



ConvaTec Healthcare E S.A.

€300,000,000 7.375% Secured Notes due 2017
 \$745,000,000 10.500% Senior Notes due 2018
 €250,000,000 10.875% Senior Notes due 2018

Secured Euro Notes Issue Price: 100.0% plus accrued interest from the issue date.

Senior Dollar Notes Issue Price: 100.0% plus accrued interest from the issue date.

Senior Euro Notes Issue Price: 100.0% plus accrued interest from the issue date.

ConvaTec Healthcare E S.A., incorporated as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg (“**Luxembourg**”), having its registered office at 5, rue Guillaume Kroll, L-1882 Luxembourg, registered with the Luxembourg Register of Commerce and Companies (R.C.S. Luxembourg) under number B 155248 (the “**Issuer**”), is offering (the “**Offering**”) (i) €300,000,000 aggregate principal amount of its 7.375% Secured Notes due 2017 (the “**Secured Notes**”), (ii) \$745,000,000 aggregate principal amount of its 10.500% Senior Notes due 2018 (the “**Senior Dollar Notes**”) and (iii) €250,000,000 aggregate principal amount of its 10.875% Senior Notes due 2018 (the “**Senior Euro Notes**”) and, together with the Senior Dollar Notes, the “**Senior Notes**”). The Secured Notes and the Senior Notes are collectively referred to herein as the “**Notes**” unless context otherwise requires.

We will pay interest on the Notes semi-annually on each June 15 and December 15, commencing June 15, 2011. Prior to December 15, 2013, we will be entitled, at our option, to redeem all or a portion of the Secured Notes by paying the relevant “make-whole” premium. Prior to December 15, 2013, we may redeem during each 12-month period up to 10% of the Secured Notes at a redemption price of 103% of the principal amount of Secured Notes. At any time on or after December 15, 2013, we may redeem all or part of the Secured Notes by paying a specified premium to you. Prior to December 15, 2014, we will be entitled, at our option, to redeem all or a portion of the Senior Notes by paying the relevant “make-whole” premium. At any time on or after December 15, 2014, we may redeem all or part of the Senior Notes by paying a specified premium to you. In addition, prior to December 15, 2013, we may redeem at our option up to 35% of each series of Notes with the net proceeds from certain public equity offerings. If we undergo a change of control or sell certain of our assets, we may be required to make an offer to purchase the Notes. In the event of certain developments affecting taxation, we may redeem all, but not less than all, of each series of Notes.

The Secured Notes will be senior obligations of the Issuer and will rank *pari passu* in right of payment to all of Issuer’s existing and future senior indebtedness. The Secured Notes initially will be guaranteed on a senior basis (the “**Secured Notes Guarantees**”) by certain subsidiaries of the Parent (as defined herein) (the “**Guarantors**”). The Senior Notes will be senior obligations of the Issuer and will rank *pari passu* in right of payment to all of Issuer’s existing and future senior indebtedness and will be effectively subordinated to any of the Issuer’s existing and future indebtedness that is secured to the extent of the value of the assets securing such indebtedness. The Senior Notes initially will be guaranteed on a senior basis (the “**Senior Notes Guarantees**”) and, together with the Secured Notes Guarantees, the “**Notes Guarantees**”) by the Guarantors.

This Offering Memorandum includes information on the terms of the Notes and Notes Guarantees, including redemption and repurchase prices, covenants and transfer restrictions.

We have applied to have the Secured Notes and the Senior Notes listed and admitted to trading on the Global Exchange Market of the Irish Stock Exchange.

We expect that the Notes will be delivered in book-entry form through the Depository Trust Company (“**DTC**”), Euroclear System (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream**”) on or about December 22, 2010 (the “**Issue Date**”).

See “Risk factors” beginning on page 26 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

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

Joint Bookrunning Managers

J.P. Morgan

Goldman Sachs International

Co-Managers

**BofA Merrill Lynch
 Natixis Securities N.A.**

**Credit Suisse
 Mediobanca**

**DnB NOR Markets
 Barclays Capital**

In making your investment decision, you should rely only on the information contained in this offering memorandum, the “**Offering Memorandum**.” We have not, and the Initial Purchasers (defined herein) have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Offering Memorandum is accurate as of the date on the front cover of this Offering Memorandum only. Our business, financial condition, results of operations and prospects may have changed since that date. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this Offering Memorandum.

