, profit or loss from investments in associates, profit or loss from sale/derecognition of non-current assets, change in operating provisions and depreciation and amortization charges and impairment.

3. FINANCIAL INFORMATION BY OPERATING SEGMENT (Continued)

3.2 Information on geographical segments

In the presentation of information by geographic segments, sales are based on the destination country and the assets on their location. The table below shows this information at December 31, 2018 and 2017:

2018

(Thousands of euros)	Sales to external customers	Inter-segment sales	Total revenue by segment	Assets by segment	Investments in non-current assets
Spain	586,584	85,134	671,718	737,314	80,780
Latin America	532,987	664	533,651	1,506,303	74,784
Italy	349,553	2	349,555	124,504	4,131
Eliminations and other	—	(85,800)	(85,800)	472,658	493
	1,469,124	**—**	**1,469,124**	**2,840,779**	**160,188**

2017

(Thousands of euros)	Sales to external customers	Inter-segment sales	Total revenue by segment	Assets by segment	Investments in non-current assets
Spain	547,831	106,094	653,925	660,122	74,515
Latin America	512,740	748	513,488	815,426	64,524
Italy	335,375	16	335,391	117,755	4,481
Eliminations and other	—	(106,858)	(106,858)	22,181	670
	1,395,946	**—**	**1,395,946**	**1,615,484**	**144,190**

4. BUSINESS COMBINATIONS AND ACQUISITIONS OF SUBSIDIARIES

4.1 Acquisition of the Cirsa Group

On April 27, 2018 Nortia Business Corporation, S.L. (owner of 52.43% of the share capital of Cirsa Gaming Corporation, S.A.) and private capital (owner of the other 46.65%) signed the agreement for the sale of the Cirsa Group to the venture capital fund Blackstone. This purchase and sale agreement included several clauses whereby the transaction was subject to a set of obligations by both parties to be considered fully effective. Final closing between the parties was signed on July 3, 2018, the date on which Blackstones gained effective control over the Cirsa Group through the purchase of 100% of the shares of Cirsa Gaming Corporation, S.A.

Note 10 provides a summary of the main data of the transaction (consideration paid, carrying amount of the acquired business, intangible values arisen, etc.).

4. BUSINESS COMBINATIONS AND ACQUISITIONS OF SUBSIDIARIES (Continued)

4.2 Other acquisitions in 2018

The breakdown of the companies constituting a business over which unilateral and exclusive control was gained in 2018 is summarized as follows:

		(Thousands of euros)				
Name and description of the entities and business	Acquisition date	Acquisition cost	Fair value of the assets acquired	Non-controlling interests arisen in the business combination	Fair value of the previous ownership interest	Goodwill generated (Note 5)
Talluntxe, S.A.U.	July 2018	1,443	1,443	—	—	—
Casinos del Caribe, S.R.L. and Merengue Bar Gran Casino Jaragua, GCJ, S.R.L.U.	November 2018	13,557	13,557	—	—	—
		15,000	**15,000**	**—**	**—**	**—**

The values of the identifiable assets and liabilities at the date of gaining control over the business combinations were as follows:

(Thousands of euros)	Recognized on acquisition	Book value
Property, plant and equipment	4,770	4,770
Intangible assets	10,447	93
Other non-current assets	202	202
Current assets	1,843	1,843
Liabilities (including deferred taxes generated)	(2,784)	(2,389)
	14,478	**4,519**

Had the acquisitions taken place at the beginning of the year, consolidated operating income in 2018 would have increased by 10,477 thousand euros and consolidated profit/(loss) for the year 2018 would have increased by 785 thousand euros. Additionally, since their acquisition date these companies have contributed profit to the Group amounting to 525 thousand euros.

4. BUSINESS COMBINATIONS AND ACQUISITIONS OF SUBSIDIARIES (Continued)

4.3 2017

The breakdown of the companies constituting a business over which unilateral and exclusive control was gained in 2017 is summarized as follows:

		(Thousands of euros)				
Name and description of the entities and business	**Acquisition date**	**Acquisition cost**	**Fair value of the assets acquired**	**Non-controlling interests arisen in the business combination**	**Fair value of the previous ownership interest**	**Goodwill generated (Note 5)**
Miky, S.L. and subsidiaries	May 2017	38,457	38,457	—	—	—
Op. De Entretenimiento Manzanillo, S.L.	February 2017	2,325	3,262	937	—	—
Bingo Santven, S.A.U.	January 2017	4,750	4,750	—	—	—
Global TC Corp., S.A.U.	March 2017	903	903	—	—	—
Triveneto Games, S.R.L.	September 2017	762	762	—	—	—
Sierra Machines, S.A.C.	July 2017	9,046	9,046	—	—	—
Inmobiliaria Rapid, S.A.C.	July 2017	14,139	14,139	—	—	—
L&G Business, S.L.	October 2017	75	75	—	—	—
Recreativos Ergosa, S.L.U. and subsidiaries	November 2017	544	544	—	—	—
MCA Automatics, S.L.	December 2017	6,433	6,433	—	—	—
Social Games Online, S.L.	December 2017	2,482	2,482	—	—	—
Italtronic, S.R.L.	November 2017	3,000	3,000	—	—	—
Promociones Sol Ibiza, S.A.	November 2017	460	641	180	—	—
		83,376	**84,494**	**1,117**	**—**	**—**

The values of the identifiable assets and liabilities at the date of gaining control over the business combinations were as follows:

(Thousands of euros)	**Recognized on acquisition**	**Book value**
Property, plant and equipment	21,510	17,957
Intangible assets	76,518	7,067
Other non-current assets	6,936	6,064
Current assets	14,412	14,412
Liabilities (including deferred taxes generated)	(34,882)	(15,274)
	84,494	**30,226**

Had the acquisitions taken place at the beginning of the year, consolidated operating income in 2017 would have increased by 32,941 thousand euros and consolidated profit/(loss) for the year 2017 would have increased by 1,344 thousand euros. Additionally, since their acquisition date these companies have contributed net profit to the Group amounting to 1,549 thousand euros.

5. GOODWILL

Goodwill has arisen in the current year from acquisition of Cirsa Gaming Corporation, S.A. (Note 10). It shows no impairment losses at December 31, 2018 and has been allocated to the whole Cirsa Group as a result of the Purchase Price Allocation made by an independent expert:

(Thousands of euros)	2018	2017
Slots	—	16,457
Bingos	—	27,525
Casinos	—	48,930
Cirsa Group	968,100	—
	968,100	**92,912**

The evolution of the book value of goodwill, net of impairment losses, is as follows:

(Thousands of euros)	2018	2017
Balance at January 1	92,912	104,412
Impairment losses	—	(5,781)
Net exchange gains (losses) arisen in the period	—	(5,719)
Derecognition due to business combinations of PPAs prior to 2018	(92,912)	—
Business combination (PPA 2018)	968,100	—
Balance at December 31	**968,100**	**92,912**

6. OTHER INTANGIBLE ASSETS

6.1 Movements

2018

(Thousands of euros)	Balance at January 1, 2018	Additions	Disposals	Transfers	Translation Differences and other changes	Balance at December 31, 2018
COST						
Development costs and patents	56,355	11,638	(1,624)	—	158	66,527
Service concession arrangements	120,968	567	(25,158)	—	2,134	98,511
Installation rights	643,668	1,047,154	(418,486)	54	53	1,272,443
Right to lease	10,817	2,797	(405)	—	166	13,375
Software	34,211	5,269	(7,561)	294	144	32,357
Prepayments and other	151	—	(119)	—	—	32
	866,170	**1,067,425**	**(453,353)**	**348**	**2,655**	**1,483,245**
AMORTIZATION						
Development costs and patents	(50,080)	(3,786)	1,624	—	(90)	(52,331)
Service concession arrangements	(69,232)	(7,586)	10,899	—	(1,540)	(67,459)
Installation rights	(294,489)	(90,516)	165,133	—	(12)	(219,885)
Right to lease	(4,652)	(3,042)	—	—	(67)	(7,761)
Software	(28,802)	(2,002)	3,602	—	(62)	(27,264)
	(447,255)	**(106,932)**	**181,258**	**—**	**(1,771)**	**(374,700)**
Impairment losses	(19,727)	(1,047)	15,906	—	(1)	(4,869)
Net carrying amount	**399,188**	**959,446**	**(256,189)**	**348**	**883**	**1,103,676**

6. OTHER INTANGIBLE ASSETS (Continued)

2017

(Thousands of euros)	Balance at January 1, 2017	Additions	Disposals	Transfers	Translation differences and other changes	Balance at December 31, 2017
COST						
Development costs and patents	52,952	3,403	—	—	—	56,355
Service concession arrangements	131,552	2,902	(28)	91	(13,548)	120,968
Installation rights	542,607	115,251	(7,158)	—	(7,033)	643,668
Right to lease	7,924	5,358	(1,860)	—	(604)	10,817
Software	32,872	3,456	(275)	22	(1,864)	34,211
Prepayments and other	150	—	—	—	—	150
	768,058	**130,370**	**(9,321)**	**113**	**(23,049)**	**866,170**
AMORTIZATION						
Development costs and patents	(48,595)	(1,485)	—	—	—	(50,080)
Service concession arrangements	(62,434)	(10,101)	28	—	3,275	(69,232)
Installation rights	(236,309)	(63,820)	5,011	—	629	(294,489)
Right to lease	(5,192)	(1,554)	1,860	—	234	(4,652)
Software	(27,094)	(2,497)	273	—	516	(28,802)
	(379,624)	**(79,457)**	**7,172**	**—**	**4,654**	**(447,255)**
Impairment losses	(17,155)	(4,191)	1,613	—	6	(19,727)
Net carrying amount	**371,279**	**46,722**	**(536)**	**113**	**(18,389)**	**399,188**

The 'Additions' column in 2018 shows:

- The effect of the acquisition of the Cirsa Group, as disclosed in Note 10.
- The effect of the other business combinations (Note 4.2), which has amounted to an overall gross value of 27,828 thousand euros (82,376 thousand euros in the prior year) and accumulated amortization of 912 thousand euros (5,858 thousand euros in the prior year). These amounts related almost entirely to *Installation rights*, just like in 2017.

Most of the rest of additions in 2018 and 2017 included in *Installation rights* mainly relate to the non-refundable payment in exchange for the exclusive rights to operate the halls where the slot machines were located. The disposals in this caption for both years mainly relate to installation rights pending amortization in halls which had been closed, or it was decided not to operate the machines for profitability reasons.

6.2 Development costs and patents

They mainly correspond to:

- Industrial companies: Creation of new models of slot machines and technological innovation for them. The net value at December 31, 2018 and 2017 is 6,127 and 3,576 thousand euros, respectively.

6. OTHER INTANGIBLE ASSETS (Continued)

- Companies engaged in lotteries and interactive products: Software development for online gaming applications. The net value at December 31, 2018 and 2017 is 3,068 thousand euros and 2,700 thousand euros, respectively.

The internal cost of developing new models of slot machines and software for on-line games by the B2B division of the Group is recorded as development costs and patents with a charge to the corresponding expenses according to their nature in the consolidated statement of comprehensive income. Said work performed by the Group for its property, plant and equipment in 2018 and 2017 amounts to 3,573 and 3,267 thousand euros, respectively.

Research and development costs recognized as an expense in 2018 amount to 66 thousand euros (41 thousand euros at December 31, 2017) (Note 22.2).

6.3 Service concession arrangements

The most significant items in the gross balance of service concession arrangements at December 31, 2018 are as follows:

- Official contract to manage and operate slot machine halls in the Republic of Panama for an amount of 46,869 thousand euros (44,364 thousand euros at December 31, 2017). The net value of this concession at December 31, 2018 amounts to 12,419 thousand euros (11,962 thousand euros at December 31, 2017).
- Licenses of video terminals acquired by Cirsa Italia S.p.A. for an amount of 40,807 thousand euros at December 31, 2018 and 2017. The net value of this concession at December 31, 2018 amounts to 12,360 thousand euros (16,447 thousand euros at December 31, 2017).

6.4 Installation rights

This caption includes the amount given in exchange for the exclusive rights to operate in the halls were the slot machines are located, and the effect of the business combination indicated in Note 10.

6.5 Impairment losses

The impairment losses recorded in 2018 mainly correspond to exclusive rights over points of sale that will no longer be operational.

Note 11 below shows the several items related to the potential impairment test conducted on the Group's assets.

6.6 Other information

At 2018 year end, the net value of property, plant and equipment in foreign companies amounts to 877,775 thousand euros (136,393 thousand euros at 2017 year end), after the business combination carried out in 2018.

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Movements

2018

(Thousands of euros)	Balance at January 01, 2018	Additions	Disposals	Transfers	Translation differences and other changes	Balance at December 31 2018
Cost						
Land and buildings	257,555	33,592	(191,702)	102	98	99,645
Technical installations	81,727	5,158	(7,750)	1,089	546	80,770
Machinery	616,379	39,772	(114,970)	16,258	3,611	561,050
Data processing equipment	65,857	4,492	(10,803)	662	241	60,449
Transport equipment	10,850	205	(7,584)	—	21	3,492
Other installations, tools, furniture, and other PP&E	294,730	23,712	(32,043)	5,886	5,256	297,541
Property, plant and equipment under construction	16,043	29,238	(9,500)	(24,345)	801	12,237
	1,343,141	**136,169**	**(374,352)**	**(348)**	**10,574**	**1,115,184**
Depreciation						
Buildings	(105,026)	(9,736)	80,262	485	(78)	(34,093)
Technical installations	(58,933)	(10,300)	7,750	39	(377)	(61,821)
Machinery	(447,695)	(64,979)	80,544	(9)	(3,103)	(435,242)
Data processing equipment	(56,603)	(4,528)	7,571	—	(185)	(53,745)
Transport equipment	(8,676)	(610)	6,271	—	23	(2,992)
Other installations, tools, furniture, and other PP&E	(221,788)	(19,579)	20,916	(514)	(4,154)	(225,119)
	(898,721)	**(109,732)**	**203,314**	**1**	**(7,874)**	**(813,012)**
Impairment losses	**(13,370)**	**(2,264)**	**10,949**		**(26)**	**(4,711)**
Net carrying amount	**431,050**	**24,173**	**(160,089)**	**(347)**	**2,674**	**297,461**

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

2017

(Thousands of euros)	Balance at January 01, 2017	Additions	Disposals	Transfers	Translation differences and other changes	Balance at December 31 2017
Cost						
Land and buildings	289,948	14,423	(1,230)	1,756	(47,342)	257,555
Technical installations	81,140	7,773	(2,386)	1,620	(6,420)	81,727
Machinery	622,612	90,222	(55,908)	15,852	(56,399)	616,379
Data processing equipment	63,351	8,041	(2,085)	304	(3,754)	65,857
Transport equipment	13,040	570	(375)	—	(2,385)	10,850
Other installations, tools, furniture, and other PP&E	298,210	24,678	(13,874)	3,644	(17,928)	294,730
Property, plant and equipment under construction	14,441	24,508	(446)	(23,289)	829	16,043
	1,382,742	**170,215**	**(76,304)**	**(113)**	**(133,399)**	**1,343,141**
Depreciation						
Buildings	(94,286)	(13,954)	363	—	2,851	(105,026)
Technical installations	(60,098)	(7,009)	2,371	—	5,803	(58,933)
Machinery	(465,454)	(74,825)	50,888	—	41,696	(447,695)
Data processing equipment	(53,938)	(7,165)	1,596	—	2,904	(56,603)
Transport equipment	(9,357)	(1,354)	153	—	1,882	(8,676)
Other installations, tools, furniture, and other PP&E	(224,608)	(23,428)	13,125	—	13,123	(221,788)
	(907,741)	**(127,735)**	**68,496**	**—**	**68,259**	**(898,721)**
Impairment losses	**(10,772)**	**(5,710)**	**3,059**		**53**	**(13,370)**
Net carrying amount	**464,229**	**36,770**	**(4,749)**	**(113)**	**(65,087)**	**431,050**

The 'Additions' column in 2018 mainly shows:

- The effect of the acquisition of the Cirsa Group, as disclosed in Note 10.
- The effect of the other business combinations (Note 4.2), which has amounted to an overall gross value of 12,939 thousand euros (41,945 thousand euros in the prior year) and accumulated depreciation of 7,127 thousand euros (20,435 thousand euros in the prior year).

Additions in 2018 also included investments in assets in Spain (41,076 thousand euros), Colombia (14,575 thousand euros), Mexico (16,419 thousand euros), Peru (7,389 thousand euros) and Panama (20,472 thousand euros) mainly to renovate some already-installed halls, and additions of property, plant and equipment under construction amounting to 29,238 thousand euros as a result of the renovation and expansion of casinos, mainly in Latin American countries.

Additions in 2017 also included investments in assets in Spain (35,859 thousand euros), Colombia (16,577 thousand euros), Argentina (13,021 thousand euros), Mexico (16,863 thousand euros), Peru

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(5,618 thousand euros) and Panama (17,785 thousand euros) mainly to renovate some already-installed halls, and additions of property, plant and equipment under construction amounting to 24,508 thousand euros as a result of the renovation and expansion of casinos, mainly in Latin American countries. It should be noted that at December 31, 2017 most of the additions in property, plant and equipment under construction in 2016 were recognized according to their nature, since most of the halls under construction had already been put to use.

The 'Disposals' column in 2018 and 2017 includes sales of several assets and other disposals, basically due to the replacement of slot machines, which in 2018 resulted in gains of 13,025 thousand euros (losses of 3,044 thousand euros in the prior year).

7.2 Work performed by the Group and capitalized

The cost value of the machines manufactured by group companies that after being sold to operational companies of the Cirsa Group are operated by them is recorded as property, plant and equipment with a charge to the corresponding expenses according to their nature in the consolidated statement of comprehensive income. The work performed by the Group and capitalized as property plant and equipment in 2018 and 2017 amounts to 46,438 and 50,365 thousand, respectively.

7.3 Assets used as guarantees

Several property, plant and equipment items, whose net value at December 31, 2018 and 2017 was 210 and 9,509 thousand, respectively, were used as guarantee for mortgage loan debts.

7.4 Assets subject to charges and limitations

All assets can be freely used, except for the assets used as guarantees indicated in Note 7.3 and those acquired under finance lease arrangements, whose net carrying amount is 681 thousand euros at December 31, 2018 (6,551 thousand euros at December 31, 2017).

7.5 Assets located outside of Spain

The net value of the assets located outside of Spain amounts to 186,242 thousand euros at December 31, 2018 (296,946 thousand euros at December 31, 2017).

7.6 Investment commitments

Firm investment commitments amount to 10,018 thousand euros at December 31, 2018 (4,895 thousand euros at December 31, 2017).

8. INVESTMENTS IN ASSOCIATES

This caption includes the following investments:

2018

(Thousands of euros)	Book value of the investment	Assets	Liabilities	Operating income	Profit/(loss) for the period
AOG, S.R.L.	11,948	21,131	(12,028)	104,207	461
Unión de operadores reunidos S.A.	16,146	10,008	(1,842)	23,310	4,700
Sportium Apuestas Deportivas, S.A. and Subsidiaries	48,678	161,115	(65,331)	635,383	11,542
Other	2,218	14,862	(12,069)	40,084	920
	78,990				

2017

(Thousands of euros)	Book value of the investment	Assets	Liabilities	Operating income	Profit/(loss) for the period
AOG, S.R.L.	21,498	20,389	(8,944)	82,791	2,000
Binbaires, S.A.	12,919	11,550	(5,644)	40,028	6,910
Montecarlo Andalucía, S.L.	4,764	2,285	(464)	22,805	1,611
Sportium Apuestas Deportivas, S.A. and Subsidiaries	10,410	39,616	(16,515)	376,648	2,329
Other and write-down	8,229	24,645	(18,477)	49,475	(468)
	57,820				

The associates consolidated using the equity method had no contingent liabilities or capital commitments at December 31, 2018 and 2017.

The annual variation in the 'Investments in associates' caption is as follows:

(Thousands of euros)	2018	2017
Balance at January 1	57,820	56,497
Revaluation due to PPA Cirsa Group (Note 10)	16,592	—
Share in profit/(loss) for the year and write-down	4,578	(90)
Other changes	—	1,413
Balance at December 31	**78,990**	**57,820**

No impairment loss (write-down) has been included in 2018 after the measurement of assets in the 2018 PPA after the purchase and sale transaction of the Cirsa Group, as indicated in Note 10.

The transactions carried out during the 2018 and 2017 between the above-listed companies and the companies accounted for using the full and/or proportional consolidation method are not relevant.

9. FINANCIAL ASSETS

This caption consists of the following balances:

	2018			2017		
(Thousands of euros)	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Loans and receivables						
Nortia Business Corporation, S.L. . . .	—	—	—	74,809	—	74,809
Loans to joint ventures and associates	2,854	2,909	5,763	2,435	7,561	9,996
Loans to third parties	19,125	—	19,125	26,193	—	26,193
Guarantees and deposits	10,064	14,762	24,826	8,347	13,718	22,065
Fixed income securities and deposits .	—	1,198	1,198	—	14,413	14,413
Trade and other receivables	—	142,069	142,069	—	214,404	214,404
Other	7,832	1,434	9,266	2,042	7,204	9,246
	39,875	162,372	202,247	113,826	257,300	371,126
Impairment losses	(449)	(34,977)	(35,426)	(601)	(39,062)	(39,663)
	39,426	**127,395**	**166,821**	**113,225**	**218,238**	**331,463**

The Group considers that the fair values of these do not differ significantly from the amounts recorded.

The accumulated balance of impairment losses on non-current financial assets mainly relates to loans to third parties, whereas the amount of impairment losses on current financial assets mainly relates to trade and other receivables (32,468 and 36,272 thousand euros at December 31, 2018 and 2017, respectively). The remainder of the balance amounting to 2,509 thousand euros corresponds to impairment losses on current financial investments.

9.1 Loans and receivables

Nortia Business Corporation, S.L.

(Thousands of euros)	**2018**	**2017**
Loan maturing in 2021, at a nominal interest rate of 5.75%	—	31,381
Long-term promissory notes for the sale of assets discounted at an interest rate of 5% .	—	2,558
Accrued interest	—	40,870
	—	**74,809**

At December 31, 2018 all outstanding items held with the former owner of the Cirsa Group have been canceled, as a result of the purchase and sale transaction, except for the outstanding price adjustment at December 31, 2018 for an amount of 13,539 thousand euros, recorded in the 'Trade and other receivables' caption.

9. FINANCIAL ASSETS (Continued)

Loans to joint ventures and associates

This caption breaks down as follows:

(Thousands of euros)	2018	2017
Current accounts with joint ventures and associates	5,763	9,386
Other	—	610
	5,763	**9,996**

(*) The amounts receivable from the joint ventures included in the table above are the remaining balances after the eliminations upon consolidation.

The annual maturity of these assets is as follows:

(Thousands of euros)	2018	2017
Within 1 year	2,911	7,561
Between 1 and 2 years	713	608
Between 2 and 3 years	713	609
Between 3 and 4 years	713	609
Between 4 and 5 years	713	609
	5,763	**9,996**

The average interest rate of these assets in 2018 and 2017 was 5.82%.

Loans to third parties

The breakdown of non-current loans to third parties is as follows:

(Thousands of euros)	2018	2017
Mortgage loan in US dollars to a company that owns a hotel in Dominican Republic where a casino operated by the Group is located. It earns an annual interest of 7.25%.	—	249
Accounts receivable from the industrial division.	2,852	2,446
Deferred collection for the sale of a non-controlling interest in an Italian company of the operational division	498	972
Deferred collection for the sale of a non-controlling interest in a Spanish company of the operational division	1,843	2,690
Current accounts with third parties for Group purposes, at a floating interest rate of Euribor plus 1% with a minimum of 2%	—	9,198
Other	13,932	10,638
	19,125	**26,193**

9. FINANCIAL ASSETS (Continued)

The breakdown of maturity dates for non-current loans to third parties is as follows:

(Thousands of euros)	2018	2017
Between 1 and 2 years	13,806	10,774
Between 2 and 3 years	2,711	4,416
Between 3 and 4 years	790	1,594
Between 4 and 5 years	779	—
More than 5 years	1,039	211
Indefinite	—	9,198
	19,125	**26,193**

The balances with indefinite maturity relate to current accounts with third parties and accrue a floating interest rate (Euribor plus 1% with a minimum of 2%). The current accounts are recorded as non-current financial assets since the Directors of the Company consider that they will be collected in more than 12 months, and they have powers of decision in this regard.

Trade and other receivables

This caption consists of the following balances:

(Thousands of euros)	2018	2017
Trade receivables	56,955	61,164
Impairment losses	(32,468)	(36,272)
Other related parties	—	618
Public administrations	28,860	26,186
Other accounts receivable	56,254	126,436
	109,601	**178,132**

Receivables from *Public administrations* mainly correspond to payments on account of income tax, VAT and other tax receivables.

The balance of *Trade and other receivables* is shown net of impairment loss. The movements in the impairment loss allowance are as follows:

(Thousands of euros)	2018	2017
Balance at January 1	39,062	39,106
Net charges for the year	3,011	2,703
Utilized	(7,239)	(3,512)
Additions of companies	143	765
Balance at December 31	**34,977**	**39,062**

The Group has established credit periods between 90 and 150 days, while the average collection period is approximately of 120 days at December 31, 2018 (120 days at December 31, 2017).

10. ACQUISITION OF CIRSA GAMING CORPORATION

The breakdown of the amounts related to the acquisition of the Cirsa Gaming Corporation Group over whose business the Parent Company has gained control, effective from July 3, 2018, is as follows:

		(Millions of euros)			
Name and description of the entities and business	**Acquisition date**	**Acquisition cost**	**Fair value of the assets acquired**	**Non-controlling interests arisen in the business combination**	**Goodwill generated (Note 5)**
Grupo Cirsa Gaming Corporation .	July 03, 2018	1,453	476	105	968

The values of the identifiable assets and liabilities at the date of gaining control over the business combinations, excluding resulting goodwill, were as follows:

(Thousands of euros)	**Recognized on acquisition**	**Book value**
Property, plant and equipment	295	266
Intangible assets	1,134	132
Non-current financial assets (ownership interests accounted for using the equity method)	74	12
Other non-current assets	195	195
Current assets	563	563
Deferred tax liabilities arisen	(303)	(15)
Other current and non-current liabilities	(1,482)	(1,482)
	476	**(329)**

Operating income from ordinary activities, operating profit/(loss) and net profit/(loss) for the year already correspond to a whole year in accordance with the premises for the special purpose consolidated financial statements.

As a result of the transaction, all the Group's rights and obligations, including the agreements and contracts that it held with third parties, continue to be in force subsequently. The only relevant business of the Cirsa Gaming Corporation Group, prior to the transaction, that has not continued under the new scope of consolidation is the one corresponding to the gaming activities in Argentina, which is presented as a discontinued operation in the accompanying consolidated financial statements.

11. IMPAIRMENT TEST

11.1 Goodwill

Cash-generating units

Goodwill acquired through business combinations and any other intangible assets with indefinite useful lives have been attributed to cash-generating units for impairment testing. The breakdown of cash-generating units is as follows:

- Operational segment in Spain.
- Group of bingos in Spain and Italy (the latter is accounted for using the equity method).

11. IMPAIRMENT TEST (Continued)

- Casinos in Spain, Panama, Colombia, Mexico, Dominican Republican, Peru, Costa Rica and Morocco.
- Each differentiated interactive activity.
- Online activity (accounted for using the equity method).

In the current year, given that the Cirsa Group was acquired on July 3, 2018, all existing goodwill at December 31, 2018 comes from said transaction, as already detailed above, as a result of the purchase price allocation of the excess price arisen due to the difference between the consideration paid and the consolidated book value of the acquired business.

Based on the tests performed in 2017, impairment adjustments on goodwill were recorded in the prior year for an amount of 5,781 thousand euros, mainly due to more prudent estimates of future cash flows in Cirsagest, S.p.a., with an estimated impact of 5,000 thousand euros, as well as a lesser impact in the estimates of the cash flows from a bingo hall, Tefle, S.A. Additionally, an impairment loss was recorded on the investment in the company AOG (an associate consolidated using the equity method) for an amount of 4,300 thousand euros.

2017

(Thousands of euros) CGU	Recoverable amount of the CGU	Impairment losses	
		On goodwill	On other assets
Tefle, S.A.	—	781	502
Cirsagest, S.P.A.	21,874	5,000	—
Impairment loss recorded		**5,781**	**502**

11.2 Other assets

Impairment indicators used by the Group to determine the need of an impairment test on other non-current assets, amongst others, are as follows:

- Significant drop of the result over the same period in the prior year, and/or over the budget.
- Legislative changes in progress or planned, which could lead to negative effects.
- Change of strategy or internal expectations regarding a particular business or country.
- Position of competitors and their launches of new products.
- Slowdown of income or difficulties in selling at expected prices.
- Change in habits and attitudes of users, and other elements specific to each division.

As indicated in Note 11.1, during 2017 impairment losses amounting to 502 thousand euros were recorded (impairment fully corresponds to property, plant and equipment of Tefle, S.A.), as well as 628 thousand euros in another Spanish bingo hall.

12. INVENTORIES

The breakdown of inventories by category, net of impairment, is as follows:

(Thousands of euros)	2018	2017
Raw and auxiliary materials	3,660	3,888
Spare parts and others	8,225	7,746
Finished goods	1,555	689
Work in progress	3,390	3,353
Prepayments to suppliers	1,073	2,077
	17,903	**17,753**

Inventories correspond mainly to the manufacture and marketing of slot machines carried out by Group companies.

The balance of inventories is shown net of impairment loss. Movements in the impairment loss allowance are as follows:

(Thousands of euros)	2018	2017
Balance at January 1	1,145	1,164
Net charges for the year	425	747
Cancellations	(641)	(766)
Balance at December 31	**929**	**1,145**

The write-off in 2018 and 2017 corresponds to the destruction of several inventories from the industrial division.

13. CASH AND CASH EQUIVALENTS

For consolidated cash-flow statement purposes, cash and cash equivalents include the following items:

(Thousands of euros)	2018	2017
Cash	42,300	15,000
Current accounts	73,049	164,043
Deposits under 3 months	66	2,176
Cash in hoppers	36,777	30,970
	152,192	**212,189**

These assets are unrestricted and earn market interest rates.

14. EQUITY

14.1 Subscribed capital and share premium

At December 31, 2018 the Parent Company's share capital consisted of 70,663 thousand registered shares with a face value of 1 euro each after a capital increase was carried out on July 2, 2018 with a share premium for an aggregated amount (capital increase plus share capital) of 706,603 thousand euros. The Sole Shareholder of the Parent Company is LHMC MIDCO, S.a.r.l. and all shares bear the same obligations and voting and economic rights.

All shares are pledged in favor of six financial institutions as a guarantee of a credit line.

14.2 Treasury shares

There are no treasury shares at December 31, 2018.

At December 31, 2017, given that these are special purpose consolidated financial statements, the former Parent Company owned 1,131,421 treasury shares at an average cost of 0.1626 each, which were shown reducing the Group's equity.

14.3 Retained earnings

The balance of this caption includes reserves of the Parent Company, which are non-distributable.

Legal reserve

In accordance with the Spanish Corporate Enterprises Act, Spanish companies obtaining profit will assign 10% of profit to the legal reserve, until its balance is equivalent to at least 20% of share capital. As long as it does not exceed this limit, the legal reserve can only be used to offset losses if no other reserves are available. This reserve can also be used to increase capital by the amount exceeding 10% of the new capital after the increase.

There is no legal reserve at December 31, 2018.

Additionally, the Group Spanish subsidiaries have provided the legal reserves at the amount required by the prevailing legislation.

14.4 Non-controlling interests

The balances related to non-controlling interests are as follows:

	Balance in statement of financial position		Share in profit/ (loss)	
(Thousands of euros)	2018	2017	2018	2017
Division				
Casinos	102,910	145,004	8,388	11,839
Slots	(2,277)	78,020	4,779	2,092
B2B	2,356	3,096	228	296
Bingos	17,272	10,559	1,903	2,536
	120,261	**236,679**	**15,298**	**16,763**

14. EQUITY (Continued)

The inter-annual variation of balances in the consolidated statement of financial position is as follows:

(Thousands of euros)	2018	2017
Balance at January 1	236,679	250,954
Share of profit/(loss) for the year	15,298	25,685
Translation differences	—	(8,340)
Net impact due to business combinations	2,484	1,117
Dividends paid	(26,242)	(32,737)
Sale of Argentinean companies	(107,958)	—
Balance at December 31	**120,261**	**236,679**

The main movement in 2018 corresponds to the exclusion of non-controlling interests of Argentinean companies from the scope of consolidation.

15. CORPORATE BONDS

At December 31, 2018 this caption mainly relates to a bond issue carried out by a group company domiciled in Luxembourg, Cirsa Finance International, S.a.r.l., on July 3, 2018 for an approximate amount of 1,560 million euros, which were partially used for the early repayment of previously issued bonds by the Cirsa Gaming Corporation Group, for an amount of 950 million euros.

The current corporate bonds comprise three tranches amounting to 663, 425 and 550 million US dollars, respectively. All of them mature in 2023 and earn interest at a rate of three-month Euribor of 6.25% plus 575 basis points, and 7.875% for each of the tranches, respectively.

These bonds were issued below par at a price of 97.75%, 97.7% and 97.75% for each of the three tranches, respectively.

Contracts subscribed in relation to the bonds issued by the subsidiaries in Luxembourg regulate certain obligations and commitments by the Group, which include, among others, the supply of periodic information, the maintenance of titles of ownership in subsidiaries, the restriction on disposal of significant assets, the compliance with certain debt ratios, the limitation on payment of dividends, the limitation on starting-up new businesses, and the restriction on the Group granting guarantees and endorsements to third parties. The Parent Company's Directors consider that all contractual obligations have been met. The shares of several Group companies have been assigned as security for these liabilities.

At December 31, 2018 the quoted price of the bonds recognized in the liabilities side of the balance sheet is 101.2%, 100.5% and 99.0% of their par value, for each of the three tranches.

16. BANK BORROWINGS

The breakdown of bank borrowings at December 31, 2018 and 2017 is as follows:

	2018			2017		
(Thousands of euros)	Non-current	Current	Total	Non-current	Current	Total
Mortgage and pledge loans	99	82	181	12,271	2,337	14,608
Other loans	51,571	26,967	78,538	21,454	50,372	71,826
Finance lease arrangements (Note 21.2)	452	929	1,381	2,202	3,854	6,056
Credit and discount lines	—	5,960	5,960	2,000	12,707	14,707
	52,122	**33,938**	**86,060**	**37,927**	**69,270**	**107,197**

Average interest rates accrued by these borrowings are as follows:

	Percentage	
	2018	2017
Loans	3.57%	2.73%
Finance lease arrangements	3.23%	7.39%
Credit and discount lines	2.27%	2.23%

The annual maturity date of these liabilities is as follows:

(Thousands of euros)	2018	2017
Within 1 year	33,937	69,270
Between 1 and 2 years	18,011	17,238
Between 2 and 3 years	14,591	9,704
Between 3 and 4 years	11,065	5,648
Between 4 and 5 years	7,871	3,076
More than 5 years	585	2,261
	86,060	**107,197**

At December 31, 2018 part of these liabilities, equal to 718 thousand euros is denominated in U.S. dollars (5,947 thousand euros at December 31, 2017).

At December 31, 2018, the shares of several subsidiaries were pledged in favor of six financial institutions as a guarantee for the credit line, whose utilization limit amounted to 200 million euros (75 million euros at December 31, 2017). At December 31, 2018 and 2017 the Group has not drawn down any balance of this credit line.

At December 31, 2018 the undrawn amount of credit and discount lines is 18,126 and 3,439 thousand euros, respectively, without considering the credit line commented in the paragraph above. These figures amounted to 11,135 and 3,601 thousand euros, respectively, at 2017 year end.

Finally, at December 31, 2018 and 2017 the guarantees given by credit institutions and insurance companies to the Group, in connection with official concessions were 100,713 and 124,453 thousand euros, respectively.

17. OTHER NON-TRADE PAYABLES

The breakdown of this heading is the following:

	2018			2017		
(Thousands of euros)	Non-current	Current	Total	Non-current	Current	Total
Public administrations	5	73,380	73,385	25,353	87,945	113,298
Bills payable	268	2,528	2,796	730	3,744	4,474
Sundry creditors	31,698	97,849	129,547	37,487	117,237	154,724
	31,971	**173,757**	**205,728**	**63,570**	**208,926**	**272,496**

At 2017 year end the non-current portion of liabilities with Public administrations referred mainly to the effect of the voluntary adherence to the payment standstill in relation to the tax on gross revenues in the Argentinean companies CBA and CBA-CIESA UTE (Note 1.2).

The current portion corresponds to gaming taxes with a short-term maturity (2018: 35,771 thousand euros, 2017: 40,568 thousand euros), outstanding settlements (not due) for the personal income tax, VAT, social security contributions and similar concepts.

Bills payable correspond mainly to debts arising from the acquisition of companies and operations of slot machines with deferred payment, discounted at market interest rate.

The caption *Non-current sundry creditors* mainly includes:

- Asset suppliers amounting to 8,206 thousand euros (6,994 thousand euros at prior year end).
- Non-current payable amount related to certain investments in Panama corresponding to a payable balance related to an investment agreement amounting to 6,264 thousand euros. The debt derived from this investment will be settled through 239 equal monthly instalments of 71 thousand dollars, including interest, the first payment being in February 2018 until February 2038. At December 31, 2018 the payable amount classified as non-current amounts to 5,935 thousand euros.
- Several payables for common transactions amounting to 11,061 thousand euros, with an undetermined maturity (12,763 thousand euros at prior year end).
- Non-current payable amount related to the acquisition of companies in Spain and the Dominican Republic at year end amounting to 1,849 thousand euros and 2,124 thousand euros, respectively.