Table of contents

	<u>Page</u>		<u>Page</u>
Summary.....	1	Description of the Senior Notes.....	177
Risk factors.....	19	Book-entry, delivery and form.....	234
Use of proceeds.....	45	Taxation.....	238
Capitalization.....	46	Certain ERISA considerations.....	243
Selected consolidated financial data.....	47	Plan of distribution.....	244
Management’s discussion and analysis of financial condition and results of operations.....	49	Notice to investors.....	246
Industry and market data.....	69	Legal matters.....	248
Our business.....	77	Independent auditors.....	248
Regulatory matters.....	101	Available information.....	249
Management.....	106	Service of process and enforcement of civil liabilities.....	249
Principal shareholders.....	110	Listing and general information.....	253
Certain relationships and related party transactions..	111	The Issuer.....	255
Description of certain financing arrangements.....	112	Glossary.....	255
Description of the Secured Notes.....	117	Index to financial statements.....	F-1

Important information about this Offering Memorandum

We have prepared this Offering Memorandum based on information obtained from sources we believe to be reliable. Summaries of documents contained in this Offering Memorandum may not be complete. None of us, J.P. Morgan (as defined herein), Goldman Sachs International, or the other Initial Purchasers, represent that the information herein is complete. The information in this Offering Memorandum is current only as of the date on the cover page hereof, and our business or financial condition and other information in this Offering Memorandum may change after that date. Information in this Offering Memorandum is not legal, tax or business advice; accordingly, you should consult your own legal, tax and business advisors regarding an investment in the Notes.

You should base your decision to invest in the Notes solely on information contained in this Offering Memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with any different information.

We are offering the Notes, and the Guarantors are issuing the Notes Guarantees, in reliance on an exemption from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under "Notice to investors." You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither we nor the Initial Purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. We do not make any representation to you that the Notes are a legal investment for you. 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 purchaser of the Notes must comply with all applicable laws, 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 neither we nor the Initial Purchasers shall have any responsibility therefor.

Neither the U.S. Securities and Exchange Commission, any U.S. state securities commission nor any non-U.S. securities authority nor other authority has approved or disapproved of the Notes and/or Notes Guarantees or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

Application has been made to the Irish Stock Exchange for the approval of this Offering Memorandum as Listing Particulars and for the Notes to be admitted to trading on the Global Exchange Market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.

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

The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or future.

We have prepared this Offering Memorandum solely for use in connection with the offer of the Notes to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act and to non-U.S. persons (within the meaning of Regulation S under the U.S. Securities Act) outside the United States in compliance with Regulation S under the U.S. Securities Act. You agree that you will hold the information contained in this Offering Memorandum and the transactions contemplated hereby in confidence. You may not distribute this Offering Memorandum to any person, other than a person retained to advise you in connection with the purchase of the Notes.

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

Certain exchange rate information presented in this Offering Memorandum includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing the information concerning exchange rates, and as far as we are aware and able to ascertain, no facts have been omitted which would render this information inaccurate or misleading, we accept no further responsibility in respect of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled “Book-entry, delivery and form,” is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear, and as far as we are aware and able to ascertain, no facts have been omitted which would render this information inaccurate or misleading, we accept no further responsibility in respect of such information.

We cannot guarantee that our application to the Irish Stock Exchange for approval of this document as Listing Particulars or for the Notes to be admitted to trading on the Global Exchange Market of the Irish Stock Exchange, will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

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 of any other jurisdiction pursuant to registration or exemption therefrom. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. See “Notice to investors.”