The caption *Current sundry creditors* mainly includes:

- Asset suppliers amounting to 23,454 thousand euros (30,063 thousand euros at 2017 year end).
- Payables for the rendering of services amounting to 26,566 thousand euros (22,982 thousand euros at December 31, 2017).
- Current borrowings amounting to 9,380 thousand euros (18,076 thousand euros at prior year end), notably including the payable portion in 2018 for the investments in Peru and the Dominican Republic mentioned above.
- Employee benefits payable amounting to 23,241 thousand euros (33,280 thousand euros in the prior year) (Note 22.1).

18. NON-CURRENT PROVISIONS

The breakdown of this caption is as follows:

(Thousands of euros)	2018	2017
Personnel commitments	9,407	11,041
Tax contingencies	1,357	4,208
Other	1,330	3,147
Balance at December 31	**12,094**	**18,396**

The amount recognized in *Obligations in relation to employees* mainly consists of probable contingencies with the personnel in Italy and retirement incentives (in 2017 it also included the bonus plan for the Group's executives).

The amount recognized at December 31, 2017 as "Tax contingencies" mainly relates to certain liabilities in Mexico amounting to 2,904 thousand euros.

At December 31, 2018 and 2017 the amount shown under the caption 'Others' mainly consists of provisions for several risks and fines that are individually irrelevant.

The inter-annual variation of the balance is as follows:

(Thousands of euros)	2018	2017
Balance at January 1	18,396	23,031
Net charges for the year	5,179	9,694
Provisions utilized	(10,062)	(13,022)
Additions due to acquisition of companies	—	30
Exchange gains (losses)	198	(1,337)
Disposals due to sale of companies	(1,617)	—
Balance at December 31	**12,094**	**18,396**

19. TAXES

19.1 Tax group

The Company Cirsa Gaming Corporation, S.A., together with 65 Spanish group companies, which comply with tax legislation requirements, files tax returns on a consolidated basis. Additionally, there is another Spanish consolidated tax group in Spain, comprising 7 companies, of which the subsidiary Orlando Play, S.A. is the parent.

The other Group companies file income tax returns separately in accordance with applicable tax legislation in each country.

For the purposes of this note, the 2017 amounts have not been restated. Consequently, the income tax for said period includes discontinued operations.

19. TAXES (Continued)

19.2 Accrued and payable income tax

The annual tax expense that has been entirely recorded in the consolidated profit and loss account, since the Group has direct tax impacts on equity, is broken down as follows:

(Thousands of euros)	2018	2017
Current	39,073	57,124
Deferred for (increase) decrease in tax credits related to tax loss carryforwards and deductions	2,676	215
Deferred for temporary differences	1,029	4,194
Other	(14,400)	318
	28,378	**61,851**

'Other' includes, among others, the tax effects derived from amortization and other accounting revaluation adjustments as a result of the business combination of the Cirsa Group in 2018.

Income tax payable amounts at 13,064 thousand euros at December 31, 2018 (15,309 thousand euros at December 31, 2017) and mainly corresponds to the current income tax accrued in the several jurisdictions net of withholdings and payments on account for the period.

19.3 Analysis of tax expense

(Thousands of euros)	2018	2017
Profit before tax	33	158,364
Tax rate prevailing in Spain	25%	25%
Theoretical income tax expense	8	39,591
Adjustments—Effect of:		
Different tax rates prevailing in other countries	5,261	14,178
Countries in which there is no income tax and/or offset of losses	—	(882)
Impairment losses on assets and goodwill recognized solely for consolidation purposes	—	2,520
Utilization of (capitalized and uncapitalized) tax credits and deductions in prior years	3,705	(3,953)
Limitation on the deductibility of financial expenses in Spanish companies that will not be recovered	9,708	2,687
Other non-deductible expenses and other	9,696	7,710
	28,378	**61,851**

At December 31, 2018 and 2017 the effect of corrections in different tax rates mainly corresponds to the higher taxes applied in Mexico and Colombia (in 2017 also in Argentina).

At December 31, 2018 and 2017 non-deductible expenses consist, among others, of portfolio charges carried out by subsidiaries in Latin American countries.

19. TAXES (Continued)

19.4 Deferred tax assets and liabilities

(Thousands of euros)	2018	2017
Assets		
Tax loss carryforwards from the tax group whose parent is Cirsa Gaming Corporation	26,431	28,272
Tax loss carryforwards from the tax group whose parent is Orlando Play, S.A.	1,169	606
Tax loss carryforwards from other group companies	1,254	8,274
Deductible temporary differences:		
—Impaired receivables	480	575
—Impaired securities portfolio	10	2
—Goodwill impaired in individual books	743	737
—Intragroup margin write-off	5,628	5,189
—Non-accounting impairment for tax purposes	1,924	4,131
Non-deductible amortization for accounting purposes	759	1,206
—Other	7,182	7,548
	45,580	**56,540**
Liabilities		
Taxable temporary differences:		
—Tax provision for maximum gaming prizes	(8,173)	(7,803)
—Difference between tax depreciation and accounting depreciation	—	(511)
—Non-accounting impairment for tax purposes	(2,364)	(5,683)
—Margin write-offs	(1,974)	(2,297)
—Business combinations (initial statement of non-current assets at fair value)	(275,133)	(96,041)
—Other	(1,770)	(8,886)
	(289,414)	**(121,221)**

The Group estimates the taxable profits which it expects to obtain within the utilization period based on budgets. It also analyzes the reversal period of taxable temporary differences, identifying those that reverse in the years in which unused tax loss carryforwards may be used, considering the application of the Royal Decree-Law mentioned above. Based on this analysis, the Group has recorded deferred tax assets for unused tax loss carryforwards as well as unused deductions and deductible temporary differences for which it is considered probable that sufficient taxable profit will be generated in the future against which they can be utilized within a reasonable period of time.

19. TAXES (Continued)

The breakdown of unused tax losses carryforwards at December 31, 2018 for the two tax groups whose parent companies are, respectively, Cirsa Gaming Corporation, S.A. and the subsidiary Orlando Play, S.A., is as follows:

	Unused tax loss carryforwards	
(Thousands of euros) Arising in	**Tax group whose parent is Cirsa Gaming Corporation, S.A.**	**Tax group whose parent is Orlando Play, S.A.**
1999	410	—
2000	173	—
2001	9,309	—
2002	154	—
2003	6,416	—
2004	11,534	—
2005	24,383	—
2006	276	937
2007	12,032	396
2008	1,790	372
2009	11,698	1,319
2010	13,036	—
2011	37,344	—
2012	12,177	—
2013	3,506	—
2014	24,377	—
2015	379	1,517
2016	260	908
2017	—	—
2018	4,859	2,251

Tax group whose parent is Cirsa Gaming Corporation, S.A.

At December 31, 2018 and 2017 said tax group recognized deferred tax assets amounting to 26,431 and 28,272 thousand euros, respectively, relating to unused tax loss carryforwards of the tax group. No deferred tax assets were recorded for the rest of unused tax loss carryforwards (which at December 31, 2018 amount to 17,098 thousand euros; 21,173 thousand euros at December 31, 2017), since their future application is uncertain within a reasonable period of time.

In addition to tax credits for tax loss carryforwards, the tax group whose parent is Cirsa Gaming Corporation, S.A. holds additional tax credits amounting to 52,534 thousand euros at December 31,

19. TAXES (Continued)

2018 (2017: 55,463 thousand euros), for unused tax deductions that were not capitalized for not meeting the terms to be utilized.

(Thousands of euros) Last year for utilization	Unused deductions at December 31, 2018
2018	1,035
2019	3,521
2020	2,486
2021	6,591
2022	865
2023	903
2024	1,290
2025	566
2026	419
2027	1,675
2028	721
2029	252
2030	284
2031	268
2032	228
2033	188
2034	192
2035	209
No time limit for utilization	30,840

Tax group whose parent is Orlando Play, S.A.

In 2010 the tax group whose parent is Orlando Play, S.A. was constituted.

At December 31, 2018 the Group had recognized deferred tax assets amounting to 1,169 thousand euros (606 thousand euros at prior year end) corresponding to unused tax loss carryforwards.

Additionally, said tax group has deferred tax assets related to unused tax loss carryforwards and unused deductions amounting to 756 and 744 thousand euros, respectively (756 and 760 thousand euros, respectively, at the prior year) for which the corresponding deferred tax assets have not been recognized, since the requirements established by the applicable framework for financial information are not met.

19.5 Other information

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by the tax authorities, or until the corresponding inspection period has expired.

On March 7, 2018 the Group was notified of the start of general verification and investigation proceedings regarding the corporate income tax for the years 2013 to 2016 of the 26/94 tax consolidation group and, on a separate basis, of the companies Cirsa Gaming Corporation, S.A., Cirsa International Gaming Corporation, S.A., Global Game Machine Corporation, S.A., Juegomatic, S.A., Uniplay, S.L. and Universal de Desarrollos Electrónicos, S.A.

19. TAXES (Continued)

On the same date, the Group was also notified of the start of partial verification and investigation proceedings regarding the Value Added Tax, of the group of entities included in the regime of entities for that tax, for the periods comprised between February 2014 and December 2016. Additionally, for these companies, the Group has also been notified of the start of general verification proceedings, for the periods comprised between February 2014 and December 2016, regarding the following concepts:

- Value Added Tax (for the periods when they were not included in the group of entities)
- Withholdings/prepayments on employee/independent professionals income tax.

The Group does not expect that any significant liability will arise as a result of this inspection, which at December 31, 2018 has not yet been completed.

In general, the prescription periods for countries where the Group has significant presence are between four and five years after the end of the statutory period for filing tax returns.

20. DISCONTINUED OPERATIONS

The income statement of discontinued operations in Argentina breaks down as follows:

(Thousands of euros)	Notes	2018	2017
Income from gaming activities		131,373	299,748
Other operating income		8,633	21,500
Bingo prizes		(19)	(69)
Total operating income		**139,987**	**321,179**
Variable rent		(602)	(974)
Total operating income net of variable rent		**139,385**	**320,205**
Cost of sales		(2,906)	(7,708)
Employee benefits expense	22.1	(33,685)	(84,538)
Utilities and external services	22.2	(16,585)	(39,528)
Gaming taxes and other similar taxes		(47,038)	(112,243)
Charge to depreciation and amortization and impairment of assets		(7,419)	(18,289)
Change in operating provisions		(24)	(48)
Finance income		1,073	3,401
Finance costs		(2,902)	(8,645)
Chg. in financial provisions		—	—
Gains/(losses) on investments in associates		582	1,708
Exchange gains / (losses), net	22.3	12,779	2,955
Gains/(losses) on disposal/derecognition of non-current assets		(70)	10
Profit / (loss) before tax		**43,190**	**57,280**
Income tax		(15,458)	(22,712)
Net profit/(loss) for the year from discontinued operations		**27,732**	**34,568**
Profit/(loss) attributable to non-controlling interests from discontinued operations		(3,455)	(8,922)
Impact of the sale of companies in Argentina		(264,643)	—
Profit/(loss) from discontinued operations		**(240,366)**	**25,646**

The impact of the sale of Cirsa International Gaming Corporation, S.A. and its subsidiaries at the date of sale (mainly Argentinean) derives from the selling price quantified at 136.7 million euros and the impact of the derecognition from equity of the several accumulated effects thereof. This impact consists of a positive effect on equity of 26 million euros and negative effects on equity due to the reclassification to the income statement of translation differences and non-controlling interests for the remaining amount.

The cash flows would break down as follows:

(Thousands of euros)	2018	2017
Cash flows from operating activities	21,419	35,872
Cash flows from investing activities	(28,942)	(980)
Cash flows from financing activities	(7,449)	(21,112)
Net cash flows	**(14,972)**	**13,780**

21. LEASES

21.1 Operating leases

The Group has leases on several buildings for an average term between three and five years, with no renewal clauses.

The future minimum payments under non-cancelable operating leases at December 31 are as follows:

(Thousands of euros)	2018	2017
Within 1 year	85,017	81,354
Between 1 and 5 years	384,758	350,565
More than 5 years	108,506	94,312
	578,281	**526,231**

21.2 Finance leases

The Group has financed several acquisitions of property, plant and equipment (mainly slot machines) through finance lease arrangements. The future minimum payments under finance leases and their present value are as follows:

	2018		2017	
(Thousands of euros)	Minimum payments	Present value of payments (Note 16)	Minimum payments	Present value of payments (Note 16)
Within 1 year	1,161	929	4,818	3,854
Between 1 and 5 years	565	452	3,457	2,202
	1,726	**1,381**	**8,275**	**6,056**

Acquisition of property, plant and equipment through finance lease arrangements, not recorded as cash flows in investing activities in the consolidated cash flow statement, amounted to 3,062 thousand euros in 2017.

22. INCOME AND EXPENSES

22.1 Employee benefits expense

	2018		2017	
(Thousands of euros)	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Wages and salaries	228,760	23,653	177,542	58,219
Social Security	39,734	7,869	37,439	20,079
Termination benefits	3,491	581	3,464	2,235
Other	9,865	1,582	9,664	4,005
	281,850	**33,685**	**228,109**	**84,538**

22. INCOME AND EXPENSES (Continued)

Remunerations pending payment at December 31, 2018 and 2017 (23,241 and 33,280 thousand euros, respectively) are included in *Other non-trade payables—Sundry creditors* (Note 17).

22.2 Utilities and external services

	2018		2017	
(Thousands of euros)	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Leases and royalties	90,064	1,609	83,820	3,623
Publicity, advertising, and public relations	45,383	2,182	41,617	5,783
Professional services	35,337	2,119	21,982	4,346
Other services	20,193	1,383	15,157	3,325
Utilities	26,065	3,532	24,844	7,618
Travel expenses	9,334	239	11,388	484
Repairs and maintenance	8,206	2,204	17,646	6,286
Security services	8,948	941	8,417	2,327
Postal services, communications and telephone	9,809	548	8,985	1,489
Insurance premiums	5,774	120	5,484	321
Cleaning services	7,641	376	7,401	976
Bank services et al.	8,387	686	8,340	1,385
Transportation	1,462	646	1,534	1,565
Development costs and patents (Note 6.2)	66	—	41	—
	276,669	**16,585**	**256,656**	**39,528**

Exchange gains (losses)

	2018		2017	
(Thousands of euros)	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Positive	14,013	133,380	3,903	38,395
Negative	(25,526)	(120,601)	(5,178)	(35,440)
	(11,513)	**12,779**	**(1,275)**	**2,955**

Net exchange gains/(losses) from translation of financial balances in foreign currency between Group companies are recognized in *Translation differences*, as a component that decreases shareholders' equity at December 31, 2018 by 594 thousand euros (2017: it decreased shareholders' equity by 8,513 thousand euros), since they are considered as exchange gains/(losses) arising from monetary components of a net investment in a foreign business.

23. RELATED PARTIES

No Cirsa Group-related companies have entered into any transactions or have any outstanding balances with other subsidiaries of LHMC Topco, S.a.r.l. or the Blackstone Group.

24. CONTINGENCIES

The Group has litigation proceedings, claims and other administrative procedures underway as a result of the normal course of business in the countries where it carries out its activity. However, the Group does not expect that any unprovisioned significant liabilities will arise as a result of the above proceedings.

25. INFORMATION ON ENVIRONMENTAL ISSUES

Given the characteristics of the activities performed by the group companies, at year end it was not necessary to record any expenses and/or investments related to transactions for preventing, reducing or repairing environmental damage.

26. AUDIT FEES

Fees and expenses paid for the audit services provided by the main auditors and other firms belonging to the auditor's international network amounted to 968 thousand euros in 2018 (2017: 1,356 thousand euros).

In addition, fees and expenses paid for other services provided by the main auditors or other related entities amounted to 571 thousand euros in 2018 (2017: 65 thousand euros).

27. OTHER RELATED PARTIES

The breakdown of the remuneration earned by the key executives of Group Management is as follows:

(Thousands of euros)	2018	2017
Short-term employee benefits	3,600	4,500
Other long-term benefits	1,000	1,000
(Net) payments in LHMC Topco S.à.r.l. shares	20,000	—

No additional transactions have been carried out and no other outstanding balances exists with group-related parties.

28. OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT

The Group is exposed to credit risk, interest risk, exchange risk and liquidity risk during the normal development of its activities.

The Group's main financial instruments include bonds, bank loans, credit and discount lines, financing obtained through the deferral of gaming taxes, financial leases, deferred payments for purchase of businesses, and cash and current deposits.

The Group's policy establishes that no trading in derivatives (exchange rates insurance) to manage exchange rate risks arising from certain fund sources in U.S. dollars will be undertaken. The Group does not use financial derivatives to cover fluctuations in interest rates, either.

28. OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Continued)

28.1 Credit risk

Most of the operations carried out by the Group are in cash. For receivables from other activities, the Group has established a credit policy and risk exposure in collection is managed in the ordinary course of business. Credit assessments are carried out for all customers who require a limit higher than 60 thousand euros.

Guarantees on loans and credit risk exposure are shown in Note 9.

28.2 Interest rate risk

External finance is mainly based on the issuance of corporate bonds at fixed and floating interest rate. Bank borrowings (credit policies, trading discounts, financial lease agreements) as well as deferred payments with public administrations and other long-term non-trade payables have a variable interest rate that is reviewed annually. Previous Notes show interest rates of debt instruments.

The breakdown of liabilities that accrue interests at 2018 and 2017 year end is as follows:

	2018		2017	
(Thousands of euros)	Fixed interest rate	Floating interest rate	Fixed interest rate	Floating interest rate
Bonds	1,111,727	413,173	943,151	—
Bank borrowings	—	86,060	—	107,196
Other payables	—	32,091	—	80,961
	1,111,727	**531,324**	**943,151**	**188,157**

At December 31, 2018 financial liabilities at a fixed interest rate represented 63% of total liabilities (83% at 2017 year end). In this regard, the Group's sensitivity to fluctuations in interest rates is low: a variation of 100 basis points in floating rates would lead to a change in the result amounting to 5,314 thousand euros in 2018 and 1,882 thousand euros in 2017.

The Group estimates that fair value of the financial liabilities' instruments does not differ significantly from the accounted amounts, except for that indicated in Note 15.

The breakdown of assets that accrue interests at 2018 and 2017 year end is as follows:

	2018		2017	
(Thousands of euros)	Fixed interest rate	Floating interest rate	Fixed interest rate	Floating interest rate
Nortia Business Corporation, S.L.	—	—	74,809	—
Loans to joint ventures and associates	5,763	—	9,386	610
Loans to third parties	5,193	13,932	6,312	19,881
Guarantees and deposits	24,826	—	22,065	—
Fixed income securities and deposits	1,198	—	14,413	—
	36,980	**13,932**	**126,985**	**20,491**

28. OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Continued)

The Group estimates that the fair value of the assets' financial instruments does not differ significantly from the net book value.

28.3 Foreign currency risk

The Group is exposed to foreign currency risk in businesses located in Latin America, which affect significantly sales and expenses, Group results and the value of certain assets and liabilities in currencies other than the euro. It is also affected to a lesser extent by granted and received loans. The currency that basically generates exchange risks is the US dollar, since a portion of the corporate bonds is issued in US dollars.

In order to reduce risks, the Group conducts policies aimed to keep balanced collection and payments in cash of assets and liabilities in foreign currency.

The following study on sensitivity shows the foreign currency risk:

- Sensitivity of the profit for the year before tax against fluctuations of the exchange rate US dollar/ euro

Change	Thousands of euros 2018	Thousands of euros 2017
+10%	(4,020)	(5,256)
+5%	(2,106)	(2,753)
–5%	2,328	3,043
–10%	4,914	6,423

28.4 Liquidity risk

The exposure to unfavorable situations of debt markets can make difficult or prevent from hedging the financial needs required for the appropriate development of Group activities.

At December 31, 2018 and 2017, the Group shows positive working capital. This should be read within the context of the Group's activities, which are mostly based on revenues that generate cash every day, resulting in very high cash flows from operations, as observed in the consolidated statement of cash flows. Additionally, the Group obtains very high EBITDA, as shown in the consolidated statement of comprehensive income, which allows it to face debt service without cash difficulties.

Additionally, to manage liquidity risk, the Group applies different measures:

- Diversification of financing sources through the access to different banking and capital markets. In this regard, the Group has an additional borrowing capacity (see quantitative data in Note 16).
- Credit facilities committed for the sufficient amount and flexibility. Accordingly, the Group has available cash and cash equivalents amounting to approximately 115 million euros at December 31, 2018 (2017: 181 million euros), to meet unexpected payments.
- The length and repayment schedule for financing through debt is established based on the financed needs.

28. OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Continued)

In this regard, the Group's liquidity police ensure to meet its payment obligations without requiring the access to funds in costly terms.

Additionally, it is noteworthy that both at Group and individual business level, the Group performs projections regularly on the generation and expected cash needs, in order to determine and monitor the Group's liquidity position.

The relevant information on the maturity dates of financial liabilities based on contractual terms is broken down in Notes 15, 16 and 17.

29. CAPITAL MANAGEMENT POLICY

The main objectives of the Group's capital management are to ensure financial stability in the short and long term, appropriate return rates, increased business value and ensure proper and adequate financing of investments and projects to be conducted in a framework of controlled expansion.

The Group's strategy in 2018 is to enhance the more profitable business and to act decisively on the deficit operations, to significantly improve the results and net cash flows. Control of investments and costs restraint have also been established as a priority action, with satisfactory results.

As stated in Note 15, the contracts entered into in relation to corporate bonds issued include limitations on the payment of dividends. The Company does not intend to distribute dividends in the short to medium term given that the Group policy is not to distribute dividends.

30. SUBSEQUENT EVENTS

No significant events have occurred after the reporting date other than those already mentioned in the notes that may condition the information included in the 2018 consolidated financial statements of Cirsa Enterprises Group, whose activity has been carried out satisfactorily.

The undersigned, whose positions are indicated under their names, hereby CERTIFY the accuracy and integrity of the special purpose consolidated financial statements for the year ended 2018 of Cirsa Enterprises Group.

Terrassa, March 29, 2019

Mr. Joaquin Agut Chair	Mr. Lionel Yves Assant Vice-Chair	Mr. Haide Hong Secretary
Mr. Miguel García		Mr. Antonio Hostench

List of subsidiaries

Company	Activity	Ownership Percentage 2018	Ownership Percentage 2017	Investment holder	Business address
Administradores De Personal En Entretenimiento, SA de CV	Bingos	100.00%	100.00%	Bincamex, S.A. de CV.	Guillermo Gonzalez Camanera, 660 Piso 8
Ajar, S.A.	Bingos	75.00%	75.00%	Global Bingo Corporation, S.A.U.	Av. Muñoz Vargas, 18
Alfematic, S.A.	Slots	50.00%	50.00%	Cirsa Slot Corporation, S.A.U.	Ctra. Rellinars, 345
Amical Trading, S.L.	Slots	76.76%	76.76%	Global Game Machine Corporation, S.A.U.	C/ Pi i Margall, 201
Ancon Entertainment, INC.	Casinos	50.00%	50.00%	Cirsa International Business Corporation, S.L.U.	Calle 50 y 73 Este San Francisco
Apple Games 2000, S.L.	Slots	49.50%	49.50%	Egartronic, S.A.	Sequia de Favara, 11
Apuestas Electrónicas, S.L.U.	Slots	51.00%	51.00%	Comercial de Recreativos Salamanca, S.A.U.	C/ del Toros, 3
Automáticos Essan, S.A.U.	Slots	100.00%	100.00%	Recreativos Ergosa, S.L.U.	Ctra. de Castellar, 298
Automáticos Manchegos, S.L.U.	Slots	51.00%	51.00%	Interservi, S.A.	Crta. Nacional 420, km 286
Automaticos Maxorata, S.A.	Slots	55.00%	55.00%	Comercial Jupama, S.A.	c/ Suarez Naranjo, 45
Bar Juegos, S.L.U.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U.	Fermina Sevillano, 5-7
Barnaplay, S.A.U.	Slots	100.00%	100.00%	Miky, S.L.	Paseo Maragall, 103 - 105
Bema—Euromatic, S.A.	Slots	60.71%	60.71%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Binale, S.A.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U. y Global Bingo Madrid, S.A.U	General Ricardos, 176
Bincamex, S.A. de C.V.	Bingos	100.00%	100.00%	International Mex Business, S.L.U.	Cantú, 9 - 601. Colonia Nueva Anzures
Bincano, S.A.U.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U.	Elcano, 30-32
Bingames, S.A.U	Bingos	—	100.00%	Global Bingo Corporation, S.A.U.	Crta. Castellar, 298
Bingaser, A.I.E.	Bingos	100.00%	100.00%	Varios	Fermina Sevillano, 5-7
Bingo Santven, S.A.U.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U.	Ctra. N-340 Km. 1189
Bingos Andaluces, S.A.	Bingos	50.00%	50.00%	Global Bingo Corporation, S.A.U.	Asunción, 3
Bingos Benidorm, S.A.	Bingos	50.00%	50.00%	Global Bingo Corporation, S.A.U.	Plaza Doctor Fleming, s/n
Bingos de Madrid Reunidos, S.A.U.	Bingos	100.00%	100.00%	Cirsa Gaming Corporation, S.A.U.	Fermina Sevillano, 5-7
Bingos Electronicos De Panamá, S.A.U.	Casinos	100.00%	100.00%	Gaming & Services De Panamá, S.A.U.	Calle 50 y 73 Este San Francisco
Bumex Land, S.L.U.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U.	Elcano, 30-32
Casino Buenos Aires, S.A.	Casinos	—	100.00%	Cirsa International Gaming Corporation, S.A.U. y Gestión de Juego Integral, S.A.U.	Avda. Elvira Rawson de Dellepiane, s/n
Casino Cirsa Valencia, S.A.U.	Casinos	100.00%	100.00%	Global Casino Technology Corporation, S.A.U.	Avda. de las Cortes Valencianas, 59
Casino de Rosario, S.A.	Casinos	—	50.00%	Casino Buenos Aires, S.A.	C/Córdoba, 1365,Piso 5 of. 508
Casino El Cacique, S.A.U.	Casinos	100.00%	100.00%	Grupo Cirsa De Costa Rica, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Casino Nueva Andalucía Marbella, S.A.U.	Casinos	100.00%	100.00%	Global Casino Technology Corporation, S.A.U.	Ctra. Cádiz-Málaga Km. 180
Casinos del Caribe, S.R.L.	Casinos	100.00%	—	Cirsa International Business Corporation, S.L.U.	Avda. George Washinton, 367 2º Piso Hotel Jaragua

Company	Activity	Ownership Percentage 2018	Ownership Percentage 2017	Investment holder	Business address
Casinos Pájaro Trueno, S.A.U.	Casinos	100.00%	100.00%	Grupo Cirsa De Costa Rica, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Cirsa+, S.R.L.	Slots	100.00%	51.00%	Cirsagest, S.P.A.U.	Via Toscana, 31
Cirsa Brasil Participaçoes, LTDA.	Casinos	100.00%	100.00%	Cirsa International Business Corporation, S.L.U.	Rua Gertrudes de Lima, nº 53—Sala 42 Centro
Cirsaecuador, S.A.U.	Casinos	—	100.00%	Cirsa International Gaming Corporation, S.A.U.	Inglaterra E3263 y Ava. Amazonas
Cirsa Caribe, C.A.	Casinos	—	70.00%	Cirsa Venezuela, C.A.U.	Avda. 4 de Mayo. Centro Comercial. Local 41
Cirsa Estrellas del Caribe, S.A.U.	Casinos	100.00%	100.00%	Grupo Cirsa De Costa Rica, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Cirsa Finance International, S.A.R.L.U.	Structure	100.00%	—	Cirsa Enterprises, S.L.U.	Rue Eugene Rupert, 2 - 4
Cirsa Funding Luxembourg, S.A.U.	Structure	—	100.00%	Cirsa Gaming Corporation, S.A.	Rue Charles Martel, 58
Cirsa Gaming Corporation, S.A.U.	Structure	100.00%	100.00%	Cirsa Enterprises, S.L.U.	Ctra. Castellar, 298
Cirsa Gran Entretenimiento De Costa Rica, S.A.U.	Casinos	100.00%	100.00%	Grupo Cirsa De Costa Rica, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Cirsa Interactive Corporation, S.L.U.	B2B	100.00%	100.00%	Cirsa Gaming Corporation, S.A.U.	Ctra. Castellar, 298
Cirsa International Gaming Corporation, S.A.U.	Casinos	—	100.00%	Cirsa Gaming Corporation, S.A.	Ctra. Castellar, 298
Cirsa Intenational Business Corporation, S.L.U.	Casinos	100.00%	—	Cirsa Gaming Corporation, S.A.U.	C/ Fermina Sevillano, 5 – 7
Cirsa Italia Holding, S.p.A.U.	Slots	100.00%	100.00%	Cirsa International Business Corporation, S.L.U.	Centro Direzionale Milanofiori, Strada 2
Cirsa Italia, S.p.A.U.	Slots	100.00%	100.00%	Cirsa Italia Holding, S.p.A.U.	Centro Direzionale Milanofiori, Strada 2
Cirsa Panamá, S.A.U.	Casinos	—	100.00%	Cirsa International Gaming Corporation, S.A.U.	Via Domingo Díaz
Cirsa Servicios Corporativos, S.L.U.	Structure	100.00%	100.00%	Cirsa Gaming Corporation, S.A.U.	Ctra. de Castellar, 298
Cirsa Slot Corporation, S.A.U.	Slots	100.00%	100.00%	Cirsa Gaming Corporation, S.A.U.	Ctra. de Castellar, 298
Cirsa Venezuela, C.A.U.	Casinos	—	100.00%	Cirsa International Gaming Corporation, S.A.U.	D. Marino. Nueva Esparta. Porlamar
Cirsagest, S.P.A.	Slots	100.00%	100.00%	Cirsa Italia Holding, S.p.A.U.	Centro Direzionale Milanofiori, Strada 2
Club Privado De Fumadores Nuestro Espacio	Bingos	100.00%	100.00%	Bingos de Madrid Reunidos, S.A.U.	C/ Bravo Murilo, 309
Comdibal 2000, S. L.	B2B	51.00%	51.00%	Universal de desarrollos Electronicos, S.A.U.	Pl. Els Bellots, c/ del Aire, 1
Comercial de Desarrollos Electrónicos, S. A.U.	Slots	100.00%	100.00%	Global Game Machine Corporation, S.A.U.	Pi i Margall, 201
Comercial de Recreativos Salamanca, S.A.U.	Slots	51.00%	51.00%	Tecnoappel, S.L.	C/ Cuarta, 17 P.I. El Montalvo
Comercial Jupama, S.A.	Slots	50.00%	50.00%	Cirsa Slot Corporation, S.A.U.	c/ Suarez Naranjo, 45

Company	Activity	Ownership Percentage 2018	Ownership Percentage 2017	Investment holder	Business address
Complejo Hotelero Monte Picayo, S.A.U.	Casinos	—	100.00%	Global Casino Technology Corporation, S.A.U.	Complejo Hotelero Monte Picayo
Cotecnic 2000, S.L.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Egartronic, S.A.	Slots	51.00%	51.00%	Cirsa Slot Corporation, S.A.U.	C/ del Aire, 1 Pol. Ind. Els Bellots
Electrónicos Radisa, S.L.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Elettronolo Firenze, S.R.L.U.	Slots	100.00%	100.00%	Cirsagest, S.P.A.U.	Centro Direzzionale Milanofiori Strada 2, Palazzo D4
Ferrojuegos, S.A.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U. y Global Bingo Madrid, S.A.U.	Ferrocarril, 38
Flamingo Euromatic-100, S.L.U.	Slots	51.00%	51.00%	Orlando Play, S.A.	P.l. La Juaida, C/Sierra Telar, 40
Gaming & Services de Panamá, S.A.U.	Casinos	100.00%	100.00%	Cirsa International Business Corporation, S.L.U.	Calle 50, PH. Torre Global, piso 40
Gaming & Services, S.A.C.	Casinos	100.00%	100.00%	Cirsa International Business Corporation, S.L.U.	Av. Ricardo Palma, 341 Miraflores
Garbimatic, S.L.U.	Slots	50.00%	50.00%	Alfematic, S.A.	Ctra. Rellinars, 345
Garrido Player, S.L.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Gema, S.r.l.U.	Bingos	100.00%	100.00%	Cirsa International Business Corporation, S.l.U.	Centro Direzionale Milanofiori, Strada 2, Pal D4
Genper, S. A.	Slots	100.00%	100.00%	Global Game Machine Corporation, S.A.U.	Pi i Margall, 201
Gestión del Juego Integral, S.A.U.	Casinos	—	100.00%	Cirsa Interactive Corporation, S.L.U.	Ctra. Castellar, 298
Gimar Jocs, S.L.U.	Slots	100.00%	100.00%	Miky, S.L.	Paseo Maragall, 103
Global Betting Aragón, S.L.U.	Slots	100.00%	100.00%	Global Game Machine Corporation, S.A.U.	C/ Jaime Ferran, 5 Pol. Ind. La Cogullada
Global Bingo Corporation, S.A.U.	Bingos	100.00%	100.00%	Cirsa Gaming Corporation, S.A.U.	Crta. Castellar. 298
Global Bingo Madrid, S.A.U.	Bingos	100.00%	100.00%	Cirsa Gaming Corporation, S.A.U.	Fermina Sevillano, 5-7
Global Bingo Stars, S.A.U.	Bingos	100.00%	100.00%	Cirsa Gaming Corporation, S.A.U.	Fermina Sevillano, 5-7
Global Casino Technology Corporation, S.A.U.	Casinos	100.00%	100.00%	Cirsa Gaming Corporation, S.A.	Ctra. de Castellar, 298
Global Game Machine Corporation, S.A.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Pi i Margall, 201
Global Real State, S.A.S.U.	Casinos	100.00%	100.00%	Winner Group, S.A.	Calle 90 No. 19C-32 P.4
Global Manufacturing Corporation, S.L.U.	B2B	—	100.00%	Cirsa Gaming Corporation, S.A.	Ctra. de Castellar, 298
Global TC Corp., S.A.U.	Casinos	100.00%	100.00%	Gaming & Services de Panamá, S.A.U.	C/ Cuarta, Casa 39—Urbanización Parque Lefevre
Goldenplay, S.L.U.	Slots	51.00%	51.00%	Orlando Play, S.A.	German Bernacer, 22 P.I. Elche Parque Ind.
Gran Casino de las Palmas, S.A.	Casinos	51.00%	100.00%	Global Casino Technology Corporation, S.A.U.	c/ Simón Bolivar, 3
Grasplai, S.A.U.	Bingos	100.00%	100.00%	Telma Enea, S.L.U.	Av. Generalitat, 6
Grupo Cirsa De Costa Rica, S.A.U.	Casinos	100.00%	100.00%	Cirsa International Business Corporation, S.L.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Iber Matic Games, S.L.	Slots	51.00%	51.00%	Cirsa Slot Corporation, S.A.U.	C/ Jaime Ferran, 2-4

Company	Activity	Ownership Percentage 2018	Ownership Percentage 2017	Investment holder	Business address
Inmobiliaria Rapid, S.A.C.	Casinos	100.00%	100.00%	Gaming And Services, S.A.C.	Av. Ricardo Palma, 341 Miraflores
Integración Inmobiliaria World de Mexico, S.A. De C.V.	Bingos	100.00%	100.00%	Promociones e Inversiones de Guerrero, S.A.P.I. De C.V.	c/ Guillermo Gonzalez Camarena 600 Piso 8
International Bingo Technology, S.A.U.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U	Pi i Margall, 201
International Mex Business, S.L.U.	Bingos	100.00%	100.00%	Cirsa International Business Corporation, S.L.U.	Ctra. Castellar, 298
Interplay, S.A.U.	Slots	51.00%	51.00%	Egartronic, S.A.	C/ Francia, 26 y 27
Interservi, S.A.	Slots	51.00%	51.00%	Cirsa Slot Corporation, S.A.U.	Ctra. Nacional 420, km 289
Inversiones Interactivas, S.A.	Casinos	70.00%	70.00%	Orbis Development, S.A.U.	C/ 57 y Avenida Obarrio
Investment & Securities Iberica, S.A.U.	Casinos	100.00%	100.00%	Cirsa Internacional Business Corporation, S.L.U.	Ctra. Castellar, 298
Italtronic, S.R.L.U.	Bingos	100.00%	100.00%	Cirsa Italia Holding, S.p.A.U.	Milano Fiori, Strada 2, Palazzo D4
Ivisa—Casino Buenos Aires, U.T.E.	B2B	—	100.00%	Casino Buenos Aires, S.A.	C/ Adolfo Alsina, 1729 P.B.
Jesali, S.A.U.	Casinos	—	100.00%	Complejo Hotelero Monte Picayo, S.A.U.	Complejo Hotelero Monte Picayo
Juegomatic, S.A.	Slots	100.00%	100.00%	Global Game Machine Corporation, S.A.U.	Av. Velázquez, 91
Juegos Del Oeste, S.L.U.	Slots	51.00%	51.00%	Apuestas Electrónicas, S.L.U.	C/ del Toros, 3
Juegos San José, S. A.	Bingos	47.50%	47.50%	Global Bingo Corporation, S.A.U.	General Mas De Gaminde, 47 Bajos
La Barra Ancon, S.A.U.	Casinos	50.00%	50.00%	Ancon Entertainment, Inc.	Calle 50 y 73 Este San Francisco
La Barra Panama, S.A.U.	Casinos	100.00%	100.00%	Cirsa International Business Corporation, S.L.U	Calle 50 y 73 Este San Francisco
La Cafetería del Bingo, S.L.	Bingos	50.00%	50.00%	Global Bingo Corporation, S.A.U.	Asunción, 3
La Selva Inversiones, S.A.C.U.	Casinos	100.00%	100.00%	Gaming And Services, S.A.C.	C/ Jr. Loreto, 228
Les Loisirs Du Paradis, S.A.R.L.U.	Casinos	82.00%	82.00%	Resort Paradise AB	Hotel Atlantic Palace Secteur balneaire et touristique
L&G Bussines, S.L.U.	Slots	100.00%	100.00%	Cirsa Gaming Corporation, S.A.U.	Ctra. Castellar, 338
Lightmoon International 21, S.L.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Ctra. Castellar, 298
Lista Azul, S.A.U.	Bingos	100.00%	100.00%	International Bingo Technology, S.A.U.	Gran Passeig de Ronda, 87
Losimai, S.A.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Av. De la Albufera, 129
Macrojuegos, S.A.	Bingos	51.00%	51.00%	International Bingo Technology, S.A.U.	Dionisio Guardiola, 34
Majestic 507 Corp, S.A.	Casinos	50.00%	50.00%	Gaming & Services de Panamá, S.A.U.	Calle 50, Calle 73 Este
Maquilleiro, S.L.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Marchamatic Indalo, S.L.U.	Slots	51.00%	51.00%	Orlando Play, S.A.	C/Sierra Telar, 40
MCA Automatics, S.L.U.	Slots	100.00%	100.00%	Global Game Machine Corporation, S.A.U.	Crta. Castellar, 298
Merengue Bar Gran Casino Jaragua, GCJ, S.R.L.U	Casinos	100.00%	—	Casinos Del Caribe, S.R.L.	Avda. George Washinton, 367 2º Piso
Miky, S.L.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	c/ Paseo Maragall, 103 - 105
Montri, S.A.U.	Slots	51.00%	51.00%	Iber Matic Games, S.L.	C/ del Aire, 1 Pol. Ind. Els Bellots
New Laomar, S.L.U.	Slots	51.00%	51.00%	Orlando Play, S.A.	c/Sierra Telar, 40
New York Game, S.L.U.	Slots	100.00%	50.00%	Cirsa Slot Corporation, S.A.U.	Ctra. de Castellar, 298

Company	Activity	Ownership Percentage 2018	Ownership Percentage 2017	Investment holder	Business address
Nightfall Construccions, S.R.L.	Casinos	100.00%	100.00%	Cirsa International Business Corporation, S.L.U	Avda. Abraham Lincoln
Nortia Real Estate Colombia, S.L.U.	Casinos	100.00%	—	Cirsa Gaming Corporation, S.A.U.	Ctra. de Castellar, 298
Oper Ibiza, S.L.	Slots	51.00%	51.00%	Cirsa Slot Corporation, S.A.U.	C/ dels Llauradors, 45
Operación Banshai, S.A.U.	Casinos	100.00%	100.00%	Grupo Cirsa De Costa Rica, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Operadora de Entretenimiento Manzanillo, S.A. de C.V.	Bingos	60.00%	60.00%	Bincamex, S.A. de CV.	c/ Guillermo Gonzalez Camarena 600 Piso 8
Operadora Internacional de Recreativos, S.A.	Slots	51.00%	51.00%	Cirsa Slot Corporation, S.A.U.	c/ Cervantes, 14 1
Orbis Development, S.A.U.	Casinos	100.00%	100.00%	Cirsa International Business Corporation, S.L.U	Swiss Tower, 16th floor, World Trade Center
Orlando Italia, S.r.l.	Slots	51.00%	51.00%	Orlando Play, S.A.	Milano Fiori, Strada 2, Palazzo D4
Orlando Play, S.A.	Slots	51.00%	51.00%	Global Game Machine Corporation, S.A.U.	Sierra Telar, 40 P.I. La Juaida
Patterson Lake Business Services, S.A.U.	Casinos	100.00%	100.00%	Grupo Cirsa De Costa Rica, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Playcat, S.A.U.	Bingos	100.00%	100.00%	International Bingo Technology, S.A.U.	Cádiz, 1
Princesa 31, S.A.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U. y Bingos de Madrid Reunidos, S.A.U.	Princesa, 31
Promociones e Inversiones de Guerrero, S.A.P.I. de C.V.	Bingos	100.00%	100.00%	Bincamex, S.A. de CV.	Guillermo Gonzalez Camarena, 600 P8 Col. Sfe
Promociones Sol Ibiza, S.A.	Slots	51.00%	51.00%	Oper Ibiza, S.L.	C/ dels Llauradors, 45
Recreativos Arranz, S.L.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Recreativos Ergosa, S.L.U.	Slots	100.00%	100.00%	Global Game Machine Corporation, S.A.U.	Ctra. Castellar, 298
Recreativos Hatuey, S.A.	Slots	100.00%	100.00%	Bema—Euromatic, S.A.	Fermina Sevillano, 5-7
Recreativos Manchegos, S.L.U.	Slots	51.00%	51.00%	Interservi, S.A.	Ctra. Nacional 420, Km 286
Recreativos Martos, S.L.U.	Slots	100.00%	100.00%	Global Game Machine Corporation, S.A.U.	Crta. De Castellar, 298
Recreativos Ociomar Levante, S.L.U.	Slots	51.00%	51.00%	Orlando Play, S.A.	Ctra. De Castellar, 298
Recreativos Panaemi, S.L.U.	Slots	51.00%	51.00%	Orlando Play, S.A.	c/ German Bernacer, 22 P.I. Elche
Red de Bingos Andaluces, A.I.E.	Bingos	54.00%	54.00%	Varios	Martillo, 26
Red de Interconexión de Andalucía, S.L.U.	B2B	100.00%	100.00%	Cirsa Interactive Corporation, S.L.U.	Martillo, 26
Red de salones de Aragón, S.L.U.	B2B	100.00%	100.00%	Cirsa Interactive Corporation, S.L.U.	Ctra. De Castellar, 298
Resort Paradise AB	Casinos	82.00%	82.00%	Cirsa International Business Corporation, S.L.U	Box, 1432
Romgar, S.L.	Bingos	100.00%	100.00%	Telma Enea, S.L.U.	Cayetano del Toro, 23
S.A. Explotadora de Recreativos	Slots	61.40%	61.40%	Cirsa Slot Corporation, S.A.U.	C/ del Aire, 1 Pol. Ind. Els Bellots
Sadeju, S.L.U.	Bingos	65.00%	65.00%	Telma Enea, S.L.U.	c/ Carlota Alexandre, 106

Company	Activity	Ownership Percentage 2018	Ownership Percentage 2017	Investment holder	Business address
Sala Valencia, S.A.	Bingos	50.00%	50.00%	Global Bingo Corporation, S.A.U.	Cuenca, 20
Sala Versalles, S.A.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U. y Global Bingo Stars, S.A.U.	Bravo Murillo, 309
Salón de Juegos Portal, S.A.U.	Casinos	100.00%	100.00%	Gaming And Services, S.A.C.	C/ Mercaderes, 303
Sant Cugat Desarrollo de Tecnologias, S.L.U.	B2B	100.00%	100.00%	Cirsa Gaming Corporation, S.A.U.	Sena, nº 2
Saturno 5 Conexión, S.L.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
SCB Almirante Dominicana, S.R.L	Casinos	100.00%	100.00%	Cirsa International Business Corporation, S.L.U	Av. A. Lincoln , 403, La Julia
SCB Anil Dominicana, S.R.L.	Casinos	100.00%	100.00%	Cirsa International Business Corporation, S.L.U	Av. Máximo Gómez / Avda. 27 Febrero
SCB Grand Victoria Dominicana, SRL	Casinos	100.00%	100.00%	Cirsa International Business Corporation, S.L.U	Avda. Abraham Lincoln
SCB Hispaniola Dominicana, S.R.L.	Casinos	100.00%	100.00%	Cirsa International Business Corporation, S.L.U	Av. A. Lincoln /Correa y Cidron
SCB Malecon Dominicana, S.A.	Casinos	100.00%	100.00%	Cirsa International Business Corporation, S.L.U	Av. George Washington,centro comercial Malecón
Servicios Especializados Del Juego, S.A. De C.V.	Bingos	100.00%	100.00%	Bincamex, S.A. de CV.	Guillermo González Camarena 600, Piso 8, Santa Fe
Servicios Integrales del Juego, A.I.E.	Structure	100.00%	100.00%	Varios	Ctra. Castellar, 298
Servicios y Distribucion de Recreativos, S.A.U.	Slots	100.00%	100.00%	Global Game Machine Corporation, S.A.U.	Ctra. Castellar, 298
Servi-Joc, S.A.	Slots	51.00%	51.00%	Cirsa Slot Corporation, S.A.U.	Ctra. Rellinars, 345
Sierra Machines, S.A.C.	Casinos	100.00%	100.00%	Gaming And Services, S.A.C.	Av. Ricardo Palma, 341 Miraflores
Sobima, S.A.U.	Bingos	100.00%	100.00%	International Bingo Technology, S. A.U.	Av. Velázquez 91-93
Sobreaguas, S.A.	Casinos	—	100.00%	Casino Buenos Aires, S.A.	Av. Alicia Moreau de Justo, 1960, 1º, ofic 102
Social Games Online, S.L.	B2B	100.00%	100.00%	Cirsa Interactive Corporation, S.L.U.	Ctra. Castellar, 338
Societe Du Casino Le Mirage, S.A.	Casinos	51.00%	—	Cirsa International Business Corporation, S.L.U.	Club Valtur STB, Parcelle nº 31
Sodemar, S.L.U.	Bingos	100.00%	100.00%	Telma Enea, S.L.U.	Sacramento, 16 duplicado
Sternal Bay Venezuela, C.A.U	B2B	—	100.00%	Cirsa Interactive Corporation, S.L.U.	Avda. Fco. de Miranda
Talluntxe, S.A.U.	Bingos	100.00%	—	Global Bingo Corporation, S.A.U.	Pseo. Miramar, s/n
Tecnijoc, S.L.U.	Slots	51.00%	51.00%	Egartronic, S.A.	Gremio de Jaboneros, 3B Pol.I. Son Castello
Tecnoappel, S.L.	Slots	51.00%	51.00%	Cirsa Slot Corporation, S.A.U.	Pol Ind Campollano, calle B1
Tefle, S.A.U.	Bingos	100.00%	100.00%	International Bingo Technology, S.A.U	Tenor Fleta, 57
Telma Enea, S.L.U.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U.	Sevilla, 10-14
Traylon, S.A.	Casinos	—	55.00%	Casino Buenos Aires, S.A.	Avda. Elvira Rawson de dellepiane, s/n
Tres Rios Hotel la Carpintera, S.A.U.	Casinos	100.00%	100.00%	Grupo Cirsa De Costa Rica, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3

Company	Activity	Ownership Percentage 2018	Ownership Percentage 2017	Investment holder	Business address
Unidesa Operations Services, S.l.U.	B2B	100.00%	—	Universal de desarrollos Electronicos, S.A.U.	C/ Sena, 2
Uniplay, S.A.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Universal de Desarrollos Electrónicos, S. A.U.	B2B	100.00%	100.00%	Cirsa Gaming Corporation, S.A.U.	Ctra. Castellar, 298
Universal de Desarrollos Electrónicos, S. A. De C.V.	B2B	100.00%	100.00%	International Mex Business, S.L.U.	Guillermo Gonzalez Camanera, 660 Piso 9 Of. 5
Urban Leisure, S.L.	Slots	75.00%	75.00%	Cirsa Slot Corporation, S.A.U.	Ctra. Rellinars, 345
Verneda 90, S.A.U.	Bingos	100.00%	100.00%	International Bingo Technology, S.A.U.	Guipuzcoa, 70
Winner Group, S.A.	Casinos	50.01%	50.01%	Investments & Securities Iberica, S.A.U.	Calle 90, nº 19c-32, Oficina 401
Yumbo San Fernando, S.A.	Bingos	60.00%	60.00%	Global Bingo Corporation, S.A.U.	San Fernando, 48

Anexo I

List of joint operations

Company	Activity	Ownership Percentage 2018	Ownership Percentage 2017	Investment holder	Business address	City	Province/ Country
CBA-CIESA, UTE	Casinos	—	50.00%	Casino Buenos Aires, S.A.	Avda. Rawson de Dellepiane, s/n	Buenos Aires	Argentina
Magic Star, S.A.—Casino Buenos Aires, S.A. UTE .	Casinos	—	50.00%	Casino Buenos Aires S.A.	C/ Elvira Rawson de Dellepiane, s/n	Buenos Aires	Argentina

Relación de sociedades asociadas

Company	Activity	Ownership percentage 2018	Ownership percentage 2017	Investment holder	Business address
Alavera, S.A.	Casinos	—	50.00%	Casino Buenos Aires S.A.	Av. Elvira Rawson de Dellepiane, s/n, Dársena Sur
AOG, S.r.l.	Bingos	50.00%	50.00%	Gema Srl. U.	Vía Galieo Galilei, 20
Ariv, S.A.	B2B	—	50.00%	Cirsa International Gaming Corporation, S.A.U.	RioBamba, 927, 14-E
Automáticos Quintana, S.L.	Slots	50.00%	50.00%	Comercial Jupama, S.A.	C/ Parque de la libertad, 30
Audiovisual Fianzas, S.G.R.	Structure	35.23%	35.23%	Varios	c/ Luis Buñuel, 2 2ª
Binbaires, S.A.	Casinos	—	33.33%	Cirsa International Gaming Corporation, S.A.U.	C/Constitución, 299 Partido de Pinamar
Bingo Amico, S.r.l.	Bingos	50.00%	50.00%	Gema, S.r.l.U.	Via Langhena, 1
Binsavo, S. A.	Bingos	50.00%	50.00%	Global Bingo Corporation, S.A.U.	Ruiz Morote, 5
Casino de Asturias, S.A.	Casinos	—	40.00%	Global Casino Technology Corporation, S.A.U.	Nava, 8
Casino la Toja, S.A.	Casinos	50.00%	50.00%	Global Casino Technology Corporation, S.A.U.	Isla de La Toja
Cirsa Digital, S.A.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	Ctra. Castellar, 298
Cludeen, S.L.	B2B	50.00%	50.00%	Universal de Desarrollos Electrónicos, S.A.U.	C/ Enrique Mariñas, 36 planta 5 local 1B
Compañía Europea de Salones Recreativos, S.L.	B2B	20.00%	20.00%	Universal de Desarrollos Electronicos, S.A.U.	C/ Toledo, 137
Competiciones Deportivas, S.A.	Casinos	50.00%	50.00%	Gaming & Services de Panamá, S.A.U.	Calle 50 y 73 Este San Francisco
Digital Gaming México, S.A.P.I.de C.V.	Slots	65.00%	65.00%	Sportium Apuestas Deportivas, S.A.	Boulevard Luis Donaldo Colosio, SA-1
Emjucasa, S.A.	Casinos	—	50.00%	Cirsa International Gaming Corporation, S.A.U.	Bacacay, 2789 piso 5-20
Felix Jimenez Morante, S.A.	Slots	50.00%	—	Cirsa Slot Corporation, S.A.U.	Avda. de los Trabajadores, 12 P.I. La Atalaya
Gironina de Bingos, S.L.	Bingos	20.60%	20.60%	International Bingo Technology, S.A.U.	Vía Laietana, 51
Majestic Food Services, S.A.U.	Casinos	50.00%	50.00%	Gaming & Services de Panamá, S.A.U.	Calle 50, Calle 73 Este
Metroservi Andaluza de Salones, S.L.	Bingos	25.00%	25.00%	Global Bingo Corporation, S.A.U.	C/ Tipografia, 26
Montecarlo Andalucía, S.L.	Bingos	50.00%	50.00%	Global Bingo Corporation, S.A.U.	Av. Cruz del Campo, 49
Opa Services, S.r.l.	Bingos	30.00%	30.00%	A.O.G., S.r.l.	Torricella, 11
Recreativos Miami, S.A.U.	Slots	50.00%	—	Unión de Operadores Reunidos, S.A.	Avda. Alcalde Portanet, 33 bajo
Recreativos Oropesa, S.L.U.	Slots	50.00%	—	Felix Jimenez Morante, S.A.	Avda. de los Trabajadores, 12 P.I. La Atalaya
Recreativos Trece, S.L.	Slots	—	50.00%	Alfematic, S.A.	Ctra. Rellinars, 345
Red de Juegos y Apuestas de Madrid, S.A.	Bingos	40.00%	40.00%	Varios	C/Evaristo San Miguel, 2
Serdisga 2000, S. L.	B2B	50.00%	50.00%	Universal de Desarrollos Electronicos, S.A.U.	Av. Finisterre, 283
Silver Cup Gaming, Inc.	Casinos	—	50.00%	Cirsa Panamá, S.A.U.	Edif.Cirsa Calle 50y73,San Francisco Este

Company	Activity	Ownership percentage 2018	Ownership percentage 2017	Investment holder	Business address
Sportium Apostes Catalunya, S.A.U. . .	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A. . .	C/ Sena, 2
Sportium Apuestas Andalucia, S.L.U. .	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	Avda. Velázquez, 91 - 93
Sportium Apuestas Aragon, S.L.U. . . .	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Jaime Ferrán, 5
Sportium Apuestas Asturias, S.A.U. . .	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ B, Parcela 45B pol. Ind Asipo
Sportium Apuestas Baleares, S.L.U. . .	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Gremi des Sabaters, 21
Sportium Apuestas Canarias, S.L.U. . .	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Garcia Morato, 1
Sportium Apuestas Castilla La Mancha, S.L.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Santa María Magdalena, 10 − 12
Sportium Apuestas Ceuta, S.L.U. . . .	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Gran Vía, 14 entreplanta, puerta A
Sportium Apuestas Colombia, S.A.S. .	Slots	60.00%	60.00%	Sportium Apuestas Deportivas, S.A.	Carrera 12 Nº 93 - 78 Oficina 501
Sportium Apuestas Deportivas, S.A. . .	Slots	50.00%	50.00%	Cirsa Slot Corporation, S.A.U.	C/Santa Mª Magdalena, 10-12
Sportium Apuestas Galicia, S.L.U. . . .	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Don Pedro, s/n
Sportium Apuestas Levante, S.A.U. . .	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	c/ Ronda Guglielmo Marconi, 11
Sportium Apuestas Melilla, S.L.U. . . .	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	Avda. Candido Lobera, 5 Atico 3
Sportium Apuestas Navarra, S.A.U. . .	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	Avda. Barañain, 27 1º A
Sportium Apuestas Oeste, S.A.U. . . .	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Nevero Doce, Parcela 21
Sportium Apuestas Panama, S.A.	Slots	60.00%	60.00%	Sportium Apuestas Deportivas, S.A.	Corregimiento de San Francisco, calle 50 y 73 Este
Sportium Global Investments, SGI, S.A.	Slots	60.00%	—	Sportium Apuestas Deportivas, S.A.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Sportium Zona Norte, S.A.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Las Balsas, 20 nave 49
Unión de Operadores Reunidos, S.A. .	Slots	50.00%	—	Cirsa Slot Corporation, S.A.U.	C/ Severo Ochoa, 3

C&P

Audit Report on Consolidated Financial Statements
issued by an Independent Auditor

CIRSA GAMING CORPORATION GROUP
Consolidated Financial Statements and Consolidated Management Report
for the year ended
December 31, 2017

(Translation of a report and consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails)

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the Shareholders of Cirsa Gaming Corporation, S.A.:

Report on the consolidated financial statements

We have audited the consolidated financial statements of Cirsa Gaming Corporation, S.A. (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the notes thereto for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and consolidated financial position of the Group at December 31, 2017, and its consolidated results and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain, as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

Revenue recognition and collection of cash

As disclosed in Note 1.1 to the consolidated financial statements, the Group generates revenue through the operation of slot machines, bingo halls, casinos and lotteries, in both Spain and abroad. Due to the large volume of cash operations made by the Group, the intrinsic risk related to the integrity in the collection of cash in its different businesses and the correlation with the Group's revenue, we have considered this area as a relevant audit issue.

Our audit procedures consisted, among others, in: (i) understanding the processes of the different businesses of the Group; (ii) analyzing the design and effectiveness of the relevant manual and IT controls implemented by the Group in relation to the collection of cash and revenue recognition;

(iii) performing analytical and substantive procedures, at December 31 and during the year, including the analysis of the financial statements of the different businesses and companies in relation to Management prospects, and cut-off and cash count procedures.

Measurement of goodwill, other intangible assets and property, plant and equipment

At December 31, 2017 the Group has goodwill, other intangible assets and property, plant and equipment amounting to 92,912 thousand euros, 399,188 thousand euros and 431,050 thousand euros, respectively. At least annually, Group Management analyzes the recoverable amount of each significant Cash Generating Unit (CGU). The purpose of this analysis is to conclude about the need to record an impairment loss on the goodwill assigned to these CGUs, or on any other intangible asset or property, plant and equipment item belonging to it. For the purposes of this analysis, and as indicated in Notes 2.14 and 10, the Group estimates future cash flows for each cash generating unit using projections based on operating, financial and macroeconomic assumptions. As the analyses made by Group Management require them to make estimates and complex judgments regarding the above assumptions, we have considered this area as a relevant audit issue. The information necessary for understanding this analysis is disclosed in Notes 5, 6, 7 and 10 to the accompanying consolidated financial statements.

Our audit procedures consisted, among others, in: (i) understanding the process used by Group Management for determining the recoverable amount of the assets subject to an impairment review, including the analysis of the internal and external factors considered to determine whether any objective indication of impairment exists on other intangible assets and property, plant and equipment items; (ii) performing specific tests on the recoverable value of the assets, as well as involving internal valuation experts in order to evaluate the measurement method used and the uniformity in its application, as well as the arithmetical calculations and evaluation of long-term discount and growth rates used; (iii) reviewing the projected financial information regarding the operational and strategic plans considered by Management, and checking the current situation against the projections made in the prior year, as well as the historical evolution of such financial information; (i) assessing the sensitivity of results to reasonably possible changes in the assumptions made.

Recoverability of the Group's deferred tax assets

The Group's deferred tax assets at December 31, 2017 amount to 56,540 thousand euros. The information related to these assets is disclosed in Note 19.4 to the accompanying consolidated financial statements.

The assessment made by Group Management to determine the recoverable amount of these assets is based on estimates of future tax profit, made on the basis of the Group's financial projections and business plans, and considering the applicable tax regulations at year end. Consequently, we have considered the assessment of the Group's ability to recover the deferred tax assets as a relevant audit issue.

We have performed audit procedures for assessing the assumptions considered by Management in estimating the period for recovering deferred tax assets, focusing our analysis on the economic, financial and tax assumptions used by the Group to estimate future profit, with the assistance of our tax experts. Additionally, we have assessed the sensitivity of results to reasonably possible changes in the assumptions made.

Other information: Consolidated management report

Other information refers exclusively to the 2017 consolidated management report, the preparation of which is the responsibility of the Parent Company's directors, and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the consolidated management report is to assess and report on the consistency of the consolidated management report with the consolidated financial statements based on the knowledge of the Group we obtained while auditing the financial statements, and not including any information not obtained as evidence during the course of the audit. In addition, our responsibility is to assess and report on whether the content and presentation of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the 2017 consolidated financial statements, and their content and presentation are in conformity with applicable regulations.

Responsibility of the Parent Company's Director for the consolidated financial statements

The directors of the Parent Company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated results of the Group, in accordance with IFRS-EU and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent Company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Parent Company's directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent Company's directors.
- Conclude on the appropriateness of the Parent Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express and opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent Company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Parent Company's directors, we determine those that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the most significant assessed risks.

We describe these risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

ERNST & YOUNG, S.L.
(Signature on the original in Spanish)

Lorenzo López Carrascosa

CORTÉS & PÉREZ AUDITORES Y ASESORES ASOCIADOS, S.L.
(Signature on the original in Spanish)

Miquel Hernández Torralba

March 21, 2018

Cirsa Gaming Corporation Group

Consolidated Financial Statements for the year ended December 31, 2017 in conformity with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and Consolidated Management Report

(Translation of Consolidated Financial Statements and Consolidated Management Report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails)

CONTENTS

Cirsa Gaming Corporation Group

Consolidated statement of financial position

at December 31

ASSETS

(Thousands of euros)	Notes	2017	2016
Non-current assets		**1,150,735**	**1,185,252**
Goodwill	5	92,912	104,412
Other intangible assets	6	399,188	371,279
Property, plant and equipment	7	431,050	464,229
Investments accounted for using the equity method	8	57,820	56,497
Financial assets	9	113,225	113,047
Deferred tax assets	19.4	56,540	75,788
Current assets		**464,749**	**454,557**
Inventories	12	17,753	15,319
Trade and other receivables	9	185,694	188,181
Other financial assets	9	63,514	69,595
Other current assets		16,569	7,405
Cash and cash equivalents	13	181,219	174,057
Total assets		**1,615,484**	**1,639,809**

EQUITY AND LIABILITIES

(Thousands of euros)	Notes	2017	2016
Equity		**12,942**	**11,834**
Share capital	14.1	24,577	24,577
Share premium		9,500	9,500
Treasury shares	14.2	(184)	(184)
Retained earnings	14.3	34,174	30,910
Translation differences		(362,632)	(307,187)
Profit (loss) for the year attributable to equity holders of the parent		70,828	3,264
Non-controlling interests	14.4	236,679	250,954
Non-current liabilities		**1,179,650**	**1,236,149**
Bonds	15	938,536	935,390
Bank borrowings	16	37,927	78,375
Other creditors	17	63,570	68,713
Provisions	18	18,396	23,031
Deferred tax liabilities	19.4	121,221	130,640
Current liabilities		**422,892**	**391,826**
Bonds	15	4,615	4,653
Bank borrowings	16	69,270	49,328
Trade payables		124,772	135,398
Other creditors	17	208,926	188,800
Current income tax payable	19.2	15,309	13,647
Total equity and liabilities		**1,615,484**	**1,639,809**

Cirsa Gaming Corporation Group

Consolidated statement of comprehensive income

for the years ended December 31

(Thousands of euros)	Notes	2017	2016
Gaming income		2,048,426	1,943,939
Other operating revenues		152,293	137,332
Bingo prizes		(217,933)	(209,540)
Total operating revenues		**1,982,786**	**1,871,731**
Variable rent		(266,635)	(258,913)
Net operating revenues from variable rent	**3.1**	**1,716,151**	**1,612,818**
Consumptions		(75,823)	(71,861)
Personnel	21.1	(312,647)	(291,010)
Supplies and external services	21.2	(296,185)	(281,078)
Gaming taxes		(604,477)	(570,601)
Depreciation, amortization and impairment	5, 6 & 7	(194,801)	(196,798)
Change in trade provisions		(2,808)	(31,886)
Financial income		7,413	8,731
Financial costs		(76,796)	(97,516)
Change in financial provisions		51	186
Profit/(loss) on investments in associates	8	1,619	(3,867)
Exchange gains/(losses), net	21.3	1,681	(1,529)
Profit/(loss) on sale/disposals of non-current assets		(5,014)	205
Profit before income tax		**158,364**	**75,794**
Income tax	19.2	(61,851)	(52,256)
Net profit (loss) from continuing activities		**96,513**	**23,538**
Profit (loss) for the year attributable to non-controlling interest	14.4	25,685	20,274
Profit (loss) for the year attributable to the parent		**70,828**	**3,264**
Net profit (loss) from continuing activities		**96,513**	**23,538**
Translation differences		(63,785)	(41,340)
Tax effect		—	—
Other comprehensive profit/(loss) that will be reclassified to profit/(loss) in subsequent years		**(63,785)**	**(41,340)**
Other comprehensive profit/(loss) that will not be reclassified to profit/(loss) in subsequent years		**—**	**—**
Total comprehensive profit/(loss) for the year after tax		**32,728**	**(17,802)**
Total comprehensive income /(loss) attributable to:			
The Parent		15,383	(36,253)
Non-controlling interests	14.4	17,345	18,451
		32,728	**(17,802)**

Cirsa Gaming Corporation Group

Consolidated statement of changes in equity

for the years ended December 31

(Thousands of euros)	Share capital (Note 14.1)	Share premium	Treasury shares (Note14.2)	Retained earnings (Note 14.3)	Translation differences	Non-controlling interests (Note 14.4)	Total
At December 31, 2015	**24,577**	**9,500**	**(184)**	**30,910**	**(267,670)**	**246,852**	**43,985**
Net profit (loss) for the year 2016	—	—	—	3,264	—	20,274	23,538
Other comprehensive income (loss)	—	—	—	—	(39,517)	(1,823)	(41,340)
Total comprehensive income (loss) for the year 2016	**24,577**	**9,500**	**(184)**	**34,174**	**(307,187)**	**265,303**	**26,183**
Other changes:							
• Additions for the year— Business combinations	—	—	—	—	—	16,722	16,722
• Dividends paid	—	—	—	—	—	(31,071)	(31,071)
At December 31, 2016	**24,577**	**9,500**	**(184)**	**34,174**	**(307,187)**	**250,954**	**11,834**
Net profit (loss) for the year 2017	—	—	—	70,828	—	25,685	96,513
Other comprehensive income (loss)	—	—	—	—	(55,445)	(8,340)	(63,785)
Total comprehensive income (loss) for the year 2017	**24,577**	**9,500**	**(184)**	**105,002**	**(362,632)**	**268,299**	**44,562**
Other changes:							
• Additions for the year— Business combinations	—	—	—	—	—	1,117	1,117
• Dividends paid	—	—	—	—	—	(32,737)	(32,737)
At December 31, 2017	**24,577**	**9,500**	**(184)**	**105,002**	**(362,632)**	**236,679**	**12,942**

Cirsa Gaming Corporation Group
Consolidated statement of cash flows
for the years ended December 31

(Thousands of euros)	Notes	2017	2016
Cash-flows from operating activities			
Profit before tax		158,364	75,794
Adjustments to profit:			
Changes in operating provisions		2,808	3,323
Depreciation, amortization and impairment of non-current assets	5, 6 & 7	194,801	196,798
Profit/(loss) on sale/disposals of non-current assets		5,013	(205)
Finance income and costs		67,713	92,466
Exchange gains/(losses), net	21.3	(1,681)	1,529
Other income and expenses		(6,142)	(6,834)
Change in:			
Inventories		(1,057)	(899)
Trade and other receivables		339	(19,196)
Suppliers and other payables		(8,874)	4,291
Gaming taxes payable		(14,687)	53,718
Other operating assets and liabilities, net		(15,155)	(8,054)
Income tax paid		(50,554)	(57,652)
Net cash-flows from operating activities		**330,888**	**335,079**
Cash-flows from (used in) investing activities			
Purchase of property, plant and equipment		(108,574)	(101,932)
Purchase of intangible assets		(47,421)	(29,001)
Proceeds from disposal of property, plant and equipment		8,942	4,204
Acquisition of investments in other companies		(54,110)	(24,713)
Current account with Nortia Business Corporation, S. L.—Outflows		(17,826)	(53,149)
Current account with Nortia Business Corporation, S. L.—Inflows		16,935	54,066
Other financial investments		(1,484)	(10,940)
Interest received and cash revenues from financial investments		5,579	6,555
Net cash-flows used in investing activities		**(197,959)**	**(154,910)**
Cash-flows from (used in) financing activities			
Proceeds from bank borrowings		1,631,219	2,009,668
Repayment of bank borrowings		(1,649,914)	(2,022,187)
Issue of bonds	15	—	447,552
Cancellation of bonds		—	(450,000)
Acquisition / sale of own bonds		—	10,211
Finance leases		(2,353)	(2,354)
Interest paid		(74,861)	(84,555)
Dividends paid and other payments		(25,570)	(27,967)
Net cash-flows used in financing activities		**(121,479)**	**(119,632)**
Net variation in cash and cash equivalents		**11,451**	**60,537**
Net foreign exchange difference on cash balances		**(4,288)**	**(1,400)**
Cash and cash equivalents at January 1		**174,057**	**114,920**
Cash and cash equivalents at December 31	**13**	**181,219**	**174,057**

Cirsa Gaming Corporation Group
Notes to the consolidated statements
for the year ended December 31, 2017

1. DESCRIPTION OF THE GROUP

1.1 Group activity

Cirsa Gaming Corporation, S. A. (hereinafter *the Company* or *the Parent Company*) and its controlled entities (hereinafter *the Group* or *the Cirsa Group*) consist of a set of companies operating in the gaming and leisure sector, carrying out the following activities:

- Designing and manufacturing slot machines, which are sold to Group companies and third parties, and development of interactive gaming systems
- Operating, both in Spain and abroad, slot machines, bingo halls, casinos and lotteries

1.2 Composition and structure of the Group

The Company, domiciled in Terrassa (Barcelona) at Carretera Castellar, 298, belongs to a group, of which Nortia Business Corporation, S.L., also domiciled in Terrassa (Barcelona), is the direct parent company.

The companies invested by the Company at December 31, 2017 and 2016 are detailed in the Appendix, grouped in the following categories:

- The subsidiaries are companies controlled either directly or indirectly by the Company so that it can manage the financial and operating policies in order to obtain profit from the investment.
- The jointly controlled companies are entities ruled by a contractual arrangement between the partners whereby they establish joint control on the business, and which requires the unanimous consent of the venturers regarding the operating decisions.
- The associates are enterprises not included in the previous two categories and in which there is an ownership interest on a long-term basis that favors their activity, but with limited influence over their management and control.

(NOTE: The column *Percentage of ownership* in the Appendix is obtained by multiplying the different successive percentages along the corresponding chain of control, thereby reflecting the final ownership at the Company's level).

1. DESCRIPTION OF THE GROUP (Continued)

1.3 Changes in the consolidation perimeter

During 2017 and 2016, the Group's legal structure has experienced certain changes, as described below:

2017

- Acquisition of companies

(Thousands of euros)	% voting rights	Consolidation method	Total assets included in the consolidated statements of financial position at December 31, 2017	Operating revenues included in the 2017 consolidated statement of comprehensive income
Miky, S.L.(*)	100%	Full	49,083	14,353
Barnaplay, S.A.	100%	Full	901	2,268
Gimar Jocs, S.L.	100%	Full	1,493	510
Bingo Santven, S.A.U.	100%	Full	7,015	9,699
Global TC Corp, S.A.U.	100%	Full	1,783	316
Triveneto Games S.R.L.	100%	Full	1,084	—
Sierra Machines, S.A.C.	100%	Full	16,152	10,875
Inmobiliaria Rapid, S.A.C.	100%	Full	12,195	3,086
L&G Business, S.L.	100%	Full	87	2
Recreativos Ergosa, S.L.U.(**)	100%	Full	1,034	186
Automáticos Essan, S.A.U.	100%	Full	502	76
MCA Automatics, S.L.	100%	Full	8,143	200
Social Games Online, S.L.	100%	Full	3,393	—
Italtronic, S.R.L.	100%	Full	4,815	717
Operadora De Entretenimiento Manzanillo, S.A.	60%	Full	5,104	3,668
Promociones Sol Ibiza, S.A.	51%	Full	649	19
			113,433	**45,975**

(*) At the date of gaining control, Miky, S.L. held 100% equity interest in the company Barnaplay, S.A. and Gimar Jocs, S.L.

(**) At the date of gaining control, Recreativos Ergosa, S.L.U. held 100% equity interest in the company Automáticos Essan, S.A.U.

All the acquisitions shown in the table above have resulted in a business combination. Additionally, in Colombia and Mexico two additional business combinations have been carried out and integrated into the financial statements of Winner Group, S.A. (Colombia) and Promociones e Inversiones de Guerrero, S.A. (Mexico), whereby two gambling halls have been acquired for 5.9 and 3.1 million euros, respectively. The operating revenues generated by these acquisitions amount to 2,547 thousand euros and 1,531 thousand euros, respectively.

Such transactions are detailed in Note 4 on business combinations.

1. DESCRIPTION OF THE GROUP (Continued)

- Creation of companies

In 2017 the following companies were created:

(Thousands of euros)	% of ownership held by the Group	Consolidation method	Total assets included in the consolidated statement of financial position at December 31, 2017	Operating revenues included in the 2017 consolidated statement of comprehensive income
Cirsa Brasil Participaçoes, LTDA	100%	Full	—	—
Sportium Apuestas Andalucía, S.L.U.	50%	Equity	2,959	—
Sportium Apuestas Colombia, S.A.S.	60%	Equity	878	—
Sportium Apuestas Ceuta, S.L.U.	50%	Equity	9	—
New York Games, S.L.U	50%	Equity	1	—
			3,847	**—**

The assets shown in the table above for the companies that are consolidated using the equity method related to the investments, deriving from using such method, recognized in the consolidated statement of financial position at December 31, 2017.

- Sale of companies resulting in loss of control

In 2017 the following companies have been sold, which resulted in a loss of control and/or significant influence on their business:

	% of ownership at prior year end	Consolidation method at prior year end	% of ownership interest after the sale	Consolidation method after the sale
Gestión Bingos Gobylan, S.A.(*)	100%	Full	—	—
S.C.B. Margarita, C.A.	100%	Full	—	—
Cirsa Insular, C.A.	100%	Full	—	—
Tirrenogames, S.R.L.	50%	Equity	—	—
Giochigenova,S.R.L.	50%	Equity	—	—
			—	**—**

(*) At both December 31, 2016 and sale date, the company Gestión Bingos Gobylan, S.A. held equity instruments representing 4.63% of the company Red de Bingos Canarios, S.A.