IN CONNECTION WITH THIS OFFERING, J.P. MORGAN SECURITIES LLC (THE “DOLLAR NOTES STABILIZING MANAGER”) AND J.P. MORGAN SECURITIES LTD. (THE “EURO NOTES STABILIZING MANAGER” AND, TOGETHER WITH THE DOLLAR NOTES STABILIZING MANAGER, THE “STABILIZING MANAGERS”) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGERS) MAY OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE DOLLAR NOTES IN THE CASE OF THE DOLLAR NOTES STABILIZING MANAGER, OR THE EURO NOTES, IN THE CASE OF THE EURO NOTES STABILIZING MANAGER, IN EACH CASE AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT SUCH STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF SUCH STABILIZING MANAGER) WILL UNDERTAKE SUCH STABILIZATION ACTIONS. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

Notice to New Hampshire residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED (“RSA 421-B”), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to certain European investors

European economic area This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC (the “**Prospectus Directive**”), as implemented in member states of the European Economic Area (the “**EEA**”), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for us or any of the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), the offer is not being made and will not be made to the public of any Notes which are the subject of the Offering contemplated by this Offering Memorandum in that Relevant Member State, other than: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the Notes shall require us or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an “offer of Notes to the public” in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

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

Notice to residents of Denmark This Offering Memorandum will not be registered with and has not been approved by or otherwise published by the Danish Financial Supervisory Authority, the Danish Securities Council or the Danish Commerce and Companies Agency under the relevant Danish acts and regulations. The Notes have not been offered or sold and may not be offered or sold or delivered directly or indirectly in Denmark by way of a public offering, unless in compliance with chapter 6 of the Danish Securities Trading Act and Executive Orders, including Executive Order no 223 of 10 March 2010 issued pursuant thereto from time to time.

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

Switzerland The Notes may not be publicly offered, sold or advertised, directly or indirectly, in 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 or article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd., and 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.

Italy The Offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the “**Financial Services Act**”) and Article 34-*ter*, first paragraph, letter b) of *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) Regulation No. 11971 of May 14, 1999, as amended from time to time (“**Regulation No. 11971**”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

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

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the “**Banking Act**”); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authorities.

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

Forward-looking statements

This Offering Memorandum includes “forward-looking statements” within the meaning of the securities laws of certain applicable jurisdictions. Forward-looking statements are all statements other than statements of historical facts. Certain of these forward-looking statements are identified by terminology such as “aim,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “guidance,” “intend,” “may,” “plan,” “potential,” “predict,” “projected,” “should,” or “will” or the negative of such terms or other comparable terminology. Others can be identified from the context in which the statements are made. Forward-looking statements appear in a number of places in this Offering Memorandum, including, without limitation, under “Risk factors,” “Management’s discussion and analysis of financial condition and results of operations,” “Industry and market data” and “Our business” and include, among others, statements relating to:

- our strategy, outlook and growth prospects, including our operational and financial targets;
- the economic outlook in general and, in particular, economic conditions in the European and U.S. markets;
- the competitive environment in which we operate;
- the expected growth of the markets in which we operate;
- growth in demand for our products, increases in the penetration of our products into their respective markets, reimbursement rates for our products, or similar measures;

- our expansion plans, including planned expansion into and growth in emerging markets;
- our ability to gain necessary regulatory approvals and desirable reimbursement rates for our newly developed products and technologies; and
- our ability to develop, market and launch attractive new product designs and technologies.

The forward-looking statements herein are based on a number of assumptions and/or estimates and are subject to known and unknown risks, uncertainties and other factors that may or may not occur in the future. As such, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from those expressed or implied by our forward-looking statements. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- global and/or regional economic conditions in the markets in which we sell our products;
- the success of our principal product lines;
- acceptance of our products by healthcare professionals;
- changes in currency exchange rates;
- loss of key suppliers or change in the availability of raw materials or components used in our products;
- natural or man-made disasters affecting our manufacturing facilities;
- inadequate protection of our intellectual property rights;
- changes to or enforcement of governmental and environmental regulations and health and safety requirements applicable to our operations and products;
- our ability to successfully integrate recently acquired businesses;
- actions taken by legislators and regulatory authorities with respect to changes in medical reimbursement policies and programs;
- our success in achieving timely approval or clearance of our products with domestic and foreign regulatory entities; and
- litigation we may be involved in from time to time.