1. DESCRIPTION OF THE GROUP (Continued)

Profit/(loss) from these sales included in the consolidated financial statements is as follows:

(Thousands of euros)	Change in non-controlling interests	Profit/(loss) from the sale
Gestión Bingos Gobylan, S.A.	—	(388)
S.C.B. Margarita, C.A.	—	—
Cirsa Insular, C.A.	—	—
Tirrenogames, S.R.L.	—	284
Giochigenova,S.R.L.	—	476
	—	**372**

Total assets and operating revenues contributed by these companies to the consolidated statement of financial position at December 31, 2016 and to the consolidated statement of comprehensive income for the year 2016, respectively, are as follows:

(Thousands of euros)	Total assets included in the consolidated statement of financial position at December 31, 2016	Operating revenues included in the 2016 consolidated statement of comprehensive income
Gestión Bingos Gobylan, S.A.	1,893	4,911
S.C.B. Margarita, C.A.	4	—
Cirsa Insular, C.A.	160	—
Tirrenogames, S.R.L.	1,217	—
Giochigenova,S.R.L.	422	—
	3,696	**4,911**

The assets shown in the table above for the companies that at 2016 year end were consolidated using the equity method (Tirrenogames, S.R.L. and Giochigenova,S.R.L.) relate to the investments, deriving from using such method, recognized in the consolidated statement of financial position at December 31, 2016.

- Other changes in the perimeter

In 2017 the companies Binred Madrid, S.A., Hostebar 98, S.L., Cirsa Amusement France, S.A., Entidad Gestora del Bingo Siglo XXI, S.L.U., Pol Management Corporation, BV., Polispace S.L., International Gaming Manufacturing, S.A., Global Cinco Estrellas, S.A., Gestora de Inversiones Cobiman, S.L.U., Binelec, S.L., Global Amusement Partners Corp, S.A., and Push Games S.L., were dissolved and liquidated. The companies were dormant or showed low activity and their dissolution and liquidation have not generated significant results for the Group.

Additionally, during the current year the companies Gonmatic, S.L.U. and Electrónicos Trujillanos, S.L.U. have been taken over by Uniplay, S.A.; Triveneto Games, S.r.l. has been taken over by Cirsagest,

1. DESCRIPTION OF THE GROUP (Continued)

S.P.A.; Recreativos Rodes, S.A.U. has been taken over by Genper, S.A. and the companies Promociones Tauro, S.L.U, Mabel 96, S.L.U. and Automaticos Siglo XXI, S.L. have been taken over by Juegomatic, S.A.. These transactions have had no impact on the Group's consolidated figures.

2016

- Acquisition of companies

(Thousands of euros)	% voting rights	Consolidation method	Total assets included in the consolidated statement of financial position at December 31, 2016	Operating revenues included in the 2016 consolidated statement of comprehensive income
Comercial Jupama, S.A.(*)	50%	Full	19,680	16,400
Servicios y Distribución de Recreativos, S.A.	100%	Full	1,942	430
Servi-Joc, S.A.	51%	Full	3,017	2,302
Bema Euromatic, S.A.(**)	60.71%	Full	6,261	1,956
Saturno 5 Conexión, S.L.	100%	Full	326	144
Caballo 5, S.L.	100%	Full	229	35
Losimai, S.A.	100%	Full	466	132
Amical Trading, S.L.	100%	Full	3	—
			31,924	**21,399**

(*) At the date of gaining control, Comercial Jupama, S.A. held 55% of equity interest in the company Automáticos Maxorata, S.A., 50% in the company Automáticos Quintana, S.L., and 100% in the company Jupama Servicios, S.L. (liquidated at year end).

(**) At the date of gaining control, Bema Euromatic, S.A. held 72.22% of equity interest in the company Recreativos Hatuey, S.A., and 100% in the companies J.R. 25, S.A. and Euromatic Madrid, S.L. (both of them liquidated at year end).

All the acquisitions shown in the table above have resulted in a business combination. Such transactions are detailed in Note 4 on business combinations.

1. DESCRIPTION OF THE GROUP (Continued)

- Creation of companies

In 2016 the following companies have been created:

(Thousands of euros)	% of ownership held by the Group	Consolidation method	Total assets included in the consolidated statement of financial position at December 31, 2016	Operating revenues included in the 2016 consolidated statement of comprehensive income
Sportium Apuestas Baleares, S.L.	50%	Equity	251	—
Universal de Desarrollos Electrónicos, S.A. de C.V.	100%	Full	309	—
			560	**—**

The assets shown in the table above for the companies that are consolidated using the equity method relate to the investments, deriving from using such method, recognized in the consolidated statement of financial position at December 31, 2016.

- Sale of companies resulting in loss of control

In 2016 the following companies have been sold, which resulted in a loss of control and/or significant influence on their business:

	% of ownership at prior year end	Consolidation method at prior year end	% of ownership after the sale	Consolidation method after the sale
Recreativos Pozuelo, S.L.(*)	50	Equity	—	—
Grupo Royal Games S.R.L.(**)	50	Equity	—	—

(*) At both December 31, 2016 and sale date, the company Recreativos Pozuelo, S.L. held equity instruments representing 100% of the Company Ovidio Collado, S.L.

(**) A Group the parent of which is Royal Games S.R.L. which, at both December 31, 2016 and sale date, held 95% of equity interest in the company Royalbet S.R.L. and 51% in the company Andy Games S.R.L.

Profit/(loss) from these sales included in the consolidated financial statements is as follows:

(Thousands of euros)	Changes in non-controlling interests	Profit/(loss) from the sale
Recreativos Pozuelo, S.L.	—	4,049
Grupo Royal Games S.R.L.	—	1,369
	—	**5,418**

1. DESCRIPTION OF THE GROUP (Continued)

Total assets and operating revenues contributed by these companies to the consolidated statement of financial position at December 31, 2015 and to the consolidated statement of comprehensive income for the year 2015, respectively, are as follows:

(Thousands of euros)	Total assets included in the consolidated statement of financial position at December 31, 2015	Operating revenues included in the 2015 consolidated statement of comprehensive income
Recreativos Pozuelo, S.L.	4,301	—
Grupo Royal Games S.R.L.	4,004	—
	8,305	**—**

The assets shown in the table above for the companies that at 2015 year end were consolidated using the equity method (Recreativos Pozuelo, S.L. and Royal Games S.R.L.) relate to the investments, deriving from using such method, recognized in the consolidated statement of financial position at December 31, 2015.

- Changes in the percentage of ownership or consolidation method

In 2016 changes in the percentage of ownership or consolidation method have been as follows:

	Consolidation method		Percentage	
	2016	2015	At December 31, 2016	At December 31, 2015
Juegos San José, S.A.(*)	Full	Equity	47.49%	47.49%

(*) At the date of changing the consolidation method the company Juegos San José, S.A. held equity instruments representing 100% of the company Tejebin, S.A., which at year end has been liquidated and extinguished.

As shown in the table above, during 2016 control was gained over the company Juegos San José, S.A., although the ownership percentage held by the Group in the prior year remained unchanged. Control was gained as a result of certain agreements reached with the other shareholders related to the governance of the abovementioned company, which came into effect on January 1, 2016, whereby the Group was handled the control and management of the company. Consequently, in accordance with IFRS 10, the obligation arose to consolidate said company using the full consolidation method.

- Other changes in the perimeter

In 2016 the companies Cirsa Casino Corporation, S.L., Egartronic Servicios Centrales, A.I.E., Slot Games Online, S.L., J.R. 25, S.A., Euromatic Madrid, S.L., Global Gaming Corporation Russia, S.L., Hispania Investments, S.A., Jupama Servicios, S.L., Capitán Haya 7, S.A., Oporto Juegos, S.A., Tejebin, S.A., and Desarrollos Inmobiliarios Rocare del Norte, S.A. were dissolved and liquidated. These companies were dormant or showed low activity and their dissolution and liquidation did not generate significant results for the Group.

Additionally, during the current year the companies Administradora de Salas de Juego Alfa S.A.C., Centro de Apuestas S.A.C. and Savoy Slot Machines S.A.C. have been taken over by the company Salón de Juegos Portal S.A., which has had no impact on the Group's consolidated figures.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS

2.1 Basis of presentation

The 2017 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European (IFRS-EU) Union published by the International Accounting Standards Board (IASB) and further interpretations.

The Company belongs to a group, whose parent is Nortia Business Corporation, S.L. (Nortia Group), domiciled in Terrassa (Spain). The Company meets the criteria for exemption from preparing consolidated financial statements under article 43 of the Commercial Code. Consequently, these consolidated financial statements are considered voluntary.

The consolidated financial statements of Nortia Group and the consolidated management report for the year ended December 31, 2016 were approved on March 23, 2017 and filed with the Barcelona Mercantile Registry together with the corresponding audit report. The consolidated financial statements and consolidated management report for the year ended December 31, 2017 will be approved in the due manner and filed, together with the audit report, with the Barcelona Mercantile Registry according to the legal deadlines.

The financial statements of the companies composing the Group for the year ended December 31, 2017 have not yet been submitted for approval by the shareholders in general meeting. Nevertheless, the Board of Directors of the Group's Parent Company expects that they will be approved without modification and, therefore, will not have any impact on the present consolidated financial statements.

The accounting policies applied in the preparation of the accompanying consolidated financial statements comply with the IFRS-EU prevailing at the date of their preparation. For certain cases, the IFRS-EU provide alternative applications. The options applied by the Group are described in the accounting policies listed in the accompanying notes.

For comparative purposes, the accompanying consolidated financial statements, which have been prepared at historical cost, include the 2017 figures in addition to those of 2016 for each item of the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the consolidated notes thereto, except where disallowed by an accounting standard.

2.2 Estimates and judgments

The preparation of the consolidated financial statements requires the management of the Group to exercise judgment, to make estimates and to make assumptions which affect the application of the accounting policies and the recorded amounts of assets, liabilities, revenues and expenses. The estimates and assumptions taken into account have been based upon historical experience and other factors which were considered to be reasonable in the light of the circumstances. Consequently, the results obtained could differ from those assumptions.

The estimates and assumptions are reviewed periodically, such that any changes made in accounting estimates are posted in the period in which they are reviewed, in the event that such review only affects

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

that period, or in the period of the review and future periods if the revision affects both. The key estimates and judgments are as follows:

- Impairment of assets

All non-financial assets whose carrying amount could be unrecoverable are tested for impairment. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually, or when there is evidence of impairment, based on financial projections and estimates of future operating cash flows. In 2017 the Group has recognized impairment losses on goodwill and assets amounting to 5.8 and 0.5 million euros, respectively (2016: impairment losses on goodwill amounting to 9 million euros and on assets amounting to 6.8 million euros) (Note 10).

- Non-current assets with finite useful life

The Group reviews periodically useful lives of non-current assets, adjusting prospectively amortization methods where applicable. In 2017 and 2016 it was not necessary to make any adjustment in the useful life of non-current assets with finite useful lives.

- Recoverability of deferred tax assets

When the Group, or any of the companies included in it, recognizes deferred tax assets, the estimated taxable profits that will be generated in future years are reviewed at year end in order to assess their recoverability, and any impairment loss is recognized accordingly. At December 31, 2017 the Group has recognized deferred tax assets amounting to 56,540 thousand euros (2016: 75,788 thousand euros), as described in Note 19.4.

- Provisions for taxes and other risks

Provisions are recognized for taxes and risks that will probably arise based on related studies. At December 31, 2017 the Group has recognized provisions for taxes and other risks amounting to 18,396 thousand euros (2016: 23,031 thousand euros), as described in Note 18.

- Business combinations and goodwill

The Group assesses for each business combination, the fair value of assets, liabilities and acquired contingent liabilities, allocating the cost of the business combination to the identified elements. Likewise, goodwill arising from the acquisition is assigned to its corresponding cash-generating unit, based on expected synergies, for subsequent impairment tests (Note 10).

- Consolidation methods

The assessment of whether control is exercised when the Group does not have absolute majority of voting rights, but agreements with the other shareholders have been reached, requires the Group to make estimates and judgments to determine whether it has unilateral rights to manage relevant activities in accordance with IFRS 10. Additionally, in order to establish the consolidation method of certain entities over which control is not exercised also requires Group Management to make

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

judgments and estimates to determine whether they are considered jointly controlled companies, joint operations or associates.

2.3 Standards and interpretations approved by the European Union and adopted for the first time in the current year

The accounting policies used in the preparation of these consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended December 31, 2016, as none of the amendments to the standards applicable for the first time this year has had any effect on the Group's accounting policies.

However, the amendments to IAS 7 *Statement of Cash Flows*: *Disclosure initiative* require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Most of the Group's financial liabilities are denominated in euros and, therefore, the movements between periods, in both current and non-current loans and receivables, relate to cash flows for the year, with no changes in their fair values.

2.4 Standards and interpretations issued by the IASB, but not yet mandatory in the fiscal year 2017

The Group intends to apply the standards, interpretations and amendments issued by the IASB, whose application is not mandatory in the European Union as at the date of authorizing the accompanying consolidated financial statements for issue, when they are effective, to the extent applicable to the Group. Although the Group is currently analyzing their impact, based on the analysis conducted to date, the Group believes that their first-time application will not have a material impact on the consolidated financial statements, except for the following standards:

- **IFRS 9 Financial instruments**

In July 2014 the IASB published the final version of IFRS 9 Financial instruments replacing IAS 39 Financial instruments: Recognition and Measurement, and all previous versions of IFRS 9. This standard gathers the three phases of the financial instruments project: Classification and Measurement, Impairment and Hedge Accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Except for hedge accounting, it shall be retroactively applied, but comparative information need not be amended. For hedge accounting, the requirements are in general prospectively applied, except for limited exceptions.

The Group plans to adopt the new standard on the required application date and will not restate comparative information. In 2017, the Group assessed the impact of the three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes as a result of additional information that may not be available in 2018 when the Group adopts IFRS 9. In general, no significant impact is expected on the consolidated financial statements or equity as a result of the adoption of this new standard.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

1. Recognition and measurement

The Group does not expect that the adoption of the IFRS 9 classification and measurement requirements will have a major impact on its statement of financial position or equity.

Its loans and trade receivables are held to collect contractual cash flows which are only expected to take the form of principal and interest payments. The Group analyzed the characteristics of the cash flows from these instruments and concluded that they meet the criteria for being measured at amortized cost in accordance with IFRS 9. Consequently, these instruments need not be reclassified.

2. Impairment losses

IFRS 9 requires the Group to recognize expected credit losses (ECLs) in respect of all of its debt securities, loans and trade receivables either on a 12-month or lifetime basis. The Group will apply the simplified approach and recognize a loss allowance based on lifetime ECLs for all trade receivables. Due to the nature of the loans and receivables from its respective businesses, the Group has determined that impairment losses will not increase significantly.

3. Hedge accounting

The Group does not expect a significant impact as a result of applying hedge accounting since it has not entered into any cash flow or fair value hedges.

4. Other adjustments

In addition to the adjustments described above, other items in the financial statements shall be adjusted on adoption of IFRS 9, where appropriate, including items related to investments in associates and joint ventures, although none of these potential adjustments will be material to the Group's financial statements.

- **IFRS 15 Revenue from contracts with customers**

IFRS 15, which was published in May 2014 and amended in April 2016, establishes a new five-step model applicable to the recognition of revenue from contract with customers. In accordance with IFRS 15 an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

This new standard will replace all previous standards on revenue recognition. Total or partial retroactive adoption is required for the years beginning on or after January 1, 2018. The Group plans to adopt the new standard on the required effective date, using the partial retroactive method. During 2017 the Group has made an assessment of IFRS 15.

The Group's business consists in:

- the design, manufacture and marketing of slot machines that are sold to both group companies and third parties, and the development of interactive gaming mechanisms and systems.
- Operation of slot machines, bingo halls, casinos and lotteries, in both Spain and abroad.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

(a) Marketing of slot machines

This standard is not expected to have any impact on the Group's results for contracts with customers under which the sale of machines is generally the only contractual obligation. The Group expects to recognize the related revenue when control of the asset is transferred to the customer, which is customarily when the goods are delivered.

(b) Operation of slot machines, bingo halls, casinos and lotteries

1. Loyalty points program

Under IFRIC 13 *Customer loyalty programs*, the loyalty program offered by the Group in its casinos division and other segments in which it participates (either through control or investments in associates or joint ventures), results in the allocation of a portion of the transaction price to the loyalty program using the fair value of points issued, and the recognition of deferred revenue in relation to points issued but not yet redeemed or expired (called "Player tracking" by the Group). The Group concluded that under IFRS 15 the loyalty program gives rise to a separate performance obligation, because it generally provides a material right to the customer. Under IFRS 15, the Group will need to allocate a portion of the transaction price to the loyalty program based on a relative stand-alone selling price, instead of the allocation using the fair value of points issued, i.e., residual approach as it did under IFRIC 13. Notwithstanding the foregoing, on adoption of IFRS 15, the Group expects that operating revenues, mainly from the casinos division, will hardly change and, if they do, the amount will not be material.

2. Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increase the volume of disclosures required in the Group's financial statements. In addition, as required by IFRS 15, the Group will disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. However, given the Group's activity this information is not expected to be substantially different from the current one. Information that is disclosed for each reportable segment shall also be updated. In 2017 the Group continued testing the systems, internal controls, policies and procedures necessary to collect and disclose the required information.

3. Other adjustments

In addition to the major adjustments described above, on adoption of IFRS 15, other items of the primary financial statements such as investments in associate and joint venture will be adjusted as necessary. Furthermore, exchange differences on translation of foreign operations shall also be adjusted.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as property, plant and equipment items and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

- **IFRS 16 Leases**

IFRS 16 was issued in January 2016 and supersedes IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC 15 *Operating leases—Incentives* and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. IFRS 16 establishes principles the recognition, measurement, presentation and disclosure of leases, and requires lessees to record all leases under a single lessee accounting model similar to the current recognition of finance leases in accordance with IAS 17. The standard includes two exemptions applicable to the recognition of leases by the lessees: low-value asset leases (i.e. personal computers) and short-term leases (that is, for a lease term of 12 months or less). At the commencement of a lease, lessees are required to recognize a liability representing its obligation to make lease payments (that is, lease liability) and an asset representing the right to use the underlying leased asset over the lease term (that is, the right-of-use asset). Lessees shall recognize separately the interest expense for the lease liability and the depreciation expense for the right to use the asset.

Lessees are required to reassess the lease liability when certain events occur (i.e. a change in the lease term, a change in the future lease payments derived from a change in the rate used to determine such payments). In general, lessees shall recognize the reassessed lease liability amount as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from current accounting under IAS 17. Lessors shall continue to classify all leases using the same classification principle as in IAS 17 and shall distinguish between two types of leases: operating and finance leases.

IFRS also requires lessees and lessors to include more detailed disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. Lessees may use either a full retrospective or a modified retrospective approach. IFRS 16's transition provisions permit lessees to use certain transition reliefs.

In 2018 the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

- **Annual Improvements to IFRS—2014-2016 Cycle**

Amendments to IFRS 12—Clarification of the scope of the disclosures required by IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. For the IASB the effective date of these amendments is January 1, 2017; however, they have not yet been adopted by the European Union. These amendments are not applicable to the Group.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

IAS 28 Investments in Associates and Joint Ventures—Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- An entity that is a venture capital organization, or collective investment undertaking, investment trust or other qualifying entity, including insurance funds linked to investments, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from January 1, 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

Annual Improvements to IFRS—2015-2017 Cycle

The IASB has made the following amendments to the standards:

IFRS 3 Business combinations—Previously held interest in a joint operation

The amendments to IFRS 3 clarify that when an entity obtains control of a business that previously was a joint operation, it shall apply the requirements for business combinations achieved in stages, remeasuring previously held interests in the assets and liabilities of the joint operation at the fair value. The amendments shall be applied to business combinations whose acquisition date is in annual period beginning on or after January 1, 2019 with early application permitted.

IFRS 11 Joint Arrangements—Previously held interest in a joint operation

The amendments to IFRS 11 clarify that when an entity holds an interest in a joint operation, but has no control over it and obtains joint control of that joint operation that is a business in accordance with IFRS 3, the entity shall not re-measure previously held interests in the joint operation's assets and liabilities at fair value. The amendments shall be applied to transactions in which joint control is obtained on annual periods beginning on or after January 1, 2019 with early application permitted.

Amendments to IAS 28—Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity is required to apply IFRS 9 Financial Instruments to interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

because it means that the expected credit loss model of IFRS 9 shall be applied to these investments. It also clarifies that, on adoption of IFRS 9, the entity shall not take account of any loss of the associate or the joint venture or any impairment loss on the net investment that has been recorded as an adjustment to the net investment in the associate or the joint venture under IAS 28 Investments in associates and joint ventures. The amendments include an example that illustrates how the entities shall apply the IAS 28 and IFRS 9 requirements to these long-term investments. The amendments shall be applied retrospectively, with some exceptions, in annual periods beginning on or after January 1, 2019, with early application permitted.

Amendments to IFRS 10 and IAS 28—*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

2.5 Consolidation methodology

The consolidation methodology is described in the following sections:

Consolidation methods

The methods applied in the consolidation process are as follows:

- Full consolidation method for subsidiaries
- Equity method for associates and jointly controlled companies

Additionally, as indicated in Note 11, the assets, liabilities, income and expenses of the Argentinean temporary joint ventures, since they are considered joint operations, have been incorporated as established in IFRS 11 for this type of joint arrangements. That is, the Group has recognized the following items in relation to its interest in the said joint operations:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation, including its share of the revenue from the sale of the output by the joint operation;
- Its expenses, including its share of any expenses incurred jointly.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

Harmonization

The financial year of the companies within the consolidation perimeter ends on December 31. For consolidation purposes the corresponding 2017 financial statements of each company have been used.

The accounting principles applied by the companies comply with Group policies and, accordingly, no harmonization adjustments were necessary.

Elimination of internal transactions

The intercompany balances arising from financial operations, rental agreements, payment of dividends, financial assets and liabilities, purchase and sale of inventories and non-current assets and rendering of services have been eliminated. In regard with purchase and sale transactions, the unrealized margin on assets, as well as depreciation, has been adjusted in order to show the assets at their original cost to the Group.

Translation of financial statements in foreign currency

The financial statements of foreign companies have been translated into euros prior to their consolidation following the year-end rate method, except for the financial statements of Venezuelan companies, which is considered a hyperinflationary country, as stated below. Accordingly, assets and liabilities are translated at the spot rate prevailing at December 31, capital and reserves at the historical rates, and revenues and expenses at the averages rate for the year. Differences arisen from this process have been recorded directly under *Translation differences* in net equity.

According to the applicable standard for companies operating in hyperinflationary economies, as is the case of the companies that the group has in Venezuela, the translation of their financial statements into foreign currency entails:

- Adjusting the historical cost of non-monetary assets and liabilities and the various items of equity of these companies from their date of acquisition or inclusion in the consolidated statement of financial position to the end of the year to reflect the changes in purchasing power of the currency caused by the inflation.
- Adjusting the consolidated statement of comprehensive income to reflect the financial loss caused by the impact of inflation in the year on net monetary assets (loss of purchasing power).
- Adjusting the components of the consolidated statement of comprehensive income and of the consolidated statement of cash flows according to the inflation index since their generation, with a balancing entry in financial results.
- Translating all components of the financial statements of the companies operating in hyperinflationary by applying the closing exchange rate.

At December 31, 2017 and 2016 the Venezuelan economy continued to be considered hyperinflationary in terms of IFRS application.

In 2017 and 2016 the Venezuelan subsidiaries of the Group are dormant and have almost not incorporated any assets, liabilities, income or expenses in the consolidated financial statements for the

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

years ended December 31, 2017 and 2016. Consequently, the Group's consolidated figures include almost no impacts in relation to the method described above applied in companies located in hyperinflationary countries.

2.6 Business combinations

When Group gains control over one constituted business, or directly over a business' net assets, the consideration transferred is assigned to assets and liabilities, measured at fair value. The difference between the sum of fair values and the sum of the consideration transferred plus the amount of any non-controlling interest in the acquiree at acquisition date is recognized as goodwill where it is positive or as income in the consolidated statement of comprehensive income where the difference is negative.

The consideration transferred in a business combination is measured at fair value. This is calculated as the sum of the acquisition fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer.

The costs related to the acquisition, such as finder's fees, advice, legal, accounting valuation and other professional or consulting fees, are recognized as expenses in the years when they are incurred and the services are provided.

2.7 Intangible assets

Intangible assets are initially measured at acquisition cost less accumulated amortization and any impairment loss.

Goodwill is not amortized as it is considered to have an indefinite useful life. Instead, it is tested for impairment at least annually as well as intangible assets with indefinite useful lives. Likewise, the net carrying amount of intangible assets having finite useful life is tested for impairment when there is evidence or changes of not recovering the carrying amount, similar to the criteria established for property, plant and equipment.

Research expenses are charged to expenses when incurred, while development costs related to an individual project are capitalized when the Group can demonstrate the technical feasibility and profitability, the availability of financing resources, and incurred costs can be measured reliably. Development expenses to be capitalized, including the cost of materials, personnel expenses directly attributable and a fair proportion of overheads, are amortized using a declining method (50% the first year) over the period for which they expect to obtain profits or income from such project, which generally comprises three years.

Amounts paid to the owners of the sites where the slot machines are located on an exclusivity basis are capitalized as installation rights. They are amortized on a straight-line basis over the contract term.

Administrative concessions are amortized on a straight-line basis, according to the concession term, as well as transfer rights of leased premise

Software is amortized on a straight-line basis over three years.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

2.8 Property, plant and equipment

Property, plant and equipment are measured at acquisition cost less accumulated depreciation and any recognized impairment loss.

The Group assesses whether there is an indication that the net carrying amount of property, plant and equipment may be impaired. If any indication exists, assets or cash-generating units are recorded at their recoverable amount.

Expenses for repairs which do not extend the useful life of the assets, as well as maintenance expenses, are taken to the consolidated statement of comprehensive income in the year incurred. Expenses incurred for expansion or improvements which increase the productivity or prolong the useful life of the asset are capitalized. Future expenses for restoring and retirement are recognized, at present value, as a cost component, with a liability provision as counterpart.

Depreciation charges are calculated over the estimated useful lives of the assets. Property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful life. A declining basis is used alternatively for some assets, basically slot machines, since it better follows the actual pattern of income related to these assets.

	Method	Rate
Commercial buildings (new/used) and plant	Straight line	2-4%
Riverboats	Straight line	6.6%
Production installations (new/used)	Straight line	8-16%
Other installations	Straight line	8-12%
Production machinery	Straight line	10%
Other production equipment	Straight line	20%
New slot machines (“A” and “B” / “V” and “C”)	Declining/Straight line	20%
Used slot machines	Straight line	40%
Furniture (new/used)	Straight line	10-20%
Vehicles (new/used)	Declining/Straight line	10-32%
Tools and furniture (new/used)	Straight line	30-60%
Data processing equipment (new/used)	Declining/Straight line	25-50%
Molds and dices	Straight line	25%
Other PP&E items	Straight line	16%

The finite useful life of slot machines is necessarily subject to exogenous factors (mainly market and competence) of difficult forecast. In the event that such equipment completes its useful life before the base period used for depreciation, the net balance of the related good at the removal date is charged as depreciation for the year, given its recurrent and typical features, as well as its corrective nature of systematic depreciation performed on related goods.

2.9 Investments in associates

Investments are accounted for under the proportional consolidation method or the equity method, that is, they are accounted initially at cost and its carrying amount is increased or decreased in order to recognize the part of the result of the invested company attributed to the Group from the acquisition date.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

Part of the profit (loss) for the year of the invested company is recorded in the Group consolidated statement of comprehensive income. Dividends received reduce the amount of the investment.

Changes in the invested company's equity different than those generated by income of the period are directly recorded as changes in the Group's net equity.

2.10 Financial assets

Financial assets are initially recorded at fair value. For investments not measured at fair value with changes in results, directly attributable transaction costs are added. The Group establishes the classification of financial assets at the initial recognition, and, when appropriate and allowed, the classification is assessed again at each year end.

Loans and receivables

The Group recognizes in this category trade and non-trade receivables, which include financial assets with fixed or determinable payments not quoted on active markets and for which the Group expects to recover the full initial investment, except, where applicable, in cases of credit deterioration.

Following initial recognition, these financial assets are measured at amortized cost.

Nevertheless, trade receivables which mature within less than one year with no contractual interest rate, as well as prepayments and loans to personnel, the amount of which is expected to be recovered in the short term, are carried at nominal value both at initial and subsequent measurement, when the effect of not discounting cash flows is not significant.

2.11 Cancelation of financial assets and liabilities

Financial assets (or, when applicable, part of a financial asset or part of a group of similar financial assets) are derecognized when:

- Rights to related cash flows have expired;
- The Group has retained the right to receive related cash flows, but has assumed the liability of fully paying them within the established terms to a third party under a transfer agreement;
- The Group has transferred the rights to receive related cash flows and (a) has substantially transferred the risks and rewards incidental to the ownership of the financial asset, or (b) has not transferred or retained the asset's risks and rewards, but has transferred the control over the asset.

Financial liabilities are derecognized when the related liability is settled, cancelled or expired. When a financial liability is replaced for other from the same borrower but with substantially different terms, or the conditions of the existing liability are substantially modified, such change or modification is recorded as a disposal of the original liability and an addition of a new liability. Difference of related carrying amounts is recognized in the consolidated statement of comprehensive income.

2.12 Inventories

Inventories are accounted for at the lower of the acquisition cost and the recoverable amount.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

The recoverable amount of raw materials is the replacement cost. Nevertheless, no provision is set aside for raw materials and other consumables used in production, if the finished products in which they are to be incorporated will be sold above cost. The recoverable value of finished products corresponds to the estimated sales price less related selling expenses.

The cost value of finished products includes materials measured at the weighted average acquisition price, third-party work, labor and production overhead.

2.13 Cash and cash equivalents

This heading includes cash, current accounts, bank deposits and other financial investments maturing within less than three months from the acquisition date, provided that risks of the substantial alteration of their value are not significant.

In terms of the consolidated statement of cash flows, cash and cash equivalents include the abovementioned concepts, net of bank overdrafts, if applicable.

2.14 Impairment of assets

Non-financial assets

The Group assesses at each year end whether there is an indication that a non-current asset may be impaired. If any indication exists, and when an annual impairment test is required, the Group estimates the asset's recoverable amount. The recoverable amount is the higher of the cash-generating unit (CGU) fair value less cost to sell and value in use, and it is established for each separate asset, unless for assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and its carrying amount is reduced to the recoverable amount. To assess value in use, expected cash flows are discounted to their present value using risk free market rates, adjusted by the risks specific to the asset. Impairment losses from continuing activities are recognized in the consolidated statement of comprehensive income.

The Group assesses at year end indicators of impairment losses previously recorded in order to verify whether they have disappeared or decreased. If there are indicators, the Group estimates a new recoverable amount. A previously recognized impairment loss is reversed only if the circumstances giving rise to it have disappeared, since the last loss for depreciation was recognized. In this regard, the asset's carrying amount increases to their recoverable amount. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset.

The reversal is recognized in the consolidated statement of comprehensive income. Upon such reversal, the depreciation expense is adjusted in the following periods to amortize the asset's revised book value, net of its residual value, systematically over the asset's useful life.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

Financial assets

The Group assesses at year end if financial assets or group of financial assets are impaired. To assess the impairment of certain assets, the following criteria are applied:

- Assets measured at amortized cost

If there is objective evidence that there is an impairment loss of loans and other receivables recorded at amortized cost, the loss is measured as the difference between the net carrying amount and the present value of estimated cash flows, discounted at the current market rate upon initial recognition. The net carrying amount is reduced by an allowance, and the loss is recorded in the consolidated statement of comprehensive income.

Impairment loss is reversed only if the circumstances giving rise to it have ceased to exist. Such reversal is limited to the carrying amount of the financial asset that would have been recognized on the reversal date had no impairment loss been recognized.

In regard with trade and other receivables, when there is objective evidence of not collecting them, an adjustment is made based on identified bad debts risk.

2.15 Treasury shares

Treasury shares are recorded as a direct decline in the Group's equity. They are measured at cost value, without recognizing any impairment loss. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase or sale of the Group's own equity instruments.

2.16 Provisions

Provisions are recognized when:

- the Group has a present obligation either legal, contractual or constructive as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount of the obligation can be reliably measured.

When the effect of the cash temporary value is significant, the provision is estimated as the present value of the future cash flows required to settle the obligation.

The discount rate applied in the assessment of the obligation's present value only corresponds to the temporary value of money and does not include the risks related to the estimated future cash flows related to the provision. The increase of the provision derived from the aforementioned discount is recorded as a financial expense.

2.17 Interest yield loans and credits

Loans and credits are initially measured at cost value, which is the fair value of the contribution received, net of issuance costs related to the debt.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

Upon initial recognition, interest yield loans and credits are recognized at amortized cost using the effective interest rate method, including any issuance cost and discount or settlement premium.

2.18 Translation of balances in foreign currency

Transactions in foreign currency are translated at the spot rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the closing date. Unrealized exchange gains or losses are recognized in the consolidated statement of comprehensive income. As an exception, exchange gains or losses arising from monetary assets and liabilities that reflect investments in foreign subsidiaries are recorded in *Translation differences* in equity, with no impact on the consolidated statement of comprehensive income.

2.19 Leases

Leases are considered to be financial leases when all risks and rewards incidental to ownership of the leased item are substantially transferred to the Group. Assets acquired under financial lease arrangements are recognized as property, plant and equipment at the beginning of the lease term in the consolidated statement of financial position, recording an asset equivalent to the fair value of the leased item or, if lower, the present value at the commencement of the lease of the minimum lease payments. A financial liability is recorded for the same amount.

Lease payments are apportioned between finance charges and reduction of the lease liability, in order to maintain a constant interest rate of the outstanding debt. The finance charges are recorded directly in the consolidated statement of comprehensive income. These assets are depreciated, impaired, and derecognized using the same criteria applied to assets of a similar nature.

Leases are considered to be operating leases when all risks and rewards incidental to ownership of the leased item are substantially maintained by the lessor. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income when accrued over the lease term.

2.20 Revenues

Revenues are recognized when it is probable that the economic benefits from the transaction will flow to the Group and the amount of income and costs incurred or to be incurred can be reliably measured.

Revenues from exploiting slot machines are measured at the collected amount. The percentage of the amount collected from slot machines attributable to the owner of the premises where the machine is located is included as operating expense under *Variable rent.*

Revenues from bingo cards are recognized for the total amount of sold cards, based on their face value, while recognizing the prizes granted to players as a decrease in operating revenues. The card cost is recorded in *Consumptions*, and the gaming tax rate over purchased bingo cards is included under *Gaming taxes*.

Revenue from casinos is recorded for the net amount from the game ("win"), after deducting prizes removed by players.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

Revenue from sale of finished products is measured when risks and significant benefits incidental to the ownership of the assets have been transferred to the buyer and the outcome can be estimated reliably, circumstance that generally arises with the effective goods delivery.

Interest income is recorded based on the time passed, including the asset's effective yield.

2.21 Restructuring expenses

Expenses incurred in restructuring processes, mainly indemnities to personnel, are recognized when a formal and detailed plan exists to perform such process by identifying the main parameters (i.e. main locations, functions and approximate number of affected employees, estimated payments and the implementation schedule) and creating a real and valid expectation among affected employees in regard with the process.

2.22 Income tax

Deferred income tax is recognized on all temporary differences at the closing date between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position.

Deferred tax liabilities are recognized for all temporary differences, except for taxable temporary differences arisen from an acquired goodwill, which amortization is not tax deductible and those arisen upon the initial recognition of an asset or liability in a transaction, other than a business combination, and that at the transaction date did not affect the accounting or the tax result.

Likewise, a deferred tax liability is recognized for all taxable temporary differences from investments in subsidiaries, associates or jointly controlled companies, except when both the following conditions are met: (a) the Group is able to manage the reversal date of the temporary difference and (b) the temporary difference will not be reversed in the future. In this regard, when the results are generated in subsidiaries in countries where there is not an agreement to avoid double taxation and the Group's policy is the repatriation of dividends, the Group records a deferred tax related to the effective amount that would be filed when profits are repatriated.

Deferred tax assets are recognized for all deductible temporary differences, tax credits and unused tax loss carryforwards, to the extent that it is probable that future taxable profit will be available against which these assets may be utilized, except for deductible temporary differences arisen upon the initial recognition of an asset or liability in a transaction, other than a business combination, and that at the transaction date did not affect the accounting or the tax result.

Furthermore, only a deferred tax asset is recognized for all deductible temporary differences from investments in subsidiaries, associates or jointly controlled companies when both the following conditions met: (a) the temporary difference will be reversed in the future, and (b) it is probable that future taxable profit will be available against which these temporary differences may be utilized.

The recovery of deferred tax assets is reviewed at year end, reducing the amount in assets to the extent that it is probable that future taxable benefits will not be available and consequently these assets could not be utilized.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

Deferred taxes are measured based on the tax legislation and charge rates enacted or to be enacted, at the date of consolidated statement of financial position.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities, respectively.

2.23 Contingencies

When unfavorable outcome of a situation that leads to a potential loss is likely to occur (i.e. more than 50% of possibilities), the Group establishes a provision which is recorded based on the best estimate of present value of expected future disbursement. On the other hand, if expectations of favorable resolution are more likely, no provision is recorded, which is reported in the notes of existing risks, unless the possibility of a negative outcome is clearly considered remote.

2.24 Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the consolidated statement of financial position as current and non-current according to their maturity date. Current assets mature within one year from the closing date, and non-current assets mature in more than such period.

3. SEGMENT INFORMATION

The Group's activities are organized and managed separately based on the nature of the provided services and products. Each segment represents a strategic business unit, which provides several services and offers product to different markets. The related operating results are assessed regularly by the Group's Management in order to decide which resources should be allocated to the segment and to assess its yield.

The Group has classified as operating segment the identified Group component in charge of supplying a single product or service, or a group of them, which is subject to risks and returns of different nature to those related to other segments within the Group. The main factors considered in identifying the segments have been the nature of products and services, the nature of the production process and the type of customer.

Assets, liabilities, income and expenses by segments include those directly and reasonably assignable. The captions not assigned by the Group correspond to deferred tax assets and liabilities accounts.

The transfer prices between segments are calculated based on the actual costs incurred, which have been increased by a fair trading margin.

3. SEGMENT INFORMATION (Continued)

3.1 Operating segments

The distribution of detailed operating segments meets the information usually managed by the Management. Segments, as defined by the Group, are as follows:

Slots:

Owns and operates slot machines in bars, cafés, restaurants and recreation rooms in Spain and Italy. Also provides interconnected machines in Italy.

B2B:

Designs, manufactures and distributes slot machines and game kits for the Spanish and international market. The division sells directly or through distributors to other divisions of the Group, mainly slot division, and third parties.

Casinos:

The Group operates with two types of casinos, traditional casinos which include table games and casino slot machines, and electronic casinos which only operate with casino slot machines.

Bingos:

Operation of bingo halls mainly in Spain and to a lesser extent, in Italy and Mexico. The parlors operate through the sale of bingo cards to customers, and to a lesser extent through the operation of slot machines and restoration services.

Other segments:

Segments that aggregately represent less than 10% of total external and internal revenue, less than 10% of the combined result of all segments with added benefits and less than 10% of total assets, have been considered as irrelevant and no specific information has been provided, grouped under this generic title.

The following chart shows information on revenue and results, information about assets and liabilities, and other information related to the different operating segments as for December 31, 2017 and 2016.

3. SEGMENT INFORMATION (Continued)

2017

(Thousands of euros)	Slots	B2B	Casinos	Bingo	Eliminations and other	Total
Assets by segment						
Non-current assets assigned	280,748	119,805	429,825	97,453	166,364	1,094,195
Non-current assets not assigned	—	—	—	—	56,540	56,540
Current assets assigned	122,177	66,816	224,867	19,951	30,938	464,749
Total assets	**402,925**	**186,621**	**654,692**	**117,404**	**253,842**	**1,615,484**
Liabilities by segment						
Liabilities assigned	(557,208)	(94,947)	(493,383)	(114,903)	(220,879)	(1,481,320)
Liabilities not assigned	—	—	—	—	(121,222)	(121,222)
Total liabilities	**(557,208)**	**(94,947)**	**(493,383)**	**(114,903)**	**(342,101)**	**(1,602,542)**
Net operating revenue from variable rent						
Sales to external customers	672,424	63,679	787,802	218,814	(26,568)	1,716,151
Sales intra-group	669	45,951	1,741	3,550	(51,911)	—
Total net operating revenue from variable rent	**673,093**	**109,630**	**789,543**	**222,364**	**(78,479)**	**1,716,151**
Profit for the year						
EBITDA(*)	128,751	18,651	250,978	53,879	(25,240)	427,019
Financial income	2,077	4,870	9,962	1,124	(10,620)	7,413
Financial costs	(22,063)	(4,271)	(24,317)	(5,532)	(20,613)	(76,796)
Profit/(loss) before income tax	3,687	15,159	153,178	26,480	(40,140)	158,364
Income tax	(2,539)	(2,896)	(57,605)	(8,132)	9,321	(61,851)
Profit/(loss) after tax	1,147	12,264	95,573	18,348	(30,819)	96,513
Non-monetary expenses						
Depreciation, amortization and impairment	(101,018)	(3,648)	(87,267)	(17,722)	14,854	(194,801)
Changes in trade provisions	(2,696)	(22)	(23)	(67)	—	(2,808)
Other significant expenses						
Personnel	(66,018)	(20,184)	(167,976)	(43,668)	(14,801)	(312,647)
Supplies and external services	(76,414)	(20,531)	(168,094)	(60,849)	29,703	(296,185)
Gaming taxes	(363,205)	(1,145)	(186,682)	(53,284)	(161)	(604,477)
Other information by segments						
Investment in non-current assets (cash flow)	66,805	6,621	60,017	22,264	288	155,995
Investments in associates (balance sheet)	6,894	1,430	11,015	38,481	—	57,820
Non-controlling interests (profit or loss)	(2,092)	(296)	(20,762)	(2,535)	—	(25,685)

(*) For financial information purposes, EBITDA is defined as profit (loss) before income tax, financial result, profit/(loss) on investments in associates, profit/(loss) on sale/disposals of non-current assets, change in trade provisions, and depreciation, amortization and impairment charges.

3. SEGMENT INFORMATION (Continued)

2016

(Thousands of euros)	Slots	B2B	Casinos	Bingo	Eliminations and other	Total
Assets by segment						
Non-current assets assigned	261,291	133,351	453,974	79,858	180,991	1,109,465
Non-current assets not assigned	—	—	—	—	75,788	75,788
Current assets assigned	108,499	66,073	251,722	25,250	3,012	454,556
Total assets	**369,790**	**199,424**	**705,696**	**105,108**	**259,791**	**1,639,809**
Liabilities by segment						
Liabilities assigned	(428,567)	(107,939)	(558,562)	(133,244)	(268,993)	(1,497,305)
Liabilities not assigned					(130,670)	(130,670)
Total liabilities	**(428,567)**	**(107,939)**	**(558,562)**	**(133,244)**	**(399,663)**	**(1,627,975)**
Net operating revenue from variable rent						
Sales to external customers	643,997	55,508	727,955	205,494	(20,136)	1,612,818
Sales intra-group	916	41,530	1,900	2,854	(47,200)	—
Total net operating revenue from variable rent	**644,913**	**97,038**	**729,855**	**208,348**	**(67,336)**	**1,612,818**
Profit for the year						
EBITDA(*)	116,086	16,208	245,669	42,095	(21,789)	398,269
Financial income	7,298	6,875	10,621	806	(16,869)	8,731
Financial costs	(21,043)	(5,432)	(38,199)	(6,530)	(26,312)	(97,516)
Profit/(loss) before income tax	7,269	12,631	92,630	20,274	(57,010)	75,794
Income tax	(9,132)	(2,418)	(41,830)	(5,480)	6,606	(52,256)
Profit/(loss) after tax	(1,863)	10,213	50,800	14,794	(50,406)	23,538
Non-monetary expenses						
Depreciation, amortization and impairment	(87,252)	(3,707)	(97,530)	(15,326)	7,017	(196,798)
Changes in trade provisions	(3,076)	(12)	(28,715)	(83)	—	(31,886)
Other significant expenses						
Personnel	(61,460)	(19,511)	(157,604)	(40,905)	(11,530)	(291,010)
Supplies and external services	(78,580)	(18,961)	(154,765)	(57,327)	28,555	(281,078)
Gaming taxes	(354,762)	(1,106)	(156,583)	(58,056)	(94)	(570,601)
Other information by segments						
Investment in non-current assets (cash flow)	56,870	3,905	55,233	14,520	405	130,933
Investments in associates (balance sheet)	4,111	1,331	9,972	41,083	—	56,497
Non-controlling interests (profit or loss)	(515)	(238)	(17,467)	(2,054)	—	(20,274)

(*) For financial information purposes, EBITDA is defined as profit (loss) before income tax, financial result, profit/(loss) on investments in associates, profit/(loss) on sale/disposals of non-current assets, change in trade provisions, and depreciation, amortization and impairment charges.

3. SEGMENT INFORMATION (Continued)

3.2 Geographic segments

In the presentation of information by geographic segments, sales are based on the destination country and the assets on their location. The following chart shows this information as for December 31, 2017 and 2016.

2017

(Thousands of euros)	Sales to external customers	Sales inter-segment	Total revenue by segment	Assets by segment	Investment in non-current assets
Spain	547,831	106,094	653,925	660,122	74,515
Latin America	832,945	748	833,693	815,426	76,329
Italy	335,375	16	335,391	117,755	4,481
Eliminations and other	—	(106,858)	(106,858)	22,181	670
	1,716,151	**—**	**1,716,151**	**1,615,484**	**155,995**

2016

(Thousands of euros)	Sales to external customers	Sales inter-segment	Total revenue by segment	Assets by segment	Investment in non-current assets
Spain	516,806	94,965	611,771	702,620	55,464
Latin America	761,127	708	761,835	927,102	63,316
Italy	334,885	297	335,182	109,467	12,153
Eliminations and other	—	(95,970)	(95,970)	(99,380)	—
	1,612,818	**—**	**1,612,818**	**1,639,809**	**130,933**

4. BUSINESS COMBINATIONS AND ACQUISITIONS OF ASSOCIATES

4.1 2017

The breakdown of the companies in which the Company has gained unilateral and exclusive control in 2017 is summarized as follows:

		(Thousands of euros)				
Name and description of companies and business	**Acquisition date**	**Acquisition price**	**Fair value of acquired net assets**	**Non-controlling interests arisen in the business combination**	**Fair value of prior ownership interest**	**Goodwill arising on acquisition (Note 5)**
Miky, S.L. and subsidiaries	May 2017	38,457	38,457	—	—	—
Op. De Entretenimiento Manzanillo, S.L.	February 2017	2,325	3,262	937	—	—
Bingo Santven, S.A.U.	January 2017	4,750	4,750	—	—	—
Global TC Corp., S.A.U.	March 2017	903	903	—	—	—
Triveneto Games, S.R.L.	September 2017	762	762	—	—	—
Sierra Machines, S.A.C.	July 2017	9,046	9,046	—	—	—
Inmobiliaria Rapid, S.A.C.	July 2017	14,139	14,139	—	—	—
L&G Business, S.L.	October 2017	75	75	—	—	—
Recreativos Ergosa, S.L.U. and subsidiaries	November 2017	544	544	—	—	—
MCA Automatics, S.L.	December 2017	6,433	6,433	—	—	—
Social Games Online, S.L.	December 2017	2,482	2,482	—	—	—
Italtronic, S.R.L.	November 2017	3,000	3,000	—	—	—
Promociones Sol Ibiza, S.A.	November 2017	460	641	180	—	—
		83,376	**84,494**	**1,117**	**—**	**—**

The value of identifiable assets and liabilities at the date of gaining control over the business combinations was as follows:

(Thousands of euros)	**Recognized on acquisition**	**Carrying amount**
Property, plant and equipment	21,510	17,957
Intangible assets	76,518	7,067
Other non-current assets	6,936	6,064
Current assets	14,412	14,412
Liabilities (including generated deferred taxes)	(34,882)	(15,274)
	84,494	**30,226**

4. BUSINESS COMBINATIONS AND ACQUISITIONS OF ASSOCIATES (Continued)

If acquisitions had occurred at the beginning of the year, consolidated operating revenues in 2017 would have increased by 32,941 thousand euros and consolidated profit for the year 2017 would have increased by 1,344 thousand euros. Additionally, the gains contributed to the Group by these companies since the date of acquisition amount to 1,549 thousand euros.

4.2 2016

The breakdown of the companies in which the Company has gained unilateral and exclusive control in 2016 is summarized as follows:

		(Thousands of euros)				
Name and description of companies and business	**Acquisition date**	**Acquisition price**	**Fair value of acquired net assets**	**Non-controlling interests arisen in the business combination**	**Fair value of prior ownership interest**	**Goodwill arising on acquisition (Note 5)**
Comercial Jupama, S.A. and subsidiaries	April 2016	10,915	19,169	8,254	—	—
Servicios y Distribución de Recreativos, S.A.	July 2016	1,108	1,108	—	—	—
Servi-Joc, S.A.	May 2016	1,884	3,034	1,150	—	—
Bema Euromatic, S.A. and subsidiaries	July 2016	4,654	7,441	2,787	—	—
Saturno 5 Conexión, S.L.	July 2016	251	251	—	—	—
Caballo 5, S.L.	July 2016	300	300	—	—	—
Losimai, S.A.	November 2016	—	—	—	—	—
Amical Trading, S.L.	December 2016	2	2	—	—	—
Juegos San José S.A. and subsidiaries	January 2016	—	13,394	4,531	8,863	—
		19,114	**44,699**	**16,722**	**8,863**	**—**

The value of identifiable assets and liabilities at the date of gaining control over the business combinations was as follows:

(Thousands of euros)	**Recognized on acquisition**	**Carrying amount**
Property, plant and equipment	19,685	9,126
Intangible assets	19,550	2,547
Other non-current assets	8,230	7,501
Current assets	12,101	12,101
Liabilities (including generated deferred taxes)	(14,867)	(8,071)
	44,699	**23,204**

If acquisitions had occurred at the beginning of the year, consolidated operating revenues in 2016 would have increased by 8,875 thousand euros and consolidated profit for the year 2016 would have

4. BUSINESS COMBINATIONS AND ACQUISITIONS OF ASSOCIATES (Continued)

increased by 659 thousand euros. Additionally, the gains contributed to the Group by these companies since the date of acquisition amount to 1,385 thousand euros.

5. GOODWILL

The breakdown of goodwill by operating segments is as follows:

(Thousands of euros)	2017	2016
Bingos	27,525	28,428
Slots	16,457	21,457
Casinos	48,930	54,527
	92,912	**104,412**

The amount of goodwill at December 31, 2017 and 2016 is shown net of impairment loss allowances, which according to the applicable accounting standards are not revertible, amounting to 125,675 and 119,894 thousand, respectively. During 2017 an impairment loss on goodwill amounting to 5,781 thousand euros (Note 10.1) has been recognized (2016: 9,013 thousand euros).

The evolution of the goodwill amount recorded in books, net of impairment loss, is as follows:

(Thousands of euros)	2017	2016
Balance at January 1	104,412	112,763
Impairment losses	(5,781)	(9,013)
Net exchange differences arising during the period	(5,719)	2,978
Derecognition due to sale of companies (Note 1.3)	—	(1,259)
Other	—	(1,057)
Balance at December 31	**92,912**	**104,412**

6. OTHER INTANGIBLE ASSETS

6.1 Movements

2017

(Thousands of euros)	January 1, 2017	Additions	Disposals	Transfers	Translation differences and other	December 31, 2017
COST						
Development costs and patents	52,952	3,403	—	—	—	56,355
Administrative concessions	131,552	2,902	(28)	91	(13,548)	120,968
Installation rights	542,607	115,251	(7,158)	—	(7,033)	643,668
Transfer rights	7,924	5,358	(1,860)	—	(604)	10,817
Software	32,872	3,456	(275)	22	(1,864)	34,211
Prepayments and other	151	—	—	—	—	151
	768,058	**130,370**	**(9,321)**	**113**	**(23,049)**	**866,170**
AMORTIZATION						
Development costs and patents	(48,595)	(1,485)	—	—	—	(50,080)
Administrative concessions	(62,434)	(10,101)	28	—	3,275	(69,232)
Installation rights	(236,309)	(63,820)	5,011	—	629	(294,489)
Transfer rights	(5,192)	(1,554)	1,860	—	234	(4,652)
Software	(27,094)	(2,497)	273	—	516	(28,802)
	(379,624)	(79,457)	7,172	—	4,654	(447,255)
Impairment loss	(17,155)	(4,191)	1,613	—	6	(19,727)
Net carrying amount	**371,279**	**46,722**	**(536)**	**113**	**(18,389)**	**399,188**

6. OTHER INTANGIBLE ASSETS (Continued)

2016

(Thousands of euros)	January 1, 2016	Additions	Disposals	Transfers	Translation differences and other	December 31, 2016
COST						
Development costs and patents	52,163	2,378	(1,367)	—	(222)	52,952
Administrative concessions	133,207	8,913	(7,382)	—	(3,186)	131,552
Installation rights	515,173	39,179	(11,490)	—	(255)	542,607
Transfer rights	7,433	731	—	—	(240)	7,924
Software	32,826	1,007	(1,501)	340	200	32,872
Prepayments and other	492	—	—	(340)	(1)	151
	741,294	**52,208**	**(21,740)**	**—**	**(3,704)**	**768,058**
AMORTIZATION						
Development costs and patents	(48,081)	(2,014)	1,328	—	172	(48,595)
Administrative concessions	(52,550)	(9,802)	707	—	(789)	(62,434)
Installation rights	(188,356)	(57,163)	8,909	—	301	(236,309)
Transfer rights	(3,592)	(1,731)	—	—	131	(5,192)
Software	(25,735)	(2,497)	1,413	—	(275)	(27,094)
	(318,314)	**(73,207)**	**12,357**	**—**	**(460)**	**(379,624)**
Impairment loss	**(14,363)**	(4,129)	1,337	—	—	**(17,155)**
Net carrying amount	**408,617**	**(25,127)**	**(8,046)**	**—**	**(4,165)**	**371,279**

Additions in 2017 include the effects of business combinations (Note 4), which amounted to a gross value of 82,376 thousand euros (2016: 22,712 thousand euros) and accumulated amortization of 5,858 thousand euros (2016: 3,162 thousand euros). These amounts were almost entirely related to *Installation rights*, as in 2016.

Most of the rest of additions in 2017 and 2016 included in *Installation rights* mainly relate to the non-refundable payment in exchange of the exclusive rights to operate the premises where the slot machines are located. The disposals in this caption for both years mainly relate to installation rights pending amortization in premises which are closed, or it was decided not to operate the machine for profitability reasons.

6.2 Development costs and patents

They correspond mainly to the following:

- Industrial companies: Creation of new models of slot machines and technological innovations for them. Net value as of December 31, 2017 and 2016 is 3,576 and 2,242 thousand euros, respectively.
- Lottery and interactive products companies: Development of software applications for on-line games. Net value as of December 31, 2017 and 2016 is 2,700 and 2,115 thousand euros, respectively.

6. OTHER INTANGIBLE ASSETS (Continued)

The internal cost of developing new models of slot machines and software for on-line games by the B2B division of the Group are capitalized as an increase in the value of developments costs and patents with a charge to the corresponding expenses according to their nature in the consolidated statement of comprehensive income. The total amount of works performed by the Group for the intangible assets in 2017 and 2016 amounted to 3,267 and 2,251 thousand euros, respectively.

Research and development expenses recognized as expenses in 2017 amounted to 41 thousand euros (2016: 103 thousand euros) (Note 21.2).

6.3 Administrative concessions

The gross balance of official licenses to operate as of December 31, 2017 mainly corresponds to:

- An official contract to operate slot machines in Panama amounting to 44,364 thousand euros (50,001 thousand euros at December 31, 2016). The net value of this concession at December 31, 2017 amounts to 11,962 thousand euros (16,375 thousand euros at December 31, 2016).
- An Argentinean company holds the concession of a lottery employing disabled people amounting to 395 thousand euros at December 31, 2017 (545 thousand euros at December 31, 2016). The net value of these concessions at December 31, 2017 and 2016 is zero.
- Licenses of video terminals acquired by Cirsa Italia S.p.A. for an amount of 40,807 thousand euros (40,807 thousand euros at December 31, 2016). The net value of this concession at December 31, 2017 is 16,447 thousand euros (20,535 thousand euros at December 31, 2016).
- Licenses arisen in the gain of control of Casino de Rosario, S.A. for an amount of 19,158 thousand euros at December 31, 2017 (25,581 thousand euros at December 31, 2016). The net value of these licenses at December 31, 2017 is 16,191 thousand euros (22,610 thousand euros at December 31, 2016).

6.4 Installation rights

Installation rights correspond to the amounts paid in exchange for the exclusive use of the premises in which slot machines are located.

6.5 Impairment losses

The balance of *Impairment losses* basically covers the value of certain administrative concessions in Argentina (395 and 545 thousand euros at December 31, 2017 and 2016, respectively).

The impairment losses recognized during 2017 mainly correspond to exclusive rights to points of sale that will no longer be operational.

Note 10 includes several elements in relation to a test of the potential impairment of the Group's assets.

6.6 Other information

At December 31, 2017, the net value of intangible assets in foreign companies of the Group amounted to 136,393 thousand euros (2016: 144,773 thousand euros).

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Movements

2017

(Thousands of euros)	January 1, 2017	Additions	Disposals	Transfers	Translation differences and other	December 31, 2017
Cost						
Land and buildings	289,948	14,423	(1,230)	1,756	(47,342)	257,555
Installations	81,140	7,773	(2,386)	1,620	(6,420)	81,727
Machinery	622,612	90,222	(55,908)	15,852	(56,399)	616,379
Data processing equipment	63,351	8,041	(2,085)	304	(3,754)	65,857
Vehicles	13,040	570	(375)	—	(2,385)	10,850
Other installations, tools, and furniture	298,210	24,678	(13,874)	3,644	(17,928)	294,730
Assets in progress	14,441	24,508	(446)	(23,289)	829	16,043
	1,382,742	**170,215**	**(76,304)**	**(113)**	**(133,399)**	**1,343,141**
Depreciation						
Buildings	(94,286)	(13,954)	363	—	2,851	(105,026)
Installations	(60,098)	(7,009)	2,371	—	5,803	(58,933)
Machinery	(465,454)	(74,825)	50,888	—	41,696	(447,695)
Data processing equipment	(53,938)	(7,165)	1,596	—	2,904	(56,603)
Vehicles	(9,357)	(1,354)	153	—	1,882	(8,676)
Other installations, tools, and furniture	(224,608)	(23,428)	13,125	—	13,123	(221,788)
	(907,741)	**(127,735)**	**68,496**	**—**	**68,259**	**(898,721)**
Impairment losses	**(10,772)**	**(5,710)**	**3,059**		**53**	**(13,370)**
Net carrying amount	**464,229**	**36,770**	**(4,749)**	**(113)**	**(65,087)**	**431,050**

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

2016

(Thousands of euros)	January 1, 2016	Additions	Disposals	Transfers	Translation differences and other	December 31, 2016
Cost						
Land and buildings	295,915	22,759	(2,709)	3,373	(29,390)	289,948
Installations	68,920	6,171	(410)	6,078	381	81,140
Machinery	574,297	74,012	(47,649)	21,545	407	622,612
Data processing equipment	57,547	6,702	(1,484)	1,033	(447)	63,351
Vehicles	14,153	1,016	(644)	—	(1,485)	13,040
Other installations, tools, and furniture	285,959	17,876	(6,436)	3,692	(2,881)	298,210
Assets in progress	16,377	34,523	(1,450)	(35,721)	712	14,441
	1,313,168	**163,059**	**(60,782)**	**—**	**(32,703)**	**1,382,742**
Depreciation						
Buildings	(80,233)	(17,473)	1,107	—	2,313	(94,286)
Installations	(49,472)	(9,130)	337	(773)	(1,060)	(60,098)
Machinery	(415,804)	(84,237)	36,673	(12)	(2,074)	(465,454)
Data processing equipment	(49,055)	(6,189)	1,001	—	305	(53,938)
Vehicles	(8,835)	(1,892)	433	—	937	(9,357)
Other installations, tools, and furniture	(204,086)	(27,308)	4,823	785	1,178	(224,608)
	(807,485)	**(146,229)**	**44,374**	**—**	**1,599**	**(907,741)**
Impairment losses	**(4,098)**	**(9,935)**	**3,265**	**,**	**(4)**	**(10,772)**
Net carrying amount	**501,585**	**6,895**	**(13,143)**	**—**	**(31,108)**	**464,229**

The column *Additions* in 2017 includes the effect of the business combinations (Note 4), which has amounted to a gross value of 41,945 thousand euros (40,245 thousand euros in 2016) and accumulated depreciation of 20,435 thousand euros (20,560 thousand euros in 2016).

Additions in 2017 also included investments in assets in Spain (35,859 thousand euros), Colombia (16,577 thousand euros), Argentina (13,021 thousand euros), Mexico (16,863 thousand euros), Peru (5,618 thousand euros) and Panama (17,785 thousand euros), mainly to renovate some already-installed halls, and additions of property, plant and equipment under construction amounting to 24,508 thousand euros as a result of the renovation and expansion of casinos, mainly in Latin American countries. It should be noted that most of the additions in said caption of property, plant and equipment under construction in 2017 were recognized according to their nature, since most of the halls under construction were already put to use.

Additionally, additions in 2016 also included investments in assets in Spain (27,051 thousand euros), Colombia (14,570 thousand euros), Argentina (18,968 thousand euros), Mexico (9,010 thousand euros), Peru (2,728 thousand euros) and Panama (7,382 thousand euros), mainly to renovate some already-installed halls, and additions of property, plant and equipment under construction amounting to

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

34,523 thousand euros as a result of the renovation and expansion of casinos, mainly in Latin American countries. It should be noted that most of the additions in the said caption of property, plant and equipment under construction in 2016 were recognized according to their nature, for the same purpose as at 2017 year end.

Disposals in 2017 and 2016 show sales of assets and other disposals, mainly due to the substitution of slot machines, which represented a loss of 3,044 thousand euros in 2017 (a loss of 4,252 thousand euros in 2016).

7.2 Work performed by the Group for property, plant and equipment

The cost value of the slot machines manufactured by Group companies and sold to slot machine operators of the Cirsa Group, are recognized as property, plant and equipment by crediting the corresponding expenses in the consolidated statement of comprehensive income. The amount of work performed by the Group for property, plant and equipment in 2017 and 2016 amounted to 50,365 and 41,813 thousand euros, respectively.

7.3 Assets subject to guarantees

Several property, plant and equipment items, whose net value as of December 31, 2017 and 2016 was 9,509 thousand and 11,442 thousand euros, respectively, were used as guarantee for mortgage loan debts.

7.4 Assets subject to charges and limitations

All assets are unrestricted, except for assets subject to guarantees indicated in Note 7.3 and those acquired through financial lease contracts, whose net book value amounted to 6,551 thousand euros at December 31, 2017 (9,149 thousand euros at December 31, 2016).

7.5 Property, plant and equipment located abroad

The net value of property, plant and equipment located abroad was 296,946 thousand euros at December 31, 2017 (2016: 337,971 thousand euros).

7.6 Investment commitments

At December 31, 2017 firm investment commitments amount to 4,985 thousand euros (4,046 thousand euros at December 31, 2016).

8. INVESTMENTS IN ASSOCIATES

This caption includes the following investments:

2017

(Thousands of euros)	Carrying amount of the investment	Assets	Liabilities	Operating revenue	Profit/(loss) for the year
AOG, S.R.L.	21,498	20,389	(8,944)	82,791	2,000
Binbaires, S.A.	12,919	11,550	(5,644)	40,028	6,910
Montecarlo Andalucía, S.L.	4,764	2,285	(464)	22,805	1,611
Sportium Apuestas Deportivas, S.A. and Subsidiaries	10,410	39,616	(16,515)	376,648	2,329
Other and write-offs	8,229	24,645	(18,477)	49,475	(468)
	57,820				

2016

(Thousands of euros)	Carrying amount of the investment	Assets	Liabilities	Operating revenue	Profit/(loss) for the year
AOG, S.R.L.	25,068	59,679	(9,543)	86,087	1,775
Binbaires, S.A.	11,043	38,731	(5,570)	32,151	5,405
Montecarlo Andalucía, S.L.	3,974	8,222	(274)	22,582	1,492
Sportium Apuestas Deportivas, S.A. and subsidiaries	8,934	32,543	(14,675)	30,580	1,851
Competiciones Deportivas, S.L.	1,657	3,440	(127)	—	—
Other and write-offs	5,821	25,733	(18,219)	93,929	501
	56,497				

Associates consolidated using the equity method had no contingent liabilities or capital commitments at December 31, 2016 and 2017.

The variation for the year of the caption "Investments in associates" is as follows:

(Thousands of euros)	2017	2016
Balance at January 1	56,497	75,717
Share in profit (loss) for the year and write offs	1,619	(3,867)
Other changes	(296)	(15,353)
Balance at December 31	**57,820**	**56,497**

In 2017 impairment losses (write-downs) amount to 4,300 thousand euros, as indicated in Note 10.

8. INVESTMENTS IN ASSOCIATES (Continued)

"Oher changes" in 2016 included the derecognition deriving from the business combinations of the year, the sale of companies, exchange differences and dividends received from companies consolidated using the equity method.

Transactions in 2017 and 2016 between the companies mentioned above and other companies consolidated using the full and/or proportional consolidation methods are irrelevant.

9. FINANCIAL ASSETS

This caption is composed by the following balances:

	2017			2016		
(Thousands of euros)	Non-current	Current	Total	Non-current	Current	Total
Loans and receivables						
Nortia Business Corporation, S.L.	74,809	—	74,809	71,863	—	71,863
Loans to jointly-controlled companies and associates	2,435	7,561	9,996	3,260	6,120	9,380
Loans to third parties	26,193	—	26,193	28,073	—	28,073
Deposits and guarantees	8,347	44,688	53,035	8,026	42,432	50,458
Fixed-income securities and deposits	—	14,413	14,413	—	22,941	22,941
Trade and other receivables	—	214,404	214,404	—	220,081	220,081
Other	2,042	7,204	9,246	2,477	5,309	7,786
	113,826	288,270	402,096	113,699	296,883	410,582
Impairment losses	(601)	(39,062)	(39,663)	(652)	(39,107)	(39,759)
	113,225	**249,208**	**362,433**	**113,047**	**257,776**	**370,823**

The Group estimates that fair values of these assets do not differ significantly from the recorded amounts.

The accumulated balance of impairment losses on non-current financial assets mainly corresponds to loans to third parties, while impairment losses on current financial assets mainly corresponds to trade and other receivables (36,272 and 38,021 thousand euros at December 31, 2017 and 2016, respectively). The remainder of the balance amounting to 2,790 thousand euros corresponds to impairment losses on current financial investments.

9. FINANCIAL ASSETS (Continued)

9.1 Loans and receivables

Nortia Business Corporation, S.L.

The non-current debtor balance of Nortia Business Corporation, S.L. includes the following entries:

(Thousands of euros)	2017	2016
Loan maturing in 2021, at 5.75% interest rate	31,381	31,381
Long-term promissory notes from the sale of assets, discounted at 5% interest rate	2,558	2,308
Accrued interests	40,870	38,174
	74,809	**71,863**

At December 31, 2017 and 2016 the carrying amount of this loan was similar to its fair value.

Credits to jointly-controlled companies and associates

This caption is broken down as follows(*):

(Thousands of euros)	2017	2016
Current accounts with jointly-controlled companies and associates	9,386	8,216
Other	610	1,164
	9,996	**9,380**

(*) Receivable balances from jointly-controlled companies shown above are the remaining balances after the eliminations derived from the consolidation process.

The maturity date of these assets is as follows:

(Thousands of euros)	2017	2016
Within one year	7,561	6,120
Between one and two years	608	815
Between two and three years	609	815
Between three and four years	609	815
Between four and five years	609	815
	9,996	**9,380**

The average interest rate of these assets in 2017 and 2016 was 5.82%

9. FINANCIAL ASSETS (Continued)

Loans to third parties

The breakdown of non-current loans to third parties is as follows:

(Thousands of euros)	2017	2016
Mortgage loan in US dollars to a company that owns a hotel in Dominican Republic where a casino operated by the Group is located. It earns an annual interest of 7.25%	249	546
Receivable accounts from the industrial division	2,446	2,133
Deferred collection for the sale of a non-controlling interest in an Italian company of the operational division	972	1,561
Deferred collection for the sale of a non-controlling interest in a Spanish company of the operational division	2,690	3,490
Current accounts with third parties for Group purposes, at a floating interest rate of Euribor plus 1% with a minimum of 2%	9,198	8,651
Other	10,638	11,692
	26,193	**28,073**

The breakdown of maturity dates for non-current loans to third parties is as follows:

(Thousands of euros)	2017	2016
Between one and two years	10,774	11,580
Between two and three years	4,416	2,676
Between three and four years	1,594	3,637
Between four and five years	—	1,529
More than five years	211	—
Indefinite	9,198	8,651
	26,193	**28,073**

The balances with indefinite maturity relate to current accounts with third parties and accrue a floating interest rate (Euribor plus 1% with a minimum of 2%). The current accounts are recorded as non-current financial assets since the Directors of the Company consider that they will be collected in more than 12 months, and they have powers of decision in this regard.

9. FINANCIAL ASSETS (Continued)

Trade and other receivables

This caption is broken down as follows:

(Thousands of euros)	2017	2016
Trade receivables	61,164	53,203
Impairment losses	(36,272)	(38,021)
Other related parties	618	648
Receivables from Public administrations	26,186	28,600
Other receivables	126,436	137,631
	178,132	**182,061**

Receivables from *Public administrations* mainly correspond to payments on account of income tax, VAT and other tax receivables.

The balance of *Trade and other receivables* is shown net of impairment loss. The movements in the impairment loss allowance are as follows:

(Thousands of euros)	2017	2016
Balance at January 1	39,106	33,613
Net charge for the year	2,703	5,232
Utilized	(3,512)	(4,406)
Additions of companies	765	4,667
Balance at December 31	**39,062**	**39,106**

The Group has established credit periods between 90 and 150 days, while the average collection period is approximately of 120 days at December 31, 2017 (120 days at December 31, 2016).

10. IMPAIRMENT TEST

10.1 Goodwill

Cash-generating units

Goodwill acquired through business combinations and intangible assets with indefinite useful lives have been attributed to cash-generating units for impairment test. The breakdown of cash-generating units is as follows:

- Industrial companies, as a whole
- Each regional branch of slot machines
- Each group of bingos jointly acquired
- Each casino managed individually
- Each differentiated interactive activity

10. IMPAIRMENT TEST (Continued)

Key assumptions

- Budgeted gross margins—to determine the value assigned to the budgeted gross margins, the average gross margin achieved in the year immediately preceding the year budgeted is used, increased by the expected efficiency improvements. The period used in these projections is 5 years. From the fifth year the figures are extrapolated using a growth rate similar to expected inflation.
- Increase in costs—to determine the value assigned to the increase in prices, the price index expected during the year for each country where the Group operates is used. The values assigned to key assumptions are consistent with respect to external sources of information.
- The discount rate applied to projected cash flows is determined by the specific risk of each cash-generating unit, taking into account the type of activity and country where it is located. The following chart shows the discount rates used based on business and geographic area for the CGUs with significant goodwill associated to them.

Country	Activity	Discount rate (before tax)
Spain	Gaming	9.80%-11.37%
Spain	Industrial	9.80%-11.37%
Spain	Interactive	9.80%-11.37%
Italy	Gaming	9.98%-11.20%
Peru	Gaming	9.53%-13.33%
Colombia	Gaming	12.69%-14.69%
Mexico	Gaming	13.21%-15.21%

Test results

Based on the tests performed, impairment adjustments on goodwill were recorded in 2017 for an amount of 5,781 thousand euros, mainly due to more prudent estimates of future cash flows in Cirsagest, S.p.a., with an estimated impact of 5,000 thousand euros, as well as a lesser impact in the estimates of the cash flows from a bingo hall, Tefle, S.A. Additionally, an impairment loss has been recorded on the investment in the company AOG (an associated consolidated using the equity method) for an amount of 4,300 thousand euros.

In 2016 impairment adjustments to goodwill were recorded for an amount of 9,013 thousand euros basically due to the reduction in the estimates of future cash flows for the casinos in Lima (Peru) amounting to 6,563 thousand euros, as well as due to a lesser impact on the estimates of future cash flows in Cirsagest, S.p.a. for an amount of 2,450 thousand euros.

10. IMPAIRMENT TEST (Continued)

The breakdown of the recoverable amounts of the CGUs for which, during 2017 and 2016, an impairment loss on related goodwill has been recognized is as follows:

2017

(Thousands of euros) CGU	Recoverable amount of the CGU	Impairment loss	
		On goodwill	On other assets
Tefle, S.A.	—	781	502
Cirsagest, S.P.A.	21,874	5,000	—
Impairment loss recognized		**5,781**	**502**

2016

(Thousands of euros) CGU	Recoverable amount of the CGU	Impairment loss	
		On goodwill	On other assets
Gaming & Services S.A.	—	6,563	6,825
Cirsagest, S.P.A.	24,250	2,450	—
Impairment loss recognized		**9,013**	**6,825**

10.2 Other assets

Impairment indicators used by the Group to determine the need of an impairment test on other non-current assets, amongst others, are as follows:

- Significant drop of the result over the same period in the prior year, and/or over the budget.
- Legislative changes in progress or planned, which could lead to negative effects.
- Change of strategy or internal expectations regarding a particular business or country.
- Position of competitors and their launches of new products.
- Slowdown of income or difficulties in selling at expected prices.
- Change in habits and attitudes of users, and other elements specific to each division.

As indicated in Note 10.1, during the year impairment losses amounting to 502 thousand euros have been recorded (impairment fully corresponds to property, plant and equipment of Tefle, S.A.), as well as 628 thousand euros in another Spanish bingo hall. During 2016, as a result of the tests performed, impairment losses were recognized amounting to 6,825 thousand euros (fully corresponding to the casinos in Lima).

11. INTERESTS IN JOINT OPERATIONS AND JOINTLY CONTROLLED COMPANIES

Jointly controlled companies have been accounted for in the consolidated financial statements using the equity method. However, the Argentinean joint operations (temporary joint venture CBA-CIESA and temporary joint venture CBA-Magic Star), have been accounted for in accordance with Note 2.5.

The information on these companies is detailed in Appendix.

Other relevant information related to the joint operations is detailed in the following table:

	Data affected by % of ownership interest	
(Thousands of euros)	**2017**	**2016**
Non-current assets	7,360	9,578
Current assets	151,291	174,862
Non-current liabilities	(19,760)	(25,441)
Current liabilities	(14,771)	(15,066)
Operating revenues	127,174	110,205
Expenses	(108,016)	(108,041)
Net profit for the year	19,158	2,164

Additionally, at December 31, 2017 the overall amount of assets, operating revenues and profit after tax of the jointly controlled companies amount to 192,390, 192,557 and 18,363 thousand euros, respectively (174,160, 183,447 and 15,528 thousand euros, respectively, at December 31, 2016).

12. INVENTORIES

The breakdown of inventories by category, net of impairment, is as follows:

(Thousands of euros)	**2017**	**2016**
Raw and auxiliary materials	3,888	3,648
Spare parts and other	7,746	6,478
Finished products	689	232
Work in progress	3,353	3,010
Prepayments to suppliers	2,077	1,951
	17,753	**15,319**

Inventories correspond mainly to the manufacture and trade of slot machines carried out by Group companies.

12. INVENTORIES (Continued)

The balance of inventories is shown net of impairment loss. Movements in the impairment loss allowance are as follows:

(Thousands of euros)	2017	2016
Balance at January 1	1,164	1,141
Net charge for the year	747	472
Write-off	(766)	(449)
Balance at December 31	**1,145**	**1,164**

The write-off in 2017 and 2016 corresponds to the destruction of several inventories from the industrial division.

13. CASH AND CASH EQUIVALENTS

For consolidated cash-flow statement purposes, cash and cash equivalents include the following items:

(Thousands of euros)	2017	2016
Cash	15,000	13,722
Current accounts	164,043	154,846
Deposits under 3 months	2,176	5,489
	181,219	**174,057**

These assets are unrestricted and earn market interest rates.

14. EQUITY

14.1 Share capital

At December 31, 2017 and 2016 the Company's share capital consisted of 122,887,121 shares with a par value of 0.20 euros each. All shares bear the same political and economic rights.

The breakdown of the Company's shareholders and their equity interest at December 31 is as follows:

	2017	2016
Nortia Business Corporation, S.L., company belonging to Mr. Manuel Lao Hernández and his family	52.43%	52.43%
Mr. Manuel Lao Hernández	46.65%	46.65%
Treasury shares	0.92%	0.92%
	100.00%	**100.00%**

Part of the Company's shares (26.04% at December 31, 2017 and 2016) and shares of several subsidiaries are pledged in favor of Institut Català de Finances as a guarantee for a loan granted to Nortia Business Corporation S.L., main shareholder of the Company.

14. EQUITY (Continued)

14.2 Treasury shares

At December 31, 2017 and 2016, the Parent Company has 1,131,421 treasury shares at an average cost of 0.1626 each, which are shown reducing the Group's net equity.

14.3 Retained earnings

The balance of this caption includes reserves of the Parent Company, which are non-distributable.

Legal reserve

In accordance with the Spanish Corporate Enterprises Act, Spanish companies obtaining profit will assign 10% of profit to the legal reserve, until its balance is equivalent to at least 20% of share capital. As long as it does not exceed this limit, the legal reserve can only be used to offset losses if no other reserves are available. This reserve can also be used to increase capital by the amount exceeding 10% of the new capital after the increase.

At December 31, 2017 and 2016 the Parent Company's legal reserve amounted to 4,915 thousand euros.

Additionally, the Group Spanish subsidiaries have provided the legal reserves at the amount required by the prevailing legislation.

Treasury shares reserve

As indicated in Note 14.2 above, the Parent Company acquired treasury shares. In accordance with prevailing mercantile legislation, the Group has provided the corresponding non-distributable reserve by the amount of treasury shares, maintained until sold or amortized.

14.4 Non-controlling interests

The balances related to non-controlling interests are as follows:

	Balance in statement of financial position		Share in profit	
(Thousands of euros)	**2017**	**2016**	**2017**	**2016**
Division				
Casinos	145,004	155,602	20,762	19,954
Slots	78,020	82,747	2,092	(1,974)
B2B	3,096	2,801	296	238
Bingos	10,559	9,804	2,535	2,056
	236,679	**250,954**	**25,685**	**20,274**

14. EQUITY (Continued)

The inter-annual variation of balances in the consolidated statement of financial position is as follows:

(Thousands of euros)	2017	2016
Balance at January 1	250,954	246,852
Share in profit for the year	25,685	20,274
Translation differences	(8,340)	(1,823)
Additions for acquisition / creation of companies, changes in consolidation methods or changes in the % of ownership in companies consolidated under the full consolidation method (Note 4.1)	1,117	16,722
Dividends paid	(32,737)	(31,071)
Balance at December 31	**236,679**	**250,954**

15. BONDS

At December 31, 2014 this caption basically referred to the issue of bonds by a group company located in Luxembourg carried out in 2010 and subsequent extensions thereto amounting to a nominal of 900 million euros. These bonds were listed on the Luxembourg Stock Exchange, accruing an annual interest of 8.75% paid every six months, and maturing in 2018. Additionally, in April 2015 the same company domiciled in Luxembourg made an issue for an overall amount of 500 million euros below par, at a 99.211% price. These bonds, which accrue an annual interest of 5.878% paid every six months and mature in 2023, were partially used for early redemption of a portion of the bonds commented above for a par value of 450 million euros.

Notwithstanding the abovementioned, in April 2016, the same company domiciled in Luxembourg made an issue for an overall amount of 450 million euros below par, at a 99.456%. These bonds, which accrue an annual interest of 5.75% paid every six months and mature in 2021, were used for early redemption of the remaining bonds mentioned in the first paragraph above for a par value of 450 million euros.

Consequently, at December 31, 2017 the Group has issued bonds for a par value of 450 million euros maturing in 2021 and bonds for a par value of 500 million euros maturing in 2023.

Contracts subscribed in relation to the bonds issued by the subsidiaries in Luxembourg regulate certain obligations and commitments by the Group, which include, among others, the supply of periodic information, the maintenance of titles of ownership in subsidiaries, the restriction on disposal of significant assets, the compliance with certain debt ratios, the limitation on payment of dividends, the limitation on starting-up new businesses, and the restriction on the Group granting guarantees and endorsements to third parties. The Parent Company's Directors consider that all contractual obligations have been met. The shares of several Group companies have been assigned as security for these liabilities.

At December 31, 2017 the quoted price of the bonds recognized in the liabilities side of the balance sheet maturing in 2021 was 103.78% of their par value (106.25% at 2016 year end) and 104% of their par value for the bonds maturing in 2023 (105.96% in 2016).

16. BANK BORROWINGS

The breakdown of bank borrowings at December 31, 2017 and 2016 is as follows:

	2017			2016		
(Thousands of euros)	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Mortgage and pledge loans	12,271	2,337	14,608	14,716	7,817	22,533
Other loans	21,454	50,372	71,826	55,484	24,172	79,656
Financial lease agreements (Note 20.2)	2,202	3,854	6,056	4,175	4,839	9,014
Credit and discount lines	2,000	12,707	14,707	4,000	12,500	16,500
	37,927	**69,270**	**107,197**	**78,375**	**49,328**	**127,703**

Average interest rates accrued by these borrowings are as follows:

	%	
	2017	**2016**
Loans	2.73%	3.90%
Financial lease agreements	7.39%	7.11%
Credit and discount lines	2.23%	2.66%

The annual maturity date of these liabilities is as follows:

(Thousands of euros)	**2017**	**2016**
Within one year	69,270	49,328
Between one and two years	17,238	51,383
Between two and three years	9,704	13,240
Between three and four years	5,648	6,113
Between four and five years	3,076	3,179
More than five years	2,261	4,460
	107,197	**127,703**

At December 31, 2017 part of these liabilities, equal to 5,947 thousand euros is denominated in U.S. dollars (11,035 thousand euros at December 31, 2016).

At December 31, 2017, the shares of several subsidiaries were pledged in favor of Deutsche Bank London AG as a security for the credit line, whose utilization limit amounted to 75 million euros (75 million euros at December 31, 2016). At December 31, 2017 and 2016 the Group has not drawn down any balance of this credit line.

At December 31, 2017 the undrawn amount of credit and discount lines is 11,135 and 3,601 thousand euros, respectively, without considering the credit line commented in the paragraph above. These figures amounted to 18,086 and 1,721 thousand euros, respectively, at 2016 year end.

Finally, at December 31, 2017 and 2016 the guarantees given by credit institutions and insurance companies to the Group, in connection with official gaming concessions and licenses were 124,453 and 121,451 thousand euros, respectively.

17. OTHER CREDITORS

The breakdown of this caption is as follows:

	2017			2016		
(Thousands of euros)	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Public administrations	25,353	87,945	113,298	38,284	89,256	127,540
Bills payable	730	3,744	4,474	272	2,928	3,200
Sundry creditors	37,487	117,237	154,724	30,157	96,616	126,773
	63,570	**208,926**	**272,496**	**68,713**	**188,800**	**257,513**

At 2017 and 2016 year end the non-current portion of liabilities with Public administrations referred mainly to the effect of the voluntary adherence to the payment standstill in relation to the tax on gross revenues in the Argentinean companies CBA and CBA-CIESA UTE (Note 23). The current portion corresponds to gaming taxes with a short-term maturity (2017: 40,568 thousand euros, 2016: 39,036 thousand euros), personal income tax, VAT, social security contributions and similar concepts pending to be filed.

Bills payable correspond mainly to debts arising from the acquisition of companies and operations of slot machines with deferred payment, discounted at market interest rate.

The caption *Non-current sundry creditors* mainly includes:

- Asset suppliers amounting to 6,994 thousand euros (5,754 thousand euros at prior year end).
- Non-current payable amount related to certain investments in Panama. At December 2017 the company paid the last installment of the debt incurred in January 2014 and that matured on that date, although there is a payable balance related to an investment agreement amounting to 6,075 thousand euros. The debt derived from this investment will be settled through 239 equal monthly instalments of 71 thousand dollars, including interest, the first payment being in February 2018 until February 2038.

  At December 31, 2017 the payable amount classified as non-current amounts to 5,669 thousand euros.
- Several payables for ordinary transactions amounting to 12,763 thousand euros, with an undetermined maturity (12,674 thousand euros at prior year end).
- Non-current payable amount related to the acquisition of companies in Peru and Spain at year end amounting to 7,530 thousand euros and 1,841 thousand euros, respectively.

The caption *Current sundry creditors* mainly includes:

- Asset suppliers amounting to 30,063 thousand euros (28,670 thousand euros at prior year end).
- Payables for the rendering of services amounting to 22,982 thousand euros (21,443 thousand euros at December 31, 2016).
- Current borrowings amounting to 18,076 thousand euros (4,048 thousand euros at prior year end), notably including the payable portion in 2018 for the investments in Peru and Spain mentioned above.
- Employee benefits payable amounting to 33,280 thousand euros (2016: 33,377 thousand euros) (Note 21.1).

18. PROVISIONS

The breakdown of this caption is as follows:

(Thousands of euros)	2017	2016
Obligations in relation to employees	11,041	9,172
Tax contingencies	4,208	10,111
Other	3,147	3,748
Balance at December 31	**18,396**	**23,031**

The amount recognized in *Obligations in relation to employees* mainly consists of probable contingencies with the personnel in Italy, the bonus plan for the Group's executives, and retirement incentives.

The amount recognized at December 31, 2017 as "Tax contingencies" mainly relates to certain liabilities in Mexico amounting to 2,904 thousand euros (2016: 3,155 and 5,921 thousand euros in Mexico and Panama at prior year end).

At December 31, 2017 and 2016 the amount shown under the caption *Others* mainly consisted of provisions for several risks, fines and labor trials that are individually irrelevant.

The inter-annual variation of the balance is as follows:

(Thousands of euros)	2017	2016
Balance at January 1	23,031	28,842
Net charge for the year	9,694	6,439
Provisions utilized	(13,022)	(5,353)
Reclassifications to short term	—	(6,897)
Additions due to sale of companies	30	—
Exchange gains (losses)	(1,337)	—
Balance at December 31	**18,396**	**23,031**

19. TAXES

19.1 Tax Group

The Parent Company, together with 72 Spanish group companies, which comply with tax legislation requirements, files tax returns on a consolidated basis. Additionally, there is another Spanish consolidated tax group in Spain, comprising 7 companies, of which the subsidiary Orlando Play, S.A. is the parent.

The other Group companies file income tax returns separately in accordance with applicable tax legislation.

19. TAXES (Continued)

19.2 Accrued and payable income tax

The income tax expense in the consolidated statement of comprehensive income is broken down as follows:

(Thousands of euros)	2017	2016
Current	57,124	36,528
Deferred for (increase) decrease in tax loss carryforwards capitalized and tax credits	215	10,154
Deferred for temporary differences	4,194	7,470
Adjustment in the Mexican income tax for the prior year	—	295
Other	318	(2,191)
	61,851	**52,256**

The breakdown of current income tax payable is as follows:

(Thousands of euros)	2017	2016
Current income tax	57,124	36,528
Withholdings and payments on account	(41,815)	(22,881)
	15,309	**13,647**

19.3 Analysis of income tax expense

(Thousands of euros)	2017	2016
Profit before tax	158,364	75,794
Tax rate prevailing in Spain	25%	25%
Theoretical income tax expense	39,591	18,949
Adjustments—Effect of:		
Different tax rates prevailing in other countries	14,178	7,371
Changes in the general tax rate in Spain (Note 19.4)	—	12
Countries with no income taxation and/or compensation of tax losses	(882)	(850)
Impairment losses on assets and goodwill solely for consolidation purposes	2,520	3,960
Cancelled (recognized) prior years' deferred tax assets from the tax group whose parent is Cirsa Gaming Corporation, S.A.	—	8,973
Utilization of uncapitalized tax credits and deductions in prior years	(3,953)	(2,080)
Translation differences deductible / taxable for tax purposes	—	1,698
Revaluation of previous investments in business combinations	—	1,590
Limitation on the deductibility of financial expenses in Spanish companies that will not be recovered	2,687	6,876
Other non-deductible expenses and other	7,710	5,757
	61,851	**52,256**

At December 31, 2017 and 2016 the effect of corrections in different tax rates mainly corresponds to the higher taxes applied in Argentina, Mexico and Colombia.

19. TAXES (Continued)

In 2016 deferred tax assets arisen in prior years in the tax consolidated Group, of which Cirsa Gaming Corporation, S.A. is the parent, were derecognized or accrued for for an amount below 9 million euros as a result of the approval of Royal Decree Law 3/2016, which restricted, among others, the utilization of future taxable profit to 25%, thus mitigating all improvements and increases expected in the future cash flows of the tax consolidation group.

The impact of assets impairment merely for consolidation purposes basically relates to the prevailing tax rate applicable to the impairment of goodwill and other assets in Spain amounting to 10 million euros (15.8 million euros at December 31, 2016).

At December 31, 2017 and 2016 non-deductible expenses mainly consist of financial investment impairment allowances carried out by subsidiaries in Latin American countries.

19.4 Deferred tax assets and liabilities

(Thousands of euros)	2017	2016
Assets		
Tax loss carryforwards from the tax group whose parent is Cirsa Gaming Corporation	28,272	29,210
Tax loss carryforwards from the tax group whose parent is Orlando Play, S.A.	606	884
Tax loss carryforwards from other group companies	8,274	15,960
Deductible temporary differences:		
—Impaired receivables	575	818
—Impaired securities portfolio	2	2
—Goodwill impaired in individual books	737	980
—Intragroup margin write-off	5,189	5,759
—Non-accounting impairment for tax purposes	4,131	6,970
—Non-deductible amortization for accounting purposes	1,206	1,967
—Other	7,548	13,238
	56,540	**75,788**
Liabilities		
Taxable temporary differences:		
—Provision for maximum gaming prizes	(7,803)	(8,878)
—Difference between tax depreciation and accounting depreciation	(511)	(582)
—Non-accounting impairment for tax purposes	(5,683)	(8,461)
—Margin write-offs	(2,297)	(2,330)
—Business combinations (Initial statement of non-current assets at fair value)	(96,041)	(105,721)
—Other	(8,886)	(4,668)
	(121,221)	**(130,640)**

The Group estimates the taxable profits which it expects to obtain within the utilization period based on budgeted projections. It also analyzes the reversal period of taxable temporary differences, identifying those that reverse in the years in which unused tax loss carryforwards may be used, considering the application of the Royal Decree-Law mentioned above. Based on this analysis, the Group has recorded deferred tax assets for unused tax loss carryforwards as well as deductions pending application and deductible temporary differences for which it is considered probable that sufficient taxable profit will be generated in the future against which they can be utilized within a reasonable period of time.

19. TAXES (Continued)

The breakdown of unused tax losses carryforwards at December 31, 2017 for the two tax groups whose parent companies are, respectively, the Parent Company and the subsidiary Orlando Play, S.A., is as follows:

(Thousands of euros) Arising in	Taxable basis	
	Tax group whose parent is the Parent Company	Tax group whose parent is Orlando Play, S.A.
1999	410	—
2000	272	—
2001	10,342	—
2002	1,889	—
2003	9,812	—
2004	13,853	—
2005	34,278	—
2006	2,064	937
2007	14,265	396
2008	1,891	372
2009	9,862	1,319
2010	17,349	—
2011	40,181	—
2012	11,656	—
2013	3,430	—
2014	25,886	—
2015	229	1,787
2016	111	908
2017	—	—

Tax group whose parent is the Company

At December 31, 2017 and 2016 the said tax group recognized deferred tax assets amounting to 28,272 and 29,210 thousand euros, respectively, relating to unused tax loss carryforwards of the tax group. No deferred tax assets were recorded for the rest of unused tax losses carryforwards (which at December 31, 2017 amount to 21,173 thousand euros; 23,050 thousand euros at December 31, 2016), since their future application is uncertain within a reasonable period of time.

In addition to tax loss carryforwards, the tax group whose parent is the Parent Company holds additional tax credits amounting to 55,463 thousand euros at December 31, 2017 (2016:

19. TAXES (Continued)

55,613 thousand euros), for unused tax deductions that were not capitalized for not having met the terms to be used.

(Thousands of euros) Last year for utilization	Unused deductions at December 31, 2017
2016	1,876
2017	1,035
2018	3,521
2019	2,677
2020	6,591
2021	865
2022	904
2023	1,290
2024	1,096
2025	503
2026	1,765
2027	771
2028	255
2029	284
2030	268
2031	228
2032	188
2033	192
No time limit for their utilization	31,152

Tax group whose parent is Orlando Play, S.A.

In 2010 the tax group whose parent is Orlando Play, S.A. was constituted.

At December 31, 2017 the Group had recognized deferred tax assets amounting to 606 thousand euros (884 thousand euros at prior year end) corresponding to unused tax loss carryforwards.

Additionally, the said tax group has deferred tax assets related to unused tax loss carryforwards and unused tax credits amounting to 756 and 760 thousand euros, respectively (546 and 734 thousand euros, respectively, in the prior year) for which the deferred tax assets have not been recognized, since the requirements established by the applicable framework for financial information are not met.

19.5 Other tax information

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the inspection period has expired. At December 31, 2017 Spanish companies (which mostly file taxes under a consolidated tax group) were open to inspection for all taxes to which they are liable for the last four years. Note 30 "Events after the balance sheet date" provides further information on this matter. In general, the prescription periods for countries where the

19. TAXES (Continued)

Group has significant presence are between four and five years after the end of the statutory period for filing tax returns.

20. LEASES

20.1 Operating leases

The Group has leases on several buildings for an average term between three and five years, with no renewal clauses.

The future minimum payments under non-cancellable operating leases at December 31 are as follows:

(Thousands of euros)	2017	2016
Within one year	81,354	74,476
Between one and five years	350,565	320,928
More than 5 years	94,312	86,338
	526,231	**481,742**

20.2 Finance leases

The Group has financed several acquisitions of property, plant and equipment (mainly slot machines) through financial lease agreements. The future minimum payments under financial leases and their present value are as follows:

	2017		2016	
(Thousands of euros)	Minimum payments	Present value of payments (Note 16)	Minimum payments	Present value of payments (Note 16)
Within one year	4,818	3,854	6,048	4,839
Between one and five years	3,457	2,202	6,554	4,175
	8,275	**6,056**	**12,602**	**9,014**

Acquisition of property, plant and equipment through financial lease agreements, not recorded as cash flows in investing activities in the consolidated statements of cash flows, amounted to 3,062 thousand euros in 2017 and 5,449 thousand euros in 2016.

21. INCOME AND EXPENSES

21.1 Personnel

(Thousands of euros)	2017	2016
Wages and salaries	235,762	219,013
Social security	57,518	53,025
Indemnities	5,699	5,721
Other personnel expenses	13,668	13,251
	312,647	**291,010**

Remunerations pending payment at year end of 2017 and 2016 (33,280 and 33,377 thousand euros, respectively) are recognized in the caption *Other creditors* (Note 17).

The breakdown of the average headcount by professional category and gender is as follows:

	2017			Average number of employees with a disability greater than 33% over total headcount in the year
	Men	Women	Total	
Executives	397	113	510	2
Technicians, production and sales staff	6,941	6,041	12,982	33
Administrative personnel	1,166	1,003	2,169	16
	8,504	**7,157**	**15,661**	**51**

	2016			Average number of employees with a disability greater than 33% over total headcount in the year
	Men	Women	Total	
Executives	373	138	511	2
Technicians, production and sales staff	7,092	5,395	12,487	58
Administrative personnel	932	755	1,687	23
	8,397	**6,288**	**14,685**	**83**

The headcount at December 31, 2017 and 2016 by category and gender does not significantly differ from the breakdown shown in the table above regarding the average headcount for those years.

21. INCOME AND EXPENSES (Continued)

21.2 Supplies and external services

(Thousands of euros)	2017	2016
Rent and royalties	87,443	83,397
Advertising, promotion and public relations	47,400	45,912
Professional services	26,328	22,937
Sundry services	18,482	19,053
Supplies	32,462	29,371
Travel expenses	11,872	12,801
Repair and maintenance	23,932	22,991
Security	10,744	9,227
Postal services, communications and telephone	10,474	10,507
Insurance premiums	5,805	5,747
Cleaning services	8,377	7,957
Bank services and similar	9,725	8,006
Transportation	3,100	3,069
Research and development expenses (Note 6.2)	41	103
	296,185	**281,078**

21.3 Exchange gains/(losses)

(Thousands of euros)	2017	2016
Gains	42,298	19,127
Losses	(40,617)	(20,656)
	1,681	**(1,529)**

Net exchange gains/(losses) from translation of financial balances in foreign currency between Group companies are recognized in *Translation differences*, as a component that decreases the shareholders' equity at December 31, 2017 by 8,513 thousand euros (2016: it decreased the shareholders' equity by 6,793 thousand euros), since they are considered as exchange gains/(losses) arising from monetary components of a net investment in a foreign business.

22. RELATED PARTIES

The Group conducts several trade and financial transactions with its main shareholder Nortia Business Corporation, S.L., and its subsidiaries, which are broken down as follows:

(Thousands of euros)	2017	2016
Sale of slot machines	16	75
Revenues from the rendering of services	1,095	1,051
Operating expenses	(10,404)	(10,316)
Interest income	2,103	3,236
Interest expenses	(8)	(134)

22. RELATED PARTIES (Continued)

Transactions with related entities correspond to Group normal trading activity and are carried out at market prices in a manner similar to transactions with unrelated parties.

Accounts receivable derived from these transactions at year end are described in Note 9.

Accounts payable from trade transactions amount to 791 and 1,108 thousand euros at December 31, 2017 and 2016, respectively, and are included in *Trade Payables*.

23. CONTINGENCIES

Argentina

In October 1999, an Argentinean group company opened a floating casino in waters of Río de la Plata on the basis of an official license granted by the Federal Authorities. The Government of the Autonomous City of Buenos Aires (GCABA) challenged the competence of the Federal Authorities ("Lotería Nacional, SE") in gaming matters. In particular, it claimed that gaming activities fell under its jurisdiction in the City of Buenos Aires, and hence, raised objections against the license granted to the subsidiary Casino Buenos Aires, S.A. (CBA).

These circumstances led to a co-participation agreement for gaming matters that was signed between the Federal Authorities (LNSE) and the Government of the Autonomous City of Buenos Aires. Conveniently, this agreement was ratified by Decree 1155/2003 of PEN, dated December 1, 2003 (B.O. 02/12/2003) and Law 1,182 of the Legislation of the Government of the Autonomous City of Buenos Aires, dated November 13, 2003 (BOCBA 01/12/2003). The agreement matured four years after, but it was renewed since there was a clause that stated that if neither party—the City or the State- notified the other to the contrary, it would be renewed automatically for four more years.

Despite the abovementioned agreement, the Government of the Autonomous City of Buenos Aires continued to request CBA to pay the tax on gross revenues from the activity carried out by the Group since 1999 as operator of an Argentinean floating casino in waters of Río de la Plata. This fact prompted CBA to request precautionary measures against the Government of the Autonomous City of Buenos Aires to stop the latter from conducting any action to collect taxes on gross revenues derived from the floating casino's turnover. The last precautionary measures requested by CBA were accepted by the Federal Authorities in November 2011. The Government of the Autonomous City of Buenos Aires lodged an appeal against the abovementioned precautionary measures.

Subsequently, on November 1, 2013, the GCABA summoned the blocks of Buenos Aires legislation to find a way to start receiving the said tax on gross revenues. On December 4, 2013 the LNSE and the GCABA signed an addendum to the agreement (hereinafter "the addendum"). Among others, the addendum established that the CBA would pay a special monthly supplementary charge of 3% (three per cent) over the income from slot machines and casino card games after certain deductions (rather than over gross revenues). In accordance with the addendum, the special charge started to accrue as of January 1, 2014, payable in monthly instalments in the following month, and the payment was subject to compliance with certain conditions, which most notably include:

- The receipt of the abovementioned charge entailed the extinguishment of the claims or credits related to the payment of the tax on gross revenues by the GCABA.

23. CONTINGENCIES (Continued)

- CBA reserves the inalienable and irrevocable right to render ineffective and automatically interrupt the payment of such special supplementary charge should the GCABA intend to claim the payment of the tax on gross revenues.

Although the addendum was pending final approval by the National Executive Authority, on December 15, 2014 the Group paid an amount of 23.4 million pesos to the LNSE. Additionally, from January to April 2015 it paid approximately 8.4 million pesos.

Despite the addendum, on May 22, 2015 the GCBA notified the LNSE of the intention of not extending the agreement. In light of this, CBA notified the LNSE of the decision to discontinue the payment of the special charge and compensate the balances paid from January 2014 to April 2015, which was resolved favorably by the LNSE on July 1, 2015.

On June 2, 2016 Decree 743/16 was enacted, whereby the members designated by the LNSE are instructed to agree within 120 days on a work schedule, together with the members designated by the Gaming Institute of Buenos Aires, to enhance the competences assumed in this matter by the City of Buenos Aires. Consequently, and in accordance with said Decree, the authority responsible for awarding the concession, LNSE, required CBA-CIESA UTE to pay the tax on gross revenues derived from the gaming operation at a 12% rate and to adjust the non-expired periods, under written warning of terminating the concession.

Considering the new legal framework, on October 21, 2016, within the framework of Law Nº 27.260 exceptional regulations, the Committee of CBA-CIESA UTE resolved to voluntarily adhere to a payment standstill for the periods 2007 to April 2016, owing an amount of 733,184 thousand Argentinean pesos and compensatory interest on the amount payable of 243,177 thousand Argentinean pesos.

Additionally, CBA Management resolved to voluntarily adhere to a payment standstill for the periods 1999 to 2007, owing an amount of 91,582 thousand Argentinean pesos and compensatory interest on the amount payable of 68,686 thousand Argentinean pesos.

At the date of adherence the amount payable and compensatory interest must be cancelled in 90 instalments at a monthly interest rate of 1.8%, after paying 15% as a principal advance.

At December 31, 2017, in accordance with the adherence to the payment standstill and the corresponding debt acknowledgment mentioned above, 2,844 and 25,640 thousand euros have been recorded as current and non-current liabilities in the "Other creditors" caption (2,023 and 30,943 thousand euros at December 31, 2016).

With the adherence to this payment standstill all prior obligations related to the tax on gross revenues are extinguished, and no future claims regarding those periods can be lodged by GCABA and LNSE.

Other

The Group has litigation proceedings, claims and other administrative procedures underway as a result of the normal course of business in the countries where it carries out its activity. However, the Group does not expect that any unprovisioned significant liabilities will arise as a result of the above proceedings.

24. INFORMATION ON ENVIRONMENTAL ISSUES

Given the activities and features of the Group, neither capital expenditures nor expenses took place in connection with the prevention, reduction or damage repair of environmental matters

25. AUDIT FEES

Fees and expenses referred to the audit of the 2017 financial statements of the Group's companies rendered by the main auditors and other firms belonging to the auditor's international network amounted to 1,356 thousand euros in 2017 and 1,492 thousand euros in 2016.

In addition, fees and expenses paid during the year corresponding to other services rendered by the main auditors or other related entities amounted to 65 thousand euros in 2017 and 190 thousand euros in 2016.

26. DIRECTORS AND SENIOR EXECUTIVES

The breakdown of the remuneration earned by members of the Company's Board of Directors and senior executives is as follows:

(Thousands of euros)	2017	2016
Directors		
Salaries	1,514	1,164
Senior executives		
Salaries	5,500	5,200
	7,014	**6,364**

At December 31, 2017 debit balances in current accounts with the Parent Company's Directors were recorded for an overall amount of 1,861 thousand euros. (2016: 1,786 thousand euros). These accounts accrued an annual interest of 4.25%.

The Group companies have no pension plans, life insurance policies or dismissal indemnities for former or current members of the Board of Directors and senior executives of the Company.

Pursuant to article 229 of the Spanish Corporate Enterprises Act, the Directors have informed the Company that there are no situations representing a conflict for the Group.

During 2017 directors' liability insurance premiums for damages arising in the performance of the directors' duties have been paid for an amount of 140 thousand euros.

27. OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT

The Group is exposed to credit risk, interest risk, exchange risk and liquidity risk during the normal development of its activities.

The Group's main financial instruments include bonds, bank loans, credit and discount lines, financing obtained through the deferral of gaming taxes, financial leases, deferred payments for purchase of businesses, and cash and current deposits.

The Group's policy establishes that no trading in derivatives (exchange rates insurance) to manage exchange rate risks arising from certain fund sources in U.S. dollars will be undertaken. The Group does not use financial derivatives to cover fluctuations in interest rates, either.

27. OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Continued)

27.1 Credit risk

Most of the operations carried out by the Group are in cash. For receivables from other activities, the Group has established a credit policy and risk exposure in collection is managed in the ordinary course of business. Credit assessments are carried out for all customers who require a limit higher than 60 thousand euros.

Guarantees on loans and the credit risk exposure are shown in Note 9.

27.2 Interest rate risk

External finance is mainly based on the issuance of corporate bonds at fixed interest rate. Bank borrowings (credit policies, trading discounts, financial lease agreements) as well as deferred payments with public administrations and other long-term non-trade debts have a variable interest rate that is reviewed annually. Previous Notes show interest rates of debt instruments.

The breakdown of liabilities that accrue interests at 2017 and 2016 year end is as follows:

	2017		2016	
(Thousands of euros)	Fixed interest rate	Floating interest rate	Fixed interest rate	Floating interest rate
Bonds	943,151	—	940,044	—
Bank borrowings	—	107,196	—	127,702
Other creditors	—	80,961	—	71,064
	943,151	**188,157**	**940,044**	**198,766**

At December 31, 2017 financial liabilities at a fixed interest rate represented 83% of total liabilities (83% at 2016 year end). In this regard, the Group's sensitivity to fluctuations in interest rates is low: a variation of 100 basis points in floating rates would lead to a change in the result amounting to 1,882 thousand euros in 2017 and 1,988 thousand euros in 2016.

The Group estimates that fair value of the financial liabilities' instruments does not differ significantly from the accounted amounts, except for that indicated in Note 15.

The breakdown of assets that accrue interests at 2017 and 2016 year end is as follows:

	2017		2016	
(Thousands of euros)	Fixed interest rate	Floating interest rate	Fixed interest rate	Floating interest rate
Nortia Business Corporation, S.L.	74,809	—	71,863	—
Loans to jointly-controlled companies and associates	9,386	610	8,216	1,164
Loans to third parties	6,312	19,881	7,730	20,343
Deposits and guarantees	53,035	—	50,458	—
Fixed-income securities and deposits	14,413	—	22,941	—
	157,955	**20,491**	**161,208**	**21,507**

27. OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Continued)

The Group estimates that the fair value of the assets' financial instruments does not differ significantly from the net book value.

27.3 Foreign currency risk

The Group is exposed to foreign currency risk in businesses located in Latin America, mainly in Argentina, which affect significantly revenues and expenses, Group results and the value of certain assets and liabilities in currencies other than the euro. It is also affected to a lesser extent by granted and received loans. Currencies that basically generate exchange risks are the Argentinean peso and the US dollar.

In order to reduce risks, the Group conducts policies aimed to keep balanced collection and payments in cash of assets and liabilities in foreign currency.

The following study on sensitivity shows the foreign currency risk:

- Sensitivity of the profit for the year before tax against fluctuations of the exchange rate US dollar/ euro

	Thousands of euros	
Variation	2017	2016
+10%	(5,256)	(4,545)
+5%	(2,753)	(2,381)
−5%	3,043	2,632
−10%	6,423	5,556

- Sensitivity of the profit for the year before tax against fluctuations of the exchange rate Argentinean peso/euro

	Thousands of euros	
Variation	2017	2016
+10%	(4,321)	(678)
+5%	(1,799)	(20)
−5%	4,040	1,504
−10%	7,447	2,393

These variations correspond basically to the impact on operating magnitudes, and not on financial figures, since approximately 95% of Group financial liabilities are paid in euros (94% at December 31, 2016).

27.4 Liquidity risk

The exposure to unfavorable situations of debt markets can make difficult or prevent from hedging the financial needs required for the appropriate development of Group activities.

27. OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Continued)

At December 31, 2017, the Group shows positive working capital (positive working capital in 2016). This should be read within the context of the Group's activities, which are mostly based on revenues that generate cash every day, resulting in very high cash flows from operations, as observed in the consolidated statement of cash flows. Additionally, the Group obtains very high EBITDA, as shown in the consolidated statement of comprehensive income, which allows it to face debt service without cash difficulties.

Additionally, to manage liquidity risk, the Group applies different measures:

- Diversification of financing sources through the access to different banking and capital markets. In this regard, the Group has an additional borrowing capacity (see data in Note 16).
- Credit facilities committed for the sufficient amount and flexibility. Accordingly, the Group has available cash and cash equivalents amounting to 181 million euros at December 31, 2017 (2016: 174 million euros), to meet unexpected payments.
- The length and repayment schedule for financing through debt is established based on the financed needs.

In this regard, the Group's liquidity police ensure to meet its payment obligations without requiring the access to funds in costly terms.

Additionally, it is noteworthy that both at Group and individual business level, the Group performs projections regularly on the generation and expected cash needs, in order to determine and monitor the Group's liquidity position.

The relevant information on the maturity dates of financial liabilities based on contractual terms is broken down in Notes 15, 16 and 17.

28. CAPITAL MANAGEMENT POLICY

The main objectives of the Group's capital management are to ensure financial stability in the short and long term, appropriate return rates, increased business value and ensure proper and adequate financing of investments and projects to be conducted in a framework of controlled expansion.

The Group's strategy, both in 2017 and 2016, is to enhance the more profitable business and to act decisively on the deficit operations, to significantly improve the results and net cash flows. Control of investments and costs restraint have also been established as a priority action, with satisfactory results.

As stated in Note 15, the contracts entered into in relation to corporate bonds issued include limitations on the payment of dividends. The Company does not intend to distribute dividends in the short to medium term given that the Group policy is not to distribute dividends.

29. INFORMATION ON THE AVERAGE PAYMENT PERIOD TO SUPPLIERS. ADDITIONAL PROVISION THREE "DISCLOSURE REQUIREMENT" OF LAW 15/2010, OF JULY 5

The information on the average payment period to suppliers is as follows:

	2017	2016
(Days)		
Average payment period to suppliers	22.3	23.3
Ratio of transactions paid	19.8	19.4
Ratio of transactions pending payment	2.5	3.9
(Thousands of euros)		
Total payments made	569,534	481,971
Total payments outstanding	43,501	49,523

30. EVENTS AFTER THE BALANCE SHEET DATE

On March 7, 2018 the Group was notified of the start of general verification and inspection proceedings regarding the corporate income tax for the years 2013 to 2016 of the 26/94 tax consolidation group and, on a separate basis, of the companies Cirsa Gaming Corporation, S.A., Cirsa International Gaming Corporation, S.A., Global Game Machine Corporation, S.A., Juegomatic, S.A., Uniplay, S.L. and Universal de Desarrollos Electrónicos, S.A.

On the same date, the Group was also notified of the start of partial verification and inspection proceedings regarding the Value Added Tax, of the group of entities included in the regime of entities for that tax, for the periods comprised between February 2014 and December 2016. Additionally, for these companies, the Group was also notified of the start of general verification proceedings, for the periods comprised between February 2014 and December 2016, regarding the following concepts:

- Value Added Tax (for the periods when the companies were not included in the group of entities)
- Withholdings/prepayments on employee/independent professionals income tax.

31. ADDITIONAL NOTE FOR ENGLISH TRANSLATION

These consolidated financial statements were originally prepared in Spanish. In the event of discrepancy, the Spanish-language version prevails.

These financial statements are presented on the basis of the International Financial Reporting Standards adopted by the European Union which for the purposes of the Group are not different from those issued by the International Accounting Standards Board (IASB). Consequently, certain accounting practices applied by the Group might not conform with generally accepted principles in other countries.

Cirsa Gaming Corporation group

Management Report

Year ended December 31, 2017

Despite the complex economic situation, and the depreciation of some currencies of Latin American countries (Argentinean pesos) in which the Group carries out a significant part of its activity, the Group's operating revenues (net of variable rent) have increased by 103,333 thousand euros (+6.4%) during the twelve months of 2017.

EBITDA amounts to 427,019 thousand euros, compared to 398,269 thousand euros in the prior year, which represents a 7.2% increase (+28,750 thousand euros) mainly due to the improvement in the way the Group has managed its business, focusing on achieving profitable growth and consolidating its already existing business activities. In particular, we highlight the performance of the activities in Latin America.

In order to maintain the Group's position of leadership at a domestic level and offer a larger range of products in traditional sectors and in those related to new technologies, the Group has continued, as in previous years, to invest significant level of resources in research and development. This year the total amount allocated for projects carried out by the Group's Research and Development department amounted to 3,043 thousand euros.

The Group's strategy for the future is focused on three objectives:

- to continue to increase EBITDA through cost improvement and management of the mix of revenues.
- productivity programs applied in all the businesses and countries.
- selectively chosen investments, analyzed and conducted strictly.

On May 28, 2004, the parent Company acquired 2.47% of its shares at an acquisition cost of 31,007 thousand euros. On July 13, 2007, the Company transferred 1.55% of its treasury stock to Nortia Business Corporation, S.L. as a consideration for the acquisition of a bunch of slot machine operators. The remaining shares (0.92%) are being held in the treasury stock portfolio.

The Group has not recognized any derivatives or financial instruments in its financial statements that would be significant for measuring its assets, liabilities, financial situation or results.

On March 7, 2018 the Group was notified of the start of general verification and inspection proceedings regarding the corporate income tax for the years 2013 to 2016 of the tax consolidation group and several separate companies. On the same date, the Group was also notified of the start of partial verification and inspection proceedings regarding the Value Added Tax, of the group of entities included in the regime of entities for that tax, for the periods comprised between February 2014 and December 2016, as well as general verification proceedings for the periods comprised between February 2014 and December 2016, for the following concepts:

- Value Added Tax (for the periods when the companies were not included in the group of entities).
- Withholdings/prepayments on employee/independent professionals income tax.

The undersigned, whose positions are indicated under their names, hereby CERTIFY on page number 3292170 the accuracy and integrity of the financial statements and management report for the year ended December 31, 2017 of CIRSA GAMING CORPORATION GROUP, which have been

drawn up on xx two-sided sheets of government-issued stamped paper class 8, N series, sequentially numbered from 3292129 to 3292169.

Terrassa, March 20, 2018

Manuel Lao Hernández *Chairman*	Manuel Lao Gorina *Vice-chairman*	Mª Ester Lao Gorina *Secretary*

List of subsidiaries

Company	Activity	Percentage of ownership 2017	Percentage of ownership 2016	Investment holder	Business address
Administradores De Personal En Entretenimiento, SA de CV	Bingos	100.00%	100.00%	Bincamex, S.A. de CV.	Bosque de Duraznos, 61 3B
Ajar, S.A.	Bingos	75.00%	75.00%	Global Bingo Corporation, S.A.U.	Av. Muñoz Vargas, 18
Alfematic, S.A.	Slots	50.00%	50.00%	Cirsa Slot Corporation, S.A.U.	Ctra. Rellinars, 345
Amical Trading, S.L.	Slots	76.76%	76.76%	Global Game Machine Corporation, S.A.U.	C/ Pi i Margall, 201
Ancon Entertainment, INC.	Casinos	50.00%	50.00%	Cirsa International Gaming Corporation, S.A.U.	Calle 50 y 73 Este San Francisco
Apple Games 2000, S.L.	Slots	49.50%	49.50%	Egartronic, S.A.	Sequia de Favara, 11
Apuestas Electrónicas, S.L.U.	Slots	51.00%	51.00%	Comercial de Recreativos Salamanca, S.A.U.	C/ del Toros, 3
Automáticos Essan, S.A.U.	Slots	100.00%	—	Recreativos Ergosa, S.L.U.	Ctra. de Castellar, 298
Automáticos Manchegos, S.L.U.	Slots	51.00%	51.00%	Interservi, S.A.	Crta. Nacional 420, km 286
Automaticos Maxorata, S.A.	Slots	55.00%	55.00%	Comercial Jupama, S.A.	c/ Suarez Naranjo, 45
Automáticos Siglo XXI, S.L.U.	Slots	—	100.00%	Juegomatic, S.A.U.	Martillo, 26
Bar Juegos, S.L.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U. y Madrileña de Servicios para el Bingo, S.L.U.	Fermina Sevillano, 5-7
Barnaplay, S.A.U.	Slots	100.00%	—	Miky, S.L.	Paseo Maragall, 103-105
Bema—Euromatic, S.A.	Slots	60.71%	60.71%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Binale, S.A.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U. y Global Bingo Madrid, S.A.U	General Ricardos, 176
Bincamex, S.A. de C.V.	Bingos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Cantú, 9 - 601. Colonia Nueva Anzures
Bincano, S.A.U.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U.	Elcano, 30-32
Bingames, S.A.U	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U.	Crta. Castellar, 298
Bingaser, A.I.E.	Bingos	100.00%	100.00%	Varios	Fermina Sevillano, 5-7
Bingo Santven, S.A.U.	Bingos	100.00%	—	Global Bingo Corporation, S.A.U.	Ctra. N-340 Km. 1189
Bingos Andaluces, S.A.	Bingos	50.00%	50.00%	Global Bingo Corporation, S.A.U.	Asunción, 3
Bingos Benidorm, S.A.	Bingos	50.00%	50.00%	Global Bingo Corporation, S.A.U.	Plaza Doctor Fleming, s/n
Bingos de Madrid Reunidos, S.A.U.	Bingos	100.00%	100.00%	Cirsa Gaming Corporation, S.A.	Fermina Sevillano, 5-7
Bingos Electronicos De Panamá, S.A.U.	Casinos	100.00%	100.00%	Gaming & Services De Panamá, S.A.U.	Calle 50 y 73 Este San Francisco
Binred Madrid, S.A.U.	Bingos	—	100.00%	Sala Versalles, S.A.	C/ Bravo Murilo, 309
Bumex Land, S.L.U.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U.	Elcano, 30-32
Caballo 5, S.L.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Casino Buenos Aires, S.A.	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U. y Gestión de Juego Integral, S.A.U.	Avda. Elvira Rawson de Dellepiane, s/n
Casino Cirsa Valencia, S.A.U.	Casinos	100.00%	100.00%	Global Casino Technology Corporation, S.A.U.	Avda. de las Cortes Valencianas, 59
Casino de Rosario, S.A.	Casinos	50.00%	50.00%	Casino Buenos Aires, S.A.	C/Córdoba, 1365,Piso 5 of. 508

Company	Activity	Percentage of ownership 2017	Percentage of ownership 2016	Investment holder	Business address
Casino El Cacique, S.A.U.	Casinos	100.00%	100.00%	Grupo Cirsa De Costa Rica, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Casino Nueva Andalucía Marbella, S.A.U.	Casinos	100.00%	100.00%	Global Casino Technology Corporation, S.A.U.	Ctra. Cádiz-Málaga Km. 180
Casinos Pájaro Trueno, S.A.U.	Casinos	100.00%	100.00%	Grupo Cirsa De Costa Rica, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Cirsa+, S.R.L.	Slots	51.00%	51.00%	Cirsagest, S.P.A.U.	Via Toscana, 31
Cirsa Brasil Participaçoes, LTDA.	Casinos	100.00%	—	Cirsa International Gaming Corporation, S.A.U.	Rua Gertrudes de Lima, n° 53— Sala 42 Centro
Cirsaecuador, S.A.U.	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Inglaterra E3263 y Ava. Amazonas
Cirsa Amusement France, S.A.U.	Slots	—	100.00%	Cirsa Slot Corporation, S.L.U.	10 Impasse Leonce Couture
Cirsa Caribe, C.A.	Casinos	70.00%	70.00%	Cirsa Venezuela, C.A.U.	Avda. 4 de Mayo. Centro Comercial. Local 41
Cirsa Estrellas del Caribe, S.A.U.	Casinos	100.00%	100.00%	Grupo Cirsa De Costa Rica, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Cirsa Funding Luxembourg, S.A.U.	Structure	100.00%	100.00%	Cirsa Gaming Corporation, S.A.	Rue Charles Martel, 58
Cirsa Gran Entretenimiento De Costa Rica, S.A.U.	Casinos	100.00%	100.00%	Grupo Cirsa De Costa Rica, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Cirsa Insular, C.A.U.	Casinos	—	100.00%	Cirsa Venezuela, C.A.U.	Estado de Nueva Esparta (Porlamar)
Cirsa Interactive Corporation, S.L.U.	B2B	100.00%	100.00%	Cirsa Gaming Corporation, S.A.	Ctra. Castellar, 298
Cirsa International Gaming Corporation, S.A.U.	Casinos	100.00%	100.00%	Cirsa Gaming Corporation, S.A.	Ctra. Castellar, 298
Cirsa Italia Holding, S.p.A.U.	Slots	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Centro Direzionale Milanofiori, Strada 2
Cirsa Italia, S.p.A.U.	Slots	100.00%	100.00%	Cirsa Italia Holding, S.p.A.U.	Centro Direzionale Milanofiori, Strada 2
Cirsa Panamá, S.A.U.	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Via Domingo Díaz
Cirsa Servicios Corporativos, S.L.U.	Structure	100.00%	100.00%	Cirsa Gaming Corporation, S.A.	Ctra. de Castellar, 298
Cirsa Slot Corporation, S.A.U.	Slots	100.00%	100.00%	Cirsa Gaming Corporation, S.A.	Ctra. de Castellar, 298
Cirsa Venezuela, C.A.U.	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	D. Marino. Nueva Esparta. Porlamar
Cirsagest, S.P.A.	Slots	100.00%	100.00%	Cirsa Italia Holding, S.p.A.U.	Centro Direzionale Milanofiori, Strada 2
Club Privado De Fumadores Nuestro Espacio	Bingos	100.00%	100.00%	Bingos de Madrid Reunidos, S.A.U.	C/ Bravo Murilo, 309
Comdibal 2000, S.L.	B2B	51.00%	51.00%	Universal de desarrollos Electronicos, S.A.U.	Pl. Els Bellots, c/ del Aire, 1
Comercial de Desarrollos Electrónicos, S.A.U.	Slots	100.00%	100.00%	Global Game Machine Corporation, S.A.U.	Pi i Margall, 201
Comercial de Recreativos Salamanca, S.A.U.	Slots	51.00%	51.00%	Tecnoappel, S.L.	C/ Cuarta, 17 P.I. El Montalvo

Company	Activity	Percentage of ownership 2017	Percentage of ownership 2016	Investment holder	Business address
Comercial Jupama, S.A.	Slots	50.00%	50.00%	Cirsa Slot Corporation, S.A.U.	c/ Suarez Naranjo, 45
Complejo Hotelero Monte Picayo, S.A.U.	Casinos	100.00%	100.00%	Global Casino Technology Corporation, S.A.U.	Complejo Hotelero Monte Picayo
Cotecnic 2000, S.L.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Egartronic, S.A.	Slots	51.00%	51.00%	Cirsa Slot Corporation, S.A.U.	C/ del Aire, 1 Pol. Ind. Els Bellots
Electrónicos Radisa, S.L.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Electrónicos Trujillanos, S.L.U.	Slots	—	100.00%	Global Amusement Partners Corporation, S.A.U.	Fermina Sevillano, 5-7
Elettronolo Firenze, S.R.L.U.	Slots	100.00%	100.00%	Cirsagest, S.P.A.U.	Centro Direzzionale Milanofiori Strada 2, Palazzo D4
Entidad Gestora del Bingo Siglo XXI, S.L.U.	B2B	—	100.00%	Cirsa Interactive Corporation, S.L.U.	Sena, n° 2
Ferrojuegos, S.A.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U. y Global Bingo Madrid, S.A.U.	Ferrocarril, 38
Flamingo Euromatic-100, S.L.U.	Slots	51.00%	51.00%	Orlando Play, S.A.	P.l. La Juaida, C/Sierra Telar, 40
Gaming & Services de Panamá, S.A.U.	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Calle 50, PH. Torre Global, piso 40
Gaming & Services, S.A.C.	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Av. Ricardo Palma, 341 Miraflores
Garbimatic, S.L.U.	Slots	50.00%	50.00%	Alfematic, S.A.	Ctra. Rellinars, 345
Garrido Player, S.L.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Gema, S.r.l.U.	Bingos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Centro Direzionale Milanofiori, Strada 2, Pal D4
Genper, S.A.U.	Slots	100.00%	100.00%	Global Game Machine Corporation, S.A.U.	Pi i Margall, 201
Gestión de Bingos Gobylán, S.A.U.	Bingos	—	100.00%	International Bingo Technology, S.A.U.	Pza. de la Iglesia, 10
Gestión del Juego Integral, S.A.U.	Casinos	100.00%	100.00%	Cirsa Interactive Corporation, S.L.U.	Ctra. Castellar, 298
Gestora de Inversiones Cobiman, S.L.U.	Slots	—	51.00%	Interservi, S.A.	Ctra. Nacional 420, km 286
Gimar Jocs, S.L.U.	Slots	100.00%	—	Miky, S.L.	Paseo Maragall, 103
Global Amusement Partners Corporation, S.A.U.	Slots	—	100.00%	Cirsa Gaming Corporation, S.A.	Ctra. Castellar, 298
Global Betting Aragón, S.L.U.	Slots	100.00%	100.00%	Global Game Machine Corporation, S.A.U.	C/ Jaime Ferran, 5 Pol. Ind. La Cogullada
Global Bingo Corporation, S.A.U.	Bingos	100.00%	100.00%	Cirsa Gaming Corporation, S.A.	Crta. Castellar. 298
Global Bingo Madrid, S.A.U.	Bingos	100.00%	100.00%	Cirsa Gaming Corporation, S.A.	Fermina Sevillano, 5-7
Global Bingo Stars, S.A.U.	Bingos	100.00%	100.00%	Cirsa Gaming Corporation, S.A.	Fermina Sevillano, 5-7
Global Casino Technology Corporation, S.A.U.	Casinos	100.00%	100.00%	Cirsa Gaming Corporation, S.A.	Ctra. de Castellar, 298
Global Cinco Estrellas, S.A.	Bingos	—	100.00%	Global Bingo Corporation, S.A.U. y Global Bingo Madrid, S.A.U.	Fermina Sevillano, 5-7
Global Game Machine Corporation, S.A.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Pi i Margall, 201
Global Gaming, S.A.S.U.	Casinos	100.00%	100.00%	Winner Group, S.A.	Calle 38 Norte, 6 N-35
Global Manufacturing Corporation, S.L.U.	B2B	100.00%	100.00%	Cirsa Gaming Corporation, S.A.	Ctra. de Castellar, 298

Company	Activity	Percentage of ownership 2017	Percentage of ownership 2016	Investment holder	Business address
Global TC Corp., S.A.U.	Casinos	100.00%	—	Gaming & Services de Panamá, S.A.U.	C/ Cuarta, Casa 39—Urbanización Parque Lefevre
Goldenplay, S.L.U.	Slots	51.00%	51.00%	Orlando Play, S.A.	German Bernacer, 22 P.I. Elche Parque Ind.
Gonmatic, S.L.U.	Slots	—	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Gran Casino de las Palmas, S.A.U.	Casinos	100.00%	100.00%	Global Casino Technology Corporation, S.A.U.	c/ Simón Bolivar, 3
Grasplai, S.A.U.	Bingos	100.00%	100.00%	Telma Enea, S.L.U.	Av. Generalitat, 6
Grupo Cirsa De Costa Rica, S.A.U.	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Hostebar 98, S.L.	Bingos	—	100.00%	Global Bingo Corporation, S.A.U. y Madrileña de Servicios para el Bingo, S.L.U.	Ferrocarril, 38
Iber Matic Games, S.L.	Slots	51.00%	51.00%	Cirsa Slot Corporation, S.A.U.	C/ Jaime Ferran, 2-4
Inmobiliaria Rapid, S.A.C.	Casinos	100.00%	—	Gaming And Services, S.A.C.	Av. Ricardo Palma, 341 Miraflores
Integración Inmobiliaria World de Mexico, S.A. De C.V.	Bingos	100.00%	100.00%	Promociones e Inversiones de Guerrero, S.A.P.I. De C.V.	c/ Guillermo Gonzalez Camarena 600 Piso 8
International Bingo Technology, S.A.U.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U	Pi i Margall, 201
International Gaming Manufacturing, S.L.U.	B2B	—	100.00%	Cirsa International Gaming Corporation, S.A.U.	Ctra. Castellar, 298
Interplay, S.A.	Slots	51.00%	51.00%	Egartronic, S.A.	C/ Francia, 26 y 27
Interservi, S.A.	Slots	51.00%	51.00%	Cirsa Slot Corporation, S.A.U.	Ctra. Nacional 420, km 289
Inversiones Interactivas, S.A.	Casinos	70.00%	70.00%	Orbis Development, S.A.U.	C/ 57 y Avenida Obarrio
Investment & Securities Iberica, S.A.U.	Casinos	100.00%	100.00%	Cirsa Internacional Gaming Corporation, S.A.U.	Ctra. Castellar, 298
Italtronic, S.R.L.U.	Bingos	100.00%	—	Cirsa Italia Holding, S.p.A.U.	Via Abate Tommaso, 26
Ivisa—Casino Buenos Aires, U.T.E.	B2B	100.00%	100.00%	Casino Buenos Aires, S.A.	C/ Adolfo Alsina, 1729 P.B.
Jesali, S.A.U.	Casinos	100.00%	100.00%	Complejo Hotelero Monte Picayo, S.A.U.	Complejo Hotelero Monte Picayo
Juegomatic, S.A.	Slots	100.00%	100.00%	Global Game Machine Corporation, S.A.U.	Av. Velázquez, 91
Juegos Del Oeste, S.L.U.	Slots	51.00%	51.00%	Apuestas Electrónicas, S.L.U.	C/ del Toros, 3
Juegos San José, S.A.	Bingos	47.50%	47.50%	Global Bingo Corporation, S.A.U.	General Mas De Gaminde, 47 Bajos
La Barra Ancon, S.A.U.	Casinos	50.00%	50.00%	Ancon Entertainment, Inc.	Calle 50 y 73 Este San Francisco
La Barra Panama, S.A.U.	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Calle 50 y 73 Este San Francisco
La Cafetería del Bingo, S.L.	Bingos	50.00%	50.00%	Global Bingo Corporation, S.A.U.	Asunción, 3
La Selva Inversiones, S.A.C.	Casinos	100.00%	100.00%	Gaming And Services, S.A.C.	C/ Jr. Loreto, 228
Les Loisirs Du Paradis, S.A.R.L.U.	Casinos	82.00%	82.00%	Resort Paradise AB	Hotel Atlantic Palace Secteur balneaire et touristique
L&G Bussines, S.L.U.	Slots	100.00%	—	Cirsa Gaming Corporation, S.A.	Ctra. Castellar, 338
Lightmoon International 21, S.L.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Ctra. Castellar, 298
Lista Azul, S.A.U.	Bingos	100.00%	100.00%	Bingames, S.A.U.	Gran Passeig de Ronda, 87
Losimai, S.A.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Av. De la Albufera, 129
Mabel 96, S.L.U.	Slots	—	100.00%	Global Game Machine Corporation, S.A.U.	Ctra. de Castellar, 298
Macrojuegos, S.A.	Bingos	51.00%	51.00%	International Bingo Technology, S.A.U.	Dionisio Guardiola, 34

Company	Activity	Percentage of ownership 2017	Percentage of ownership 2016	Investment holder	Business address
Madrileña de Servicios para el Bingo, S.L.U.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U.	Fermina Sevillano, 5-7
Majestic 507 Corp, S.A.	Casinos	50.00%	50.00%	Gaming & Services de Panamá, S.A.U.	Calle 50, Calle 73 Este
Maquilleiro, S.L.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Marchamatic Indalo, S.L.U.	Slots	51.00%	51.00%	Orlando Play, S.A.	C/Sierra Telar, 40
MCA Automatics, S.L.U.	Slots	100.00%	—	Global Game Machine Corporation, S.A.U.	Crta. Castellar, 298
Miky, S.L.	Slots	100.00%	—	Cirsa Slot Corporation, S.A.U.	c/ Paseo Maragall, 103-105
Montri, S.A.U.	Slots	51.00%	51.00%	Iber Matic Games, S.L.	C/ del Aire, 1 Pol. Ind. Els Bellots
New Laomar, S.L.U.	Slots	51.00%	51.00%	Orlando Play, S.A.	c/Sierra Telar, 40
Nightfall Construccions, S.R.L.	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Avda. Abraham Lincoln
Oper Ibiza, S.L.	Slots	51.00%	51.00%	Cirsa Slot Corporation, S.A.U.	C/ dels Llauradors, 45
Operación Banshai, S.A.U.	Casinos	100.00%	100.00%	Grupo Cirsa De Costa Rica, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Operadora de Entretenimiento Manzanillo, S.A. de C.V.	Bingos	60.00%	—	Bincamex, S.A. de CV.	c/ Guillermo Gonzalez Camarena 600 Piso 8
Operadora Internacional de Recreativos, S.A.	Slots	51.00%	51.00%	Cirsa Slot Corporation, S.A.U.	c/ Cervantes, 14 1
Orbis Development, S.A.U.	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Swiss Tower, 16th floor, World Trade Center
Orlando Italia, S.r.l.	Slots	51.00%	51.00%	Orlando Play, S.A.	Milano Fiori, Strada 2, Palazzo D4
Orlando Play, S.A.	Slots	51.00%	51.00%	Global Game Machine Corporation, S.A.U.	Sierra Telar, 40 P.I. La Juaida
Patterson Lake Business Services, S.A.U.	Casinos	100.00%	100.00%	Grupo Cirsa De Costa Rica, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Playcat, S.A.U.	Bingos	100.00%	100.00%	Bingames, S.A.U.	Cádiz, 1
Pol Management Corporation, B.V. U.	Slots	—	100.00%	Cirsa International Gaming Corporation, S.A.U.	Emancipatie Boulevard 29 New Haven e-Zone
Princesa 31, S.A.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U. y Bingos de Madrid Reunidos, S.A.U.	Princesa, 31
Promociones e Inversiones de Guerrero, S.A.P.I. de C.V.	Bingos	100.00%	100.00%	Bincamex, S.A. de CV.	Bosque de Duraznos, 61 3 b, Bosques Lomas
Promociones Sol Ibiza, S.A.U.	Slots	51.00%	—	Oper Ibiza, S.L.	C/ dels Llauradors, 45
Promociones Tauro, S.L.U.	Slots	—	100.00%	Global Game Machine Corporation, S.A.U.	Martillo, 26
Push Games, S.L.U.	Bingos	—	100.00%	Global Bingo Corporation, S.A.U.	Ctra. Castellar, 298
Recreativos Arranz, S.L.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Recreativos Ergosa, S.L.U.	Slots	100.00%	—	Global Game Machine Corporation, S.A.U.	Ctra. Castellar, 298
Recreativos Hatuey, S.A.	Slots	100.00%	100.00%	Bema—Euromatic, S.A.	Fermina Sevillano, 5-7

Company	Activity	Percentage of ownership 2017	Percentage of ownership 2016	Investment holder	Business address
Recreativos Manchegos, S.L.U.	Slots	51.00%	51.00%	Interservi, S.A.	Ctra. Nacional 420, Km 286
Recreativos Martos, S.L.U.	Slots	100.00%	100.00%	Global Game Machine Corporation, S.A.U.	Crta. De Castellar, 298
Recreativos Ociomar Levante, S.L.U.	Slots	51.00%	51.00%	Orlando Play, S.A.	Ctra. De Castellar, 298
Recreativos Panaemi, S.L.U.	Slots	51.00%	51.00%	Orlando Play, S.A.	c/ German Bernacer, 22 P.I. Elche
Recreativos Rodes, S.A.U.	Slots	—	100.00%	Genper, S.A.U.	German Bernacer, 22 P.I. Elche Parque Ind.
Red de Bingos Andaluces, A.I.E.	Bingos	54.00%	54.00%	Varios	Martillo, 26
Red de Interconexión de Andalucía, S.L.U.	B2B	100.00%	100.00%	Cirsa Interactive Corporation, S.L.U.	Martillo, 26
Red de salones de Aragón, S.L.U.	B2B	100.00%	100.00%	Cirsa Interactive Corporation, S.L.U.	Ctra. De Castellar, 298
Resort Paradise AB	Casinos	82.00%	82.00%	Cirsa International Gaming Corporation, S.A.U.	Box, 1432
Romgar, S.L.	Bingos	100.00%	100.00%	Telma Enea, S.L.U.	Cayetano del Toro, 23
S.A. Explotadora de Recreativos	Slots	61.40%	61.40%	Cirsa Slot Corporation, S.A.U.	C/ del Aire, 1 Pol. Ind. Els Bellots
Sadeju, S.L.U.	Bingos	65.00%	65.00%	Telma Enea, S.L.U.	c/ Carlota Alexandre, 106
Sala Valencia, S.A.	Bingos	50.00%	50.00%	Global Bingo Corporation, S.A.U.	Cuenca, 20
Sala Versalles, S.A.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U. y Global Bingo Stars, S.A.U.	Bravo Murillo, 309
Salón de Juegos Portal, S.A.U.	Casinos	100.00%	100.00%	Gaming And Services, S.A.C.	C/ Mercaderes, 303
Saturno 5 Conexión, S.L.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
SCB Almirante Dominicana, S.R.L	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U	Av. A. Lincoln , 403, La Julia
SCB Anil Dominicana, S.R.L.	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Av. Máximo Gómez / Avda. 27 Febrero
SCB Grand Victoria Dominicana, SRL	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Avda. Abraham Lincoln
SCB Hispaniola Dominicana, S.R.L.	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U	Av. A. Lincoln /Correa y Cidron
SCB Malecon Dominicana, S.A.	Casinos	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Av. George Washington,centro comercial Malecón
SCB Margarita, C.A.U.	Casinos	—	100.00%	Cirsa International Gaming Corporation, S.A.U.	Estado de Nueva Esparta (Porlamar)
Servicios Especializados Del Juego, S.A. De C.V.	Bingos	100.00%	100.00%	Bincamex, S.A. de CV.	Bosque de Duraznos, 61 3B
Servicios Integrales del Juego, A.I.E.	Structure	100.00%	100.00%	Varios	Ctra. Castellar, 298
Servicios y Distribucion de Recreativos, S.A.U.	Slots	100.00%	100.00%	Global Game Machine Corporation, S.A.U.	Ctra. Castellar, 298
Servi-Joc, S.A.	Slots	51.00%	51.00%	Cirsa Slot Corporation, S.A.U.	Ctra. Rellinars, 345
Sierra Machines, S.A.C.	Casinos	100.00%	—	Gaming And Services, S.A.C.	Av. Ricardo Palma, 341 Miraflores
Sobima, S.A.U.	Bingos	100.00%	100.00%	International Bingo Technology, S. A.U.	Av. Velázquez 91-93
Sobreaguas, S.A.	Casinos	100.00%	100.00%	Casino Buenos Aires, S.A.	Av. Alicia Moreau de Justo, 1960, 1°, ofic 102
Social Games Online, S.L.	B2B	100.00%	—	Cirsa Interactive Corporation, S.L.U.	Ctra. Castellar, 338
Sodemar, S.L.U.	Bingos	100.00%	100.00%	Telma Enea, S.L.U.	Sacramento, 16 duplicado
Sternal Bay Venezuela, C.A.U	B2B	100.00%	100.00%	Cirsa Interactive Corporation, S.L.U.	Avda. Fco. de Miranda
Tecnijoc, S.L.U.	Slots	51.00%	51.00%	Egartronic, S.A.	Gremio de Jaboneros, 3B Pol.I. Son Castello

Company	Activity	Percentage of ownership 2017	Percentage of ownership 2016	Investment holder	Business address
Tecnoappel, S.L.	Slots	51.00%	51.00%	Cirsa Slot Corporation, S.A.U.	Pol Ind Campollano, calle B1
Tefle, S.A.U.	Bingos	100.00%	100.00%	International Bingo Technology, S.A.U	Tenor Fleta, 57
Telma Enea, S.L.U.	Bingos	100.00%	100.00%	Global Bingo Corporation, S.A.U.	Sevilla, 10-14
Traylon, S.A.	Casinos	55.00%	55.00%	Casino Buenos Aires, S.A.	Avda. Elvira Rawson de dellepiane, s/n
Tres Rios Hotel la Carpintera, S.A.U.	Casinos	100.00%	100.00%	Grupo Cirsa De Costa Rica, S.A.U.	Oficentro Ejecutivo La Sabana, Torre 6, Piso 3
Uniplay, S.A.U.	Slots	100.00%	100.00%	Cirsa Slot Corporation, S.A.U.	Fermina Sevillano, 5-7
Universal de Desarrollos Electrónicos, S.A.U.	B2B	100.00%	100.00%	Cirsa Gaming Corporation, S.A.	Ctra. Castellar, 298
Universal de Desarrollos Electrónicos, S.A. De C.V.	B2B	100.00%	100.00%	Cirsa International Gaming Corporation, S.A.U.	Guillermo Gonzalez Camanera, 660 Piso 9 Of. 5
Urban Leisure, S.L.	Slots	75.00%	75.00%	Cirsa Slot Corporation, S.A.U.	Ctra. Rellinars, 345
Verneda 90, S.A.U.	Bingos	100.00%	100.00%	International Bingo Technology, S.A.U.	Guipuzcoa, 70
Winner Group, S.A.	Casinos	50.01%	50.01%	Investments & Securities Iberica, S.A.U.	Calle 90, n° 19c-32, Oficina 401
Yumbo San Fernando, S.A.	Bingos	60.00%	60.00%	Bingames, S.A.U. y Global Bingo Corporation, S.A.U.	San Fernando, 48

List of joint operations

Company	Activity	Percentage of ownership 2017	Percentage of ownership 2016	Investment holder	Business address
CBA-CIESA, UTE	Casinos	50.00%	50.00%	Casino Buenos Aires, S.A.	Avda. Rawson de Dellepiane, s/n
Magic Star, S.A.—Casino Buenos Aires, S.A. UTE	Casinos	50.00%	50.00%	Casino Buenos Aires S.A.	C/ Elvira Rawson de Dellepiane, s/n

List of associates

Company	Activity	Percentage of ownership 2017	Percentage of ownership 2016	Investment holder	Business address
Alavera, S.A.	Casinos	50.00%	50.00%	Casino Buenos Aires S.A.	Av. Elvira Rawson de Dellepiane, s/n, Dársena Sur
AOG, S.r.l.	Bingos	50.00%	50.00%	Cirsa International Gaming Corporation, S.A.U. y Gema Srl. U.	Vía Galieo Galilei, 20
Ariv, S.A.	B2B	50.00%	50.00%	Cirsa International Gaming Corporation, S.A.U.	RioBamba, 927, 14-E
Automáticos Quintana, S.L.	Slots	50.00%	50.00%	Comercial Jupama, S.A.	C/ Parque de la libertad, 30
Audiovisual Fianzas, S.G.R.	Structure	35.23%	35.23%	Varios	c/ Luis Buñuel, 2 2ª
Binbaires, S.A.	Casinos	33.33%	33.33%	Cirsa International Gaming Corporation, S.A.U.	C/Constitución, 299 Partido de Pinamar
Binelec, S.L.	B2B	—	50.00%	Universal de Desarrollos Electrónicos, S.A.	Atenas, 45
Bingo Amico, S.r.l.	Bingos	50.00%	50.00%	Gema, S.r.l.U.	Pz. Ferreto, 55 A
Binsavo, S.A.	Bingos	50.00%	50.00%	Global Bingo Corporation, S.A.U.	Ruiz Morote, 5
Casino de Asturias, S.A.	Casinos	40.00%	40.00%	Global Casino Technology Corporation, S.A.U.	Nava, 8
Casino la Toja, S.A.	Casinos	50.00%	50.00%	Global Casino Technology Corporation, S.A.U.	Isla de La Toja
Cirsa Digital, S.A.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	Ctra. Castellar, 298
Cludeen, S.L.	B2B	50.00%	50.00%	Universal de Desarrollos Electrónicos, S.A.U.	C/ Enrique Mariñas, 36 planta 5 local 1B
Compañía Europea de Salones Recreativos, S.L.	B2B	20.00%	20.00%	Universal de Desarrollos Electronicos, S.A.U.	C/ Toledo, 137
Competiciones Deportivas, S.A.	Casinos	50.00%	50.00%	Gaming & Services de Panamá, S.A.U.	Calle 50 y 73 Este San Francisco
Digital Gaming México, S.A.P.I.de C.V.	Slots	65.00%	65.00%	Sportium Apuestas Deportivas, S.A.	Boulevard Luis Donaldo Colosio, SA-1
Emjucasa, S.A.	Casinos	50.00%	50.00%	Cirsa International Gaming Corporation, S.A.U.	Bacacay, 2789 piso 5-20
Giochigenova, S.R.L.	Slots	—	50.00%	CirsaGest, S.P.A.	Via Col Dino, 6
Gironina de Bingos, S.L.	Bingos	20.60%	20.60%	International Bingo Technology, S.A.U.	Vía Laietana, 51
Majestic Food Services, S.A.U.	Casinos	50.00%	50.00%	Gaming & Services de Panamá, S.A.U.	Calle 50, Calle 73 Este
Metroservi Andaluza de Salones, S.L.	Bingos	25.00%	25.00%	Global Bingo Corporation, S.A.U.	C/ Tipografia, 26
Montecarlo Andalucía, S.L.	Bingos	50.00%	50.00%	Global Bingo Corporation, S.A.U.	Av. Cruz del Campo, 49
New York Game, S.L.U.	Slots	50.00%	—	Recreativos Trece, S.L.	Ctra. De Rellinars, 345
Opa Services, S.r.l.	Bingos	30.00%	30.00%	A.O.G., S.r.l.	Torricella, 11
Polispace, S.L.	B2B	—	50.00%	Binelec, S.L.	Atenas, 45
Recreativos Trece, S.L.	Slots	50.00%	50.00%	Alfematic, S.A.	Ctra. Rellinars, 345
Red de Juegos y Apuestas de Madrid, S.A.	Bingos	40.00%	40.00%	Varios	C/Evaristo San Miguel, 2

Company	Activity	Percentage of ownership 2017	Percentage of ownership 2016	Investment holder	Business address
Serdisga 2000, S. L.	B2B	50.00%	50.00%	Universal de Desarrollos Electronicos, S.A.U.	Av. Finisterre, 283
Silver Cup Gaming, Inc.	Casinos	50.00%	50.00%	Cirsa Panamá, S.A.U.	Edif.Cirsa Calle 50y73, San Francisco Este
Sportium Apostes Catalunya, S.A.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Sena, 2
Sportium Apuestas Andalucia, S.L.U.	Slots	50.00%	—	Sportium Apuestas Deportivas, S.A.	Avda. Velázquez, 91-93
Sportium Apuestas Aragon, S.L.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Jaime Ferrán, 5
Sportium Apuestas Asturias, S.A.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ B, Parcela 45B pol. Ind Asipo
Sportium Apuestas Baleares, S.L.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Gremi des Sabaters, 21
Sportium Apuestas Canarias, S.L.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Garcia Morato, 1
Sportium Apuestas Castilla La Mancha, S.L.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Santa María Magdalena, 10-12
Sportium Apuestas Ceuta, S.L.U.	Slots	50.00%	—	Sportium Apuestas Deportivas, S.A.	C/ Gran Vía, 14 entreplanta, puerta A
Sportium Apuestas Colombia, S.A.S.	Slots	60.00%	—	Sportium Apuestas Deportivas, S.A.	Carrera 12 Nº 93-78 Oficina 501
Sportium Apuestas Deportivas, S.A.	Slots	50.00%	50.00%	Cirsa Slot Corporation, S.A.U.	C/Santa Mª Magdalena, 10-12
Sportium Apuestas Galicia, S.L.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Don Pedro, s/n
Sportium Apuestas Levante, S.A.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	c/ Ronda Guglielmo Marconi, 11
Sportium Apuestas Melilla, S.L.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	Avda. Candido Lobera, 5 Atico 3
Sportium Apuestas Navarra, S.A.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	Avda. Barañain, 27 1º A
Sportium Apuestas Oeste, S.A.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Nevero Doce, Parcela 21
Sportium Apuestas Panama, S.A.	Slots	60.00%	60.00%	Sportium Apuestas Deportivas, S.A.	Corregimiento de San Francisco, calle 50 y 73 Este
Sportium Zona Norte, S.A.U.	Slots	50.00%	50.00%	Sportium Apuestas Deportivas, S.A.	C/ Las Balsas, 20 nave 49
Tejebin, S.A.U.	Bingos	—	—	Juegos San José, S.A.	General Mas De Gaminde, 47 Bajos
TirrenoGames, SRL	Slots	—	50.00%	CirsaGest, S.P.A.	Via Orosei, s/n

Independent Limited Review Report

Cirsa Gaming Corporation Group

Consolidated Special Purpose Income Statements
for the years 2015, 2016 and 2017

Ernst & Young, S.L.
Edificio Sarrià Forum
Avda. Sarrià, 102-106
08017 Barcelona
España

Tel: 933 663 700
Fax: 934 053 784
ey.com

INDEPENDENT LIMITED REVIEW REPORT

To the Group Management of Cirsa Gaming Corporation, S.A. and Subsidiaries

We have carried out a limited review of the accompanying special purpose consolidated financial statements (hereinafter also the consolidated financial statements) of Cirsa Gaming Corporation, S.A. and Subsidiaries which consists of the income statements for the years 2015, 2016 and 2017 and the explanatory notes. The consolidated financial statements have been prepared by the directors of the Company based on the basis of presentation and measurement included in notes 2.1 and 2.2 to the consolidated financial statements.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation of the Company's consolidated financial statements in accordance with the basis of presentation and measurement included in notes 2.1 and 2.2 to the consolidated financial statements; this includes determining that this basis of presentation and measurement is an acceptable basis for the preparation of the financial statements in the circumstances, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion on these special purpose consolidated financial statements. We conducted our limited review in accordance with International Standard on Review Engagements ("ISRE") 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these consolidated financial statements.

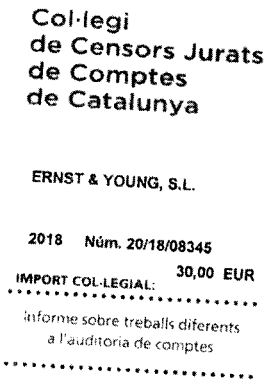
Conclusion

As a result of our limited review, which under no circumstances should be considered an audit of financial statements, nothing came to our attention that would lead us to conclude that the accompanying special purpose consolidated financial statements for the years 2015, 2016 and 2017 are not prepared, in all material respects, in conformity with the basis of presentation and measurement included in notes 2.1 and 2.2 to the consolidated financial statements.

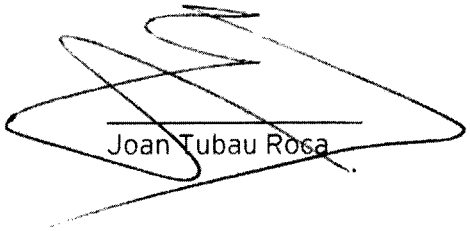
Basis of accounting and restriction on distribution and use

Without modifying our conclusion, we draw attention to notes 2.1 and 2.2 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared for the purposes described in said notes 2.1 and 2.2 and therefore they may not be suitable for another purpose. This report has been prepared at the request of Group Management and should not be used by third parties without our prior written consent.

We will not accept any responsibility from any third parties different to the addressees of this report.



ERNST & YOUNG, S.L.



May 31, 2018

CIRSA GAMING CORPORATION GROUP

Consolidated special purpose income statements
for the years 2015, 2016 and 2017

Consolidated Special Purpose Income Statements

- Consolidated income statements for the years 2015, 2016 and 2017
- Notes to the income statements for the years 2015, 2016 and 2017

CIRSA GAMING CORPORATION GROUP

Consolidated income statements

for the years 2015, 2016 and 2017

(Thousands of euros)

(Thousands of euros)	Notes	2017	2016	2015
Gaming income		1,748,678	1,681,697	1,573,708
Other operating revenues		130,792	116,115	116,206
Bingo prizes		(217,863)	(209,205)	(183,168)
Total operating revenues		**1,661,607**	**1,588,607**	**1,506,746**
Variable rent		(265,661)	(258,209)	(253,866)
Net operating revenues from variable rent	**3.1**	**1,395,946**	**1,330,398**	**1,252,880**
Consumptions		(68,115)	(63,778)	(63,053)
Personnel		(228,109)	(212,401)	(202,504)
Supplies and external services		(258,189)	(246,660)	(243,847)
Gaming taxes		(492,234)	(485,562)	(460,826)
Depreciation, amortization and impairment		(176,513)	(176,460)	(173,442)
Change in trade provisions		(2,759)	(3,339)	(2,769)
Financial profit/(loss)		(64,088)	(75,764)	(101,737)
Profit/(loss) on investments in associates		(90)	(5,261)	3,077
Exchange gains/(losses), net		(1,275)	(2,340)	(1,414)
Profit/(loss) on sale/disposals of non-current assets		(5,023)	972	(9,623)
Profit before income tax		**99,551**	**59,805**	**(3,258)**
Income tax		(39,139)	(49,158)	(27,046)
Profit (loss) for the period		**60,412**	**10,647**	**(30,304)**
Profit (loss) for the period attributable to:				
Equity holders of the parent		43,649	(4,807)	(47,925)
Non-controlling interests		16,763	15,454	17,621
		60,412	**10,647**	**(30,304)**

1. GROUP INFORMATION

1.1 Group activity

Cirsa Gaming Corporation, S. A. (hereinafter *the Company or the Parent Company*) and its subsidiaries (hereinafter *the Group or the Cirsa Group*) consist of a set of companies operating in the gaming and leisure sector, carrying out the following activities:

- Design, manufacture and marketing of slot machines that are sold to both group companies and third parties, and the development of interactive gaming mechanisms and systems.
- Operation of slot machines, bingo halls, casinos and lotteries, in both Spain and abroad.

As a result of that indicated in the basis of presentation below, the consolidated special purpose statement of financial position does not constitute full financial statements in accordance with IFRS-EU.

1.2 Group structure

The Parent Company, domiciled in Terrassa (Barcelona) at Carretera Castellar, 298, belongs to a group, of which Nortia Business Corporation, S.L., also domiciled in Terrassa (Barcelona), is the direct parent company.

The companies invested by and comprising the Proforma Cirsa Gaming Corporation Group at December 31, 2017 are detailed in the Group's 2017 consolidated financial statements and grouped in the following categories:

- Subsidiaries: The subsidiaries are companies controlled either directly or indirectly by the Parent Company so that it can manage the financial and operating policies in order to obtain profit from the investment.
- Joint ventures: The jointly controlled companies are entities ruled by a contractual arrangement between the partners whereby they establish joint control on the business, and which requires the unanimous consent of the venturers regarding the operating decisions.
- Associates: The associates are enterprises not included in the previous two categories and in which there is an ownership interest on a long-term basis that favors their activity, but with limited influence over their management and control.

The figures shown in the accompanying consolidated special purpose statement of financial position are presented in thousands of euros, unless otherwise indicated.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS

2.1 Basis of presentation

The Group prepares consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European (IFRS-EU) Union published by the International Accounting Standards Board (IASB) and further interpretations. The consolidated financial statements of Cirsa Gaming Corporation, S.A. and Subsidiaries of 2017 were prepared by the Directors on March 20, 2018.

The accompanying consolidated special purpose income statements have been prepared for the purpose of presenting the Group's consolidated income statements from the consolidated financial statements of the Cirsa Group without the Argentines activities, and including certain premises other than those used in the preparation of the consolidated financial statements of the Cirsa Group (these premises are

indicated in Note 2.2) which differ from the International Financial Reporting Standards as adopted by the European Union (IFRS-EU), solely with respect of said additional premises.

The 2015, 2016 and 2017 consolidated special purpose income statements do not include information on the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes thereto, solely disclosing the relevant and necessary notes for an appropriate understanding of the consolidated special purpose income statements and the premises used in their preparation. This matter is further described in Notes 2.2 and 2.3 below.

2.2 Premises used in the preparation of the consolidated special purpose income statements

The adjustments made by the Group's Finance Management to transform the consolidated financial statements of the Cirsa Group into the consolidated special purpose income statements are disclosed below and have been made on the premise that a carve-out or spin-off of certain activities of the Group has occurred (mainly those located in Argentina), on each year ended December 31, 2015, 2016 and 2017. Specifically:

- Elimination of the income and expenses of a hypothetical Argentinean pro-forma consolidated group at December 31, 2017 including the companies that would comprise it, that are: Casino Buenos Aires, S.A., Casino de Rosario, S.A., Sobreaguas, S.A., Binbaires, S.A., IVISA—Casino Buenos Aires, UTE, Magic Star—Casino Buenos Aires, UTE, Ariv, S.A., Alavera, S.A., Traylon, S.A. and Casino Buenos Aires—CIESA UTE.
- This process has taken into account the Cirsa Group's transactions with the Argentinean subsidiaries in order to reverse the eliminations on the Group's consolidation, which, as a result of the deconsolidation of Argentina, become third-party balances at the period end.
- The income and expenses eliminated in the years 2015, 2016 and 2017 from the Argentinean proforma consolidated group, as a result of the points above, have been established considering the same consolidation adjustments used in the consolidated financial statements of the Cirsa Group, that is, including the IFRS-EU harmonization adjustments, re-measurements due to business combinations (mainly in Casino de Rosario, S.A.) and other adjustments.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

The total income and expenses derived from the entries above, which represent the carve-out of the Argentinean business at each period is disclosed as follows:

(Thousands of euros)	2017	2016	2015
Net operating revenues	**320,205**	**282,421**	**346,470**
Consumptions	(7,708)	(8,083)	(9,938)
Personnel	(84,538)	(78,610)	(93,409)
Supplies and external services(**)	(39,528)	(35,913)	(47,038)
Gaming taxes	(112,243)	(85,039)	(100,376)
Depreciation, amortization and impairment	(18,289)	(20,338)	(27,774)
Change in trade provisions	(48)	(28,545)	(1)
Financial income	3,401	3,758	4,478
Financial costs	(8,645)	(16,593)	(14,363)
Profit/(loss) on investments in associates	1,708	1,395	2,276
Exchange gains/(losses), net	2,955	811	(2,351)
Profit/(loss) on sale/disposals of non-current assets	10	(767)	11
Profit before income tax	**57,280**	**14,497**	**57,985**
Income tax	(22,712)	(3,100)	(17,612)
Profit (loss) for the period	**34,568**	**11,397**	**40,373**
Profit (loss) for the period attributable to:			
Equity holders of the parent	25,646	6,577	30,553
Non-controlling interests	8,922	4,820	9,820
	34,568	**11,397**	**40,373**
EBITDA(*)	**76,187**	**74,777**	**95,708**

(*) For financial information purposes, EBITDA is defined as profit (loss) before income tax, financial result, profit/(loss) on investments in associates, profit/(loss) on sale/disposals of non-current assets, change in trade provisions, and depreciation, amortization and impairment charges.

(**) This caption does not include the subsequent intercompany elimination between the Cirsa Group and the Argentinean business, which amounts to 1,533, 1,494 and 1,650 thousand euros in 2017, 2016 and 2015, respectively.

2.3. Other basis of presentation of the consolidated special purpose income statements

- Information to be disclosed in the Notes

The International Financial Reporting Standards as adopted by the European Union require that the presentation of the Notes help the users understand the financial statements and compare them with those presented by other entities. For this purpose, the information disclosed in these Notes has been considered sufficient, and therefore, it was not deemed relevant to include any other supporting information on the items presented in the consolidated statement of financial position, or other disclosures required by the International Financial Reporting Standards as adopted by the European Union.

- Comparative information

The International Financial Reporting Standards as adopted by the European Union require an entity or Group to disclose comparative information in respect of the previous period for all amounts reported in the financial statements for the current year. For the purposes of this consolidated income

statements of 2015, 2016 and 2017, the Group has decided not to include comparative information of any nature.

- Consolidated income statements

The consolidated statements of financial position, the consolidated statements of changes in equity and the consolidated statements of cash flows have not been included in the preparation of the consolidated special purpose income statements.

Except for the aforementioned premises and those indicated in Note 2.2, the accounting principles and criteria used in the measurement and presentation of the Pro-forma income statement figures of Cirsa Gaming Corporation Group of 2015, 2016 and 2017 agree with the principles and criteria set forth in the International Financial Reporting Standards as adopted by the European Union. In any case, due to the aforementioned exceptions, the financial statements are not presented in accordance with Financial Reporting Standards as adopted by the European Union but with the specific accounting bases described in Note 2.

2.4 Estimates and judgments

The preparation of a consolidated special purpose financial statements requires the Group's Finance Management to exercise judgment, to make estimates and to make assumptions which affect the application of the accounting policies and the recorded amounts of assets, liabilities, income and expenses. The estimates and assumptions taken into account have been based upon historical experience and other factors which were considered to be reasonable in the light of the circumstances. Consequently, the results obtained could differ from those assumptions

The key estimates and judgments are as follows:

- Impairment of assets

All non-financial assets whose carrying amount could be unrecoverable are tested for impairment at year end. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually, or when there is evidence of impairment, based on financial projections and estimates of future operating cash flows.

- Recoverability of deferred tax assets

When the Group, or any of the companies included in it, recognizes deferred tax assets, the estimated taxable profits that will be generated in future years are reviewed at year end in order to assess their recoverability, and any impairment loss is recognized accordingly.

- Provision for taxes and other risks

Provisions are recognized for taxes and risks that will probably arise based on related studies.

- Business combinations and goodwill

The Group assesses for each business combination, the fair value of assets, liabilities and acquired contingent liabilities, allocating the cost of the business combination to the identified elements. Likewise, goodwill arising from the acquisition is assigned to its corresponding cash-generating unit, based on expected synergies, for subsequent impairment tests.

- Consolidation methods

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

The assessment of whether control is exercised when the Group does not have absolute majority of voting rights, but agreements with the other shareholders have been reached, requires the Group to make estimates and judgments to determine whether it has unilateral rights to manage relevant activities in accordance with IFRS 10. Additionally, in order to establish the consolidation method of certain entities over which control is not exercised also requires the Group's Finance Management to make judgments and estimates to determine whether they are considered jointly controlled companies, joint operations or associates.

2.5 Consolidation methodology

Except for that indicated in Notes 2.1 and 2.2, the consolidation methodology is described in the following sections:

Consolidation methods

The methods applied in the process for obtaining the consolidated special purpose financial statements are as follows:

- Full consolidation method for subsidiaries
- Equity method for associates and jointly controlled companies

Harmonization

The financial year of the companies within the consolidation perimeter ends on December 31. For consolidation purposes the corresponding year-end financial statements of each company have been used.

The accounting principles applied by the companies comply with Group policies and, accordingly, no harmonization adjustments were necessary.

Elimination of internal transactions

The intercompany balances arising from financial operations, rental agreements, payment of dividends, financial assets and liabilities, purchase and sale of inventories and non-current assets and rendering of services have been eliminated. In regard with purchase and sale transactions, the unrealized margin on assets, as well as depreciation, has been adjusted in order to show the assets at their original cost to the Group.

Translation of financial statements in foreign currency

The financial statements of foreign companies have been translated into euros prior to their consolidation following the year-end rate method. Accordingly, assets and liabilities are translated at the spot rate prevailing at December 31, capital and reserves at the historical rates, and revenues and expenses at the averages rate for the year. Differences arisen from this process have been recorded directly under Translation differences in net equity.

2.6 Business combinations

When Group gains control over one constituted business, or directly over a business' net assets, the consideration transferred is assigned to assets and liabilities, measured at fair value. The difference between the sum of fair values and the sum of the consideration transferred plus the amount of any

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

non-controlling interest in the acquiree at acquisition date is recognized as goodwill where it is positive or as income in the consolidated statement of comprehensive income where the difference is negative.

The consideration transferred in a business combination is measured at fair value. This is calculated as the sum of the acquisition fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer.

The costs related to the acquisition, such as finder's fees, advice, legal, accounting valuation and other professional or consulting fees, are recognized as expenses in the years when they are incurred and the services are provided.

2.7 Intangible assets

Intangible assets are initially measured at acquisition cost less accumulated amortization and any impairment loss.

Goodwill is not amortized as it is considered to have an indefinite useful life. Instead, it is tested for impairment at least annually as well as intangible assets with indefinite useful lives. Likewise, the net carrying amount of intangible assets having finite useful life is tested for impairment when there is evidence or changes of not recovering the carrying amount, similar to the criteria established for property, plant and equipment.

Research expenses are charged to expenses when incurred, while development costs related to an individual project are capitalized when the Group can demonstrate the technical feasibility and profitability, the availability of financing resources, and incurred costs can be measured reliably. Development expenses to be capitalized, including the cost of materials, personnel expenses directly attributable and a fair proportion of overheads, are amortized using a declining method (50% the first year) over the period for which they expect to obtain profits or income from such project, which generally comprises three years.

Amounts paid to the owners of the sites where the slot machines are located on an exclusivity basis are capitalized as installation rights. They are amortized on a straight-line basis over the contract term.

Administrative concessions are amortized on a straight-line basis, according to the concession term, as well as transfer rights of leased premise.

Software is amortized on a straight-line basis over three years.

2.8 Property, plant and equipment

Property, plant and equipment are measured at acquisition cost less accumulated depreciation and any recognized impairment loss.

The Group assesses whether there is an indication that the net carrying amount of property, plant and equipment may be impaired. If any indication exists, assets or cash-generating units are recorded at their recoverable amount.

Expenses for repairs which do not extend the useful life of the assets, as well as maintenance expenses, are taken to the consolidated statement of comprehensive income in the year incurred. Expenses incurred for expansion or improvements which increase the productivity or prolong the useful life of the asset are capitalized. Future expenses for restoring and retirement are recognized, at present value, as a cost component, with a liability provision as counterpart.

Depreciation charges are calculated over the estimated useful lives of the assets. Property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful life. A declining

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

basis is used alternatively for some assets, basically slot machines, since it better follows the actual pattern of income related to these assets.

	Method	Rate
Commercial buildings (new/used) and plant	Straight-line	2-4%
Production installations (new/used)	Straight-line	8-16%
Other installations	Straight-line	8-12%
Production machinery	Straight-line	10%
Other production equipment	Straight-line	20%
New slot machines ("A" and "B" / "V" and "C")	Declining/Straight line	20%
Used slot machines	Straight-line	40%
Furniture (new/used)	Straight-line	10-20%
Vehicles (new/used)	Declining/Straight line	10-32%
Tools and furniture (new/used)	Straight-line	30-60%
Data processing equipment (new/used)	Declining/Straight line	25-50%
Molds and dices	Straight-line	25%
Other PP&E items	Straight-line	16%

The finite useful life of slot machines is necessarily subject to exogenous factors (mainly market and competence) of difficult forecast. In the event that such equipment completes its useful life before the base period used for depreciation, the net balance of the related good at the removal date is charged as depreciation for the year, given its recurrent and typical features, as well as its corrective nature of systematic depreciation performed on related goods.

2.9 Investments in associates

Investments are accounted for under the proportional consolidation method or the equity method, that is, they are accounted initially at cost and its carrying amount is increased or decreased in order to recognize the part of the result of the invested company attributed to the Group from the acquisition date.

Part of the profit (loss) for the year of the invested company is recorded in the Group consolidated statement of comprehensive income. Dividends received reduce the amount of the investment.

Changes in the invested company's equity different than those generated by income of the period are directly recorded as changes in the Group's net equity.

2.10 Financial assets

Financial assets are initially recorded at fair value. For investments not measured at fair value with changes in results, directly attributable transaction costs are added. The Group establishes the classification of financial assets at the initial recognition, and, when appropriate and allowed, the classification is assessed again at each year end.

Loans and receivables

The Group recognizes in this category trade and non-trade receivables, which include financial assets with fixed or determinable payments not quoted on active markets and for which the Group expects to recover the full initial investment, except, where applicable, in cases of credit deterioration.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

Following initial recognition, these financial assets are measured at amortized cost.

Nevertheless, trade receivables which mature within less than one year with no contractual interest rate, as well as prepayments and loans to personnel, the amount of which is expected to be recovered in the short term, are carried at nominal value both at initial and subsequent measurement, when the effect of not discounting cash flows is not significant.

2.11 Derecognition of financial assets and liabilities

Financial assets (or, when applicable, part of a financial asset or part of a group of similar financial assets) are derecognized when:

- Rights to related cash flows have expired;
- The Group has retained the right to receive related cash flows, but has assumed the liability of fully paying them within the established terms to a third party under a transfer agreement;
- The Group has transferred the rights to receive related cash flows and (a) has substantially transferred the risks and rewards incidental to the ownership of the financial asset, or (b) has not transferred or retained the asset's risks and rewards, but has transferred the control over the asset.

Financial liabilities are derecognized when the related liability is settled, cancelled or expired. When a financial liability is replaced for other from the same borrower but with substantially different terms, or the conditions of the existing liability are substantially modified, such change or modification is recorded as a disposal of the original liability and an addition of a new liability. Difference of related carrying amounts is recognized in the consolidated statement of comprehensive income.

2.12 Inventories

Inventories are accounted for at the lower of the acquisition cost and the recoverable amount.

The recoverable amount of raw materials is the replacement cost. Nevertheless, no provision is set aside for raw materials and other consumables used in production, if the finished products in which they are to be incorporated will be sold above cost. The recoverable value of finished products corresponds to the estimated sales price less related selling expenses.

The cost value of finished products includes materials measured at the weighted average acquisition price, third-party work, labor and production overhead.

2.13 Cash and cash equivalents

This heading includes cash, current accounts, bank deposits and other financial investments maturing within less than three months from the acquisition date, provided that risks of the substantial alteration of their value are not significant.

In terms of the consolidated statement of cash flows, cash and cash equivalents include the abovementioned concepts, net of bank overdrafts, if applicable.

2.14 Impairment of assets

Non-financial assets

The Group assesses at each year end whether there is an indication that a non-current asset may be impaired. If any indication exists, and when an annual impairment test is required, the Group estimates the asset's recoverable amount. The recoverable amount is the higher of the cash-generating unit

(CGU) fair value less cost to sell and value in use, and it is established for each separate asset, unless for assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and its carrying amount is reduced to the recoverable amount. To assess value in use, expected cash flows are discounted to their present value using risk free market rates, adjusted by the risks specific to the asset. Impairment losses from continuing activities are recognized in the consolidated statement of comprehensive income.

The Group assesses at year end indicators of impairment losses previously recorded in order to verify whether they have disappeared or decreased. If there are indicators, the Group estimates a new recoverable amount. A previously recognized impairment loss is reversed only if the circumstances giving rise to it have disappeared, since the last loss for depreciation was recognized. In this regard, the asset's carrying amount increases to their recoverable amount. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset.

The reversal is recognized in the consolidated statement of comprehensive income. Upon such reversal, the depreciation expense is adjusted in the following periods to amortize the asset's revised book value, net of its residual value, systematically over the asset's useful life.

Financial assets

The Group assesses at year end if financial assets or group of financial assets are impaired. To assess the impairment of certain assets, the following criteria are applied:

- Assets measured at amortized cost

If there is objective evidence that there is an impairment loss of loans and other receivables recorded at amortized cost, the loss is measured as the difference between the net carrying amount and the present value of estimated cash flows, discounted at the current market rate upon initial recognition. The net carrying amount is reduced by an allowance, and the loss is recorded in the consolidated statement of comprehensive income.

Impairment loss is reversed only if the circumstances giving rise to it have ceased to exist. Such reversal is limited to the carrying amount of the financial asset that would have been recognized on the reversal date had no impairment loss been recognized.

In regard with trade and other receivables, when there is objective evidence of not collecting them, an adjustment is made based on identified bad debts risk.

2.15 Treasury shares

Treasury shares are recorded as a direct decline in the Group's equity. They are measured at cost value, without recognizing any impairment loss. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase or sale of the Group's own equity instruments.

2.16 Provisions

Provisions are recognized when:

- the Group has a present obligation either legal, contractual or constructive as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and

- the amount of the obligation can be reliably measured.

When the effect of the cash temporary value is significant, the provision is estimated as the present value of the future cash flows required to settle the obligation.

The discount rate applied in the assessment of the obligation's present value only corresponds to the temporary value of money and does not include the risks related to the estimated future cash flows related to the provision. The increase of the provision derived from the aforementioned discount is recorded as a financial expense.

2.17 Interest yield loans and credits

Loans and credits are initially measured at cost value, which is the fair value of the contribution received, net of issuance costs related to the debt.

Upon initial recognition, interest yield loans and credits are recognized at amortized cost using the effective interest rate method, including any issuance cost and discount or settlement premium.

2.18 Translation of balances in foreign currency

Transactions in foreign currency are translated at the spot rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the closing date. Unrealized exchange gains or losses are recognized in the consolidated statement of comprehensive income. As an exception, exchange gains or losses arising from monetary assets and liabilities that reflect investments in foreign subsidiaries are recorded in *Translation differences* in equity, with no impact on the consolidated statement of comprehensive income.

2.19 Leases

Leases are considered to be financial leases when all risks and rewards incidental to ownership of the leased item are substantially transferred to the Group. Assets acquired under financial lease arrangements are recognized as property, plant and equipment at the beginning of the lease term in the consolidated statement of financial position, recording an asset equivalent to the fair value of the leased item or, if lower, the present value at the commencement of the lease of the minimum lease payments. A financial liability is recorded for the same amount.

Lease payments are apportioned between finance charges and reduction of the lease liability, in order to maintain a constant interest rate of the outstanding debt. The finance charges are recorded directly in the consolidated statement of comprehensive income. These assets are depreciated, impaired, and derecognized using the same criteria applied to assets of a similar nature.

Leases are considered to be operating leases when all risks and rewards incidental to ownership of the leased item are substantially maintained by the lessor. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income when accrued over the lease term.

2.20 Revenues

Revenues are recognized when it is probable that the economic benefits from the transaction will flow to the Group and the amount of income and costs incurred or to be incurred can be reliably measured.

Revenues from exploiting slot machines are measured at the collected amount. The percentage of the amount collected from slot machines attributable to the owner of the premises where the machine is located is included as operating expense under *Variable rent*.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

Revenues from bingo cards are recognized for the total amount of sold cards, based on their face value, while recognizing the prizes granted to players as a decrease in operating revenues. The card cost is recorded in *Consumptions*, and the gaming tax rate over purchased bingo cards is included under *Gaming taxes*.

Revenue from casinos is recorded for the net amount from the game ("win"), after deducting prizes removed by players.

Revenue from sale of finished products is measured when risks and significant benefits incidental to the ownership of the assets have been transferred to the buyer and the outcome can be estimated reliably, circumstance that generally arises with the effective goods delivery.

Interest income is recorded based on the time passed, including the asset's effective yield.

2.21 Restructuring expenses

Expenses incurred in restructuring processes, mainly indemnities to personnel, are recognized when a formal and detailed plan exists to perform such process by identifying the main parameters (i.e. main locations, functions and approximate number of affected employees, estimated payments and the implementation schedule) and creating a real and valid expectation among affected employees in regard with the process.

2.22 Income tax

Deferred income tax is recognized on all temporary differences at the closing date between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position.

Deferred tax liabilities are recognized for all temporary differences, except for taxable temporary differences arisen from an acquired goodwill, which amortization is not tax deductible and those arisen upon the initial recognition of an asset or liability in a transaction, other than a business combination, and that at the transaction date did not affect the accounting or the tax result.

Likewise, a deferred tax liability is recognized for all taxable temporary differences from investments in subsidiaries, associates or jointly controlled companies, except when both the following conditions are met: (a) the Group is able to manage the reversal date of the temporary difference and (b) the temporary difference will not be reversed in the future. In this regard, when the results are generated in subsidiaries in countries where there is not an agreement to avoid double taxation and the Group's policy is the repatriation of dividends, the Group records a deferred tax related to the effective amount that would be filed when profits are repatriated.

Deferred tax assets are recognized for all deductible temporary differences, tax credits and unused tax loss carryforwards, to the extent that it is probable that future taxable profit will be available against which these assets may be utilized, except for deductible temporary differences arisen upon the initial recognition of an asset or liability in a transaction, other than a business combination, and that at the transaction date did not affect the accounting or the tax result.

Furthermore, only a deferred tax asset is recognized for all deductible temporary differences from investments in subsidiaries, associates or jointly controlled companies when both the following conditions met: (a) the temporary difference will be reversed in the future, and (b) it is probable that future taxable profit will be available against which these temporary differences may be utilized.

The recovery of deferred tax assets is reviewed at year end, reducing the amount in assets to the extent that it is probable that future taxable benefits will not be available and consequently these assets could not be utilized.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS (Continued)

Deferred taxes are measured based on the tax legislation and charge rates enacted or to be enacted, at the date of consolidated statement of financial position.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities, respectively.

2.23 Contingencies

When unfavorable outcome of a situation that leads to a potential loss is likely to occur (i.e. more than 50% of possibilities), the Group establishes a provision which is recorded based on the best estimate of present value of expected future disbursement. On the other hand, if expectations of favorable resolution are more likely, no provision is recorded, which is reported in the notes of existing risks, unless the possibility of a negative outcome is clearly considered remote.

2.24 Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the consolidated statement of financial position as current and non-current according to their maturity date. Current assets mature within one year from the closing date, and non-current assets mature in more than such period.

3. SEGMENT INFORMATION

The Group's activities are organized and managed separately based on the nature of the provided services and products. Each segment represents a strategic business unit, which provides several services and offers product to different markets. The related operating results are assessed regularly by the Group's Management in order to decide which resources should be allocated to the segment and to assess its yield.

The Group has classified as operating segment the identified Group component in charge of supplying a single product or service, or a group of them, which is subject to risks and returns of different nature to those related to other segments within the Group. The main factors considered in identifying the segments have been the nature of products and services, the nature of the production process and the type of customer.

Assets, liabilities, income and expenses by segments include those directly and reasonably assignable. The captions not assigned by the Group correspond to deferred tax assets and liabilities accounts.

The transfer prices between segments are calculated based on the actual costs incurred, which have been increased by a fair trading margin.

3.1 Operating segments

The distribution of detailed operating segments meets the information usually managed by the Management. Segments, as defined by the Group, are as follows:

Slots:

Owns and operates slot machines in bars, cafés, restaurants and recreation rooms in Spain and Italy. Also provides interconnected machines in Italy.

3. SEGMENT INFORMATION (Continued)

B2B:

Designs, manufactures and distributes slot machines and game kits for the Spanish and international market. The division sells directly or through distributors to other divisions of the Group, mainly slot division, and third parties.

Casinos:

The Group operates with two types of casinos, traditional casinos which include table games and casino slot machines, and electronic casinos which only operate with casino slot machines.

Bingos:

Operation of bingo halls mainly in Spain and to a lesser extent, in Italy and Mexico. The parlors operate through the sale of bingo cards to customers, and to a lesser extent through the operation of slot machines and restoration services.

Other segments:

Segments that aggregately represent less than 10% of total external and internal revenue, less than 10% of the combined result of all segments with added benefits and less than 10% of total assets, have been considered as irrelevant and no specific information has been provided, grouped under this generic title.

The following chart shows information on revenue and results related to the different operating segments as for December 31, 2017, 2016 and 2015.

2015

(Thousands of euros)	Slots	B2B	Casinos	Bingo	Eliminations and other	Total
Operating revenue	837,828	80,404	446,850	203,093	(61,429)	1,506,746
Net operating revenue	596,370	80,404	443,457	194,009	(61,360)	1,252,880
Consumptions	(34,942)	(39,984)	(6,013)	(9,443)	27,329	(63,053)
Personnel expenses	(57,217)	(16,989)	(76,006)	(39,418)	(12,874)	(202,504)
Gaming Taxes	(328,966)	(189)	(73,716)	(57,802)	(153)	(460,826)
External supplies and services	(73,537)	(12,947)	(123,645)	(58,670)	24,952	(243,847)
Depreciation, amortization and impairment	(96,154)	(3,507)	(59,576)	(21,136)	6,931	(173,442)
Change in trade provisions	(3,757)	(54)	777	267	(2)	(2,769)
Profit (loss) before tax	(18,684)	9,690	86,913	(2,924)	(78,253)	(3,258)
EBIT(**)	1,795	6,737	105,279	7,806	(15,179)	106,438
EBITDA(*)	101,707	10,296	164,078	28,675	(22,106)	282,650

3. SEGMENT INFORMATION (Continued)

2016

(Thousands of euros)	Slots	B2B	Casinos	Bingo	Eliminations and other	Total
Operating revenue	892,512	82,286	465,494	215,653	(67,338)	1,588,607
Net operating revenue	644,913	82,286	462,186	208,348	(67,335)	1,330,398
Consumptions	(34,025)	(41,252)	(7,150)	(9,966)	28,615	(63,778)
Personnel expenses	(61,460)	(17,750)	(80,755)	(40,905)	(11,531)	(212,401)
Gaming Taxes	(354,762)	(169)	(72,482)	(58,056)	(93)	(485,562)
External supplies and services	(78,580)	(13,048)	(126,260)	(57,327)	28,555	(246,660)
Depreciation, amortization and impairment	(87,251)	(3,225)	(77,675)	(15,326)	7,017	(176,460)
Change in trade provisions	(3,076)	(12)	(168)	(83)	—	(3,339)
Profit (loss) before tax	6,556	7,664	82,318	20,274	(57,007)	59,805
EBIT(**)	25,759	6,829	97,695	26,685	(14,770)	142,198
EBITDA(*)	116,086	10,065	175,539	42,094	(21,787)	321,997

2017

(Thousands of euros)	Slots	B2B	Casinos	Bingo	Eliminations and other	Total
Operating revenue	929,207	93,922	487,143	230,245	(78,910)	1,661,607
Net operating revenue	673,093	93,922	485,046	222,364	(78,479)	1,395,946
Consumptions	(38,704)	(49,119)	(8,106)	(10,684)	38,498	(68,115)
Personnel expenses	(66,018)	(18,338)	(85,284)	(43,668)	(14,801)	(228,109)
Gaming Taxes	(363,205)	(153)	(75,431)	(53,283)	(162)	(492,234)
External supplies and services	(76,414)	(14,367)	(136,262)	(60,849)	29,703	(258,189)
Depreciation, amortization and impairment	(101,018)	(3,002)	(69,624)	(17,722)	14,853	(176,513)
Change in trade provisions	(2,696)	(22)	26	(67)	—	(2,759)
Profit (loss) before tax	3,686	8,924	100,601	26,479	(40,139)	99,551
EBIT(**)	25,038	8,921	110,365	36,090	(10,387)	170,027
EBITDA(*)	128,751	11,945	179,964	53,879	(25,240)	349,299

(*) For financial information purposes, EBITDA is defined as profit (loss) before income tax, financial result, profit/(loss) on investments in associates, profit/(loss) on sale/disposals of non-current assets, change in trade provisions, and depreciation, amortization and impairment charges.

(**) EBIT is defined, for financial information purposes, as profit before income taxes, financial items, participation in the results of associates and gains (losses) from non-current assets.

4. CONTINGENCIES

The Group has litigation proceedings, claims and other administrative procedures underway as a result of the normal course of business in the countries where it carries out its activity. However, the Group does not expect that any unprovisioned significant liabilities will arise as a result of the above proceedings.

On March 7, 2018 the Group was notified of the start of general verification and inspection proceedings regarding the corporate income tax for the years 2013 to 2016 of the 26/94 tax consolidation group and, on a separate basis, of the companies Cirsa Gaming Corporation, S.A., Cirsa

4. CONTINGENCIES (Continued)

International Gaming Corporation, S.A., Global Game Machine Corporation, S.A., Juegomatic, S.A., Uniplay, S.L. and Universal de Desarrollos Electrónicos, S.A.

On the same date, the Group was also notified of the start of partial verification and inspection proceedings regarding the Value Added Tax, of the group of entities included in the regime of entities for that tax, for the periods comprised between February 2014 and December 2016. Additionally, for these companies, the Group was also notified of the start of general verification proceedings, for the periods comprised between February 2014 and December 2016, regarding the following concepts:

- Value Added Tax (for the periods when the companies were not included in the group of entities)
- Withholdings/prepayments on employee/independent professional's income tax.

5. EVENTS AFTER THE BALANCE SHEET DATE

Private equity funds managed by Blackstone ("Blackstone") announced the signing of the agreement for the acquisition of Cirsa Gaming Corporation, S.A. ("CIRSA" or "The Group") on April 27, 2018. The business operations of CIRSA in Argentina are not part of the sale and will continue to be managed by Mr. Lao separately.

Terrassa, May 25, 2018

David Royo
CFO

REGISTERED OFFICE OF THE ISSUER

Cirsa Finance International S.à r.l.
2-4 rue Eugène Ruppert
L-2453 Luxembourg

LEGAL ADVISORS TO THE ISSUER

as to U.S. and English law
Simpson Thacher & Bartlett LLP
CityPoint
One Ropemaker Street
London EC2Y 9HU, United Kingdom

as to Spanish law
J&A Garrigues, S.L.P.
Avenida Diagonal, 654
Barcelona
Spain

as to Panamanian law
Morgan & Morgan
MMG Tower, 23rd Floor
Ave. Paseo del Mar
Costa del Este
Panamá City
Panamá

as to Italian law
Orsingher Ortu Avvocati Associati
Via Privata Fratelli Gabba, 3
Milan
Italy

as to Luxembourg law
Arendt & Medernach SA
41 Avenue J-F Kennedy
2082 Luxembourg

LEGAL ADVISORS TO THE INITIAL PURCHASERS

as to U.S. and English law
Linklaters LLP
One Silk Street
London EC2Y 8HQ, United Kingdom

as to Spanish law
Linklaters, S.L.P.
Calle de Almagro, 40
28010 Madrid
Spain

as to Panamanian Law
Tapia Linares y Alfaro
P.H. Capital Plaza, Piso 15
Paseo Roberto Motta, Costa del Este
Panamá City
Panamá

as to Italian law
Studio Legale Associato in association with Linklaters LLP
via Broletto, 9
20121 Milan
Italy

as to Luxembourg law
Linklaters LLP
35 Avenue John F. Kennedy
P.O. Box 1107
L-1011 Luxembourg

LEGAL ADVISORS TO THE ISSUER AND THE INITIAL PURCHASERS

as to Mexican law
Garrigues México, S.C.
Corporativo Reforma Diana
Paseo de la Reforma, 412, 26th Floor
Col. Juárez, 06600 Mexico City
Mexico

as to Colombian law
Garrigues Colombia S.A.S.
Avenida Calle 92 No. 11-51, Piso 4
Bogotá D.C.
Colombia

INDEPENDENT AUDITORS

Ernst & Young, S.L.
Edificio Sarrià Forum
Avda. Sarrià, 102-106
08017 Barcelona
Spain

Cortés & Pérez Auditores y Assesores Asociados, S.L.
Passeig de Gràcia, 11
08007 Barcelona
Spain

SECURITY AGENT

Deutsche Bank Trust Company Americas
60 Wall Street, 16th Floor
New York, NY 10005
United States of America

TRUSTEE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

PAYING AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

LEGAL ADVISORS TO THE SECURITY AGENT

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

LEGAL ADVISORS TO THE TRUSTEE

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

REGISTRAR AND TRANSFER AGENT

Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg
Grand Duchy of Luxembourg

OFFERING MEMORANDUM

Cirsa Finance International S.à r.l.

€390,000,000 4.750% Senior Secured Notes due 2025

Global Coordinators and Joint Bookrunners

Deutsche Bank Barclays BBVA Credit Suisse Jefferies UBS Investment Bank

The date of this Listing Particulars is May 22, 2019