We urge you to read the sections of this Offering Memorandum entitled “Risk factors,” “Management’s discussion and analysis of financial condition and results of operations,” “Industry and market data” and “Our business” for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. The forward-looking statements herein speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or developments or otherwise.

Presentation of financial and other information

Presentation of financial information

Nordic Capital and Avista Capital Partners (the “**Sponsors**”) acquired the ConvaTec business (“**ConvaTec**” or the “**Predecessor**”), formerly a division of Bristol-Myers Squibb Company (“**BMS**”), on August 1, 2008 (the “**ConvaTec Acquisition**”). In connection with the ConvaTec Acquisition, ConvaTec Healthcare A S.à r.l. (as defined herein) and certain of its wholly owned subsidiaries, including ConvaTec Healthcare B S.à r.l., a Luxembourg private limited liability company (*société à responsabilité limitée*), having its registered office at 5, rue Guillaume Kroll, L-1882 Luxembourg, registered with the Luxembourg Register of Commerce and Companies (R.C.S. Luxembourg) under number B 140.075 and having a share capital of €112,117,883 (“**CHB**” or the “**Company**”), were organized. CHB is a wholly owned direct subsidiary of

ConvaTec Healthcare A S.à r.l. with no independent business operations or significant assets other than investments in its subsidiaries. The Issuer is a wholly owned indirect subsidiary of CHB, which has been acquired for purposes of this Offering and is not included in the consolidated financial statements of CHB that are included in this Offering Memorandum. We are presenting the financial statements of CHB in this Offering Memorandum, and we believe these will fairly represent the operating activities of the Issuer, and the Issuer will be represented in the consolidated financial statements of CHB going forward. See “Summary—Corporate structure and certain financing arrangements.”

Due to the ConvaTec Acquisition, the historical financial statements are separated into predecessor and successor periods. Predecessor refers to ConvaTec, operating as a division of BMS, prior to August 1, 2008. “**Successor**” refers to the Company beginning August 1, 2008 and thereafter. For more detailed information regarding our and Predecessor’s consolidation policies, please see Note 2 to the 2009 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

This Offering Memorandum contains:

- our unaudited condensed consolidated financial statements as of September 30, 2010 and for the nine months ended September 30, 2010 and 2009 and the accompanying notes thereto (the “**Unaudited Interim Consolidated Financial Statements**”);
- our consolidated financial statements as of and for the year ended December 31, 2009 and the accompanying notes thereto, which have been audited by Deloitte & Touche LLP as indicated in their independent auditors’ report set forth elsewhere in this Offering Memorandum (the “**2009 Audited Consolidated Financial Statements**”);
- our consolidated balance sheet as of December 31, 2008 and the related consolidated statements of earnings, changes in stockholder’s deficit and cash flows for the five months ended December 31, 2008 and the accompanying notes thereto, which have been audited by Deloitte & Touche LLP as indicated in their independent auditors’ report set forth elsewhere in this Offering Memorandum (the “**2008 Audited Company Consolidated Financial Statements**” and together with the Unaudited Interim Consolidated Financial Statements and the 2009 Audited Consolidated Financial Statements, the “**Consolidated Financial Statements**”); and
- the statements of earnings, changes in divisional equity, and cash flows of the Predecessor for the seven months ended July 31, 2008 and for the year ended December 31, 2007, and the accompanying notes thereto, which have been audited by Deloitte & Touche LLP as indicated in their independent auditors’ report set forth elsewhere in this Offering Memorandum (the “**Audited Predecessor Financial Statements**”).

The Consolidated Financial Statements and the Audited Predecessor Financial Statements included in this Offering Memorandum have been prepared in accordance with accounting principles generally accepted in the United States (“**GAAP**”).

On September 2, 2008, we acquired all outstanding capital of Unomedical Holdings A/S (“**Unomedical**”). The operating results of Unomedical have been included in our consolidated results since the date of the acquisition. Therefore, the 2008 Audited Company Consolidated Financial Statements include Unomedical for the last four months of 2008.

The Audited Predecessor Financial Statements include information for the seven months ended July 31, 2008 and for the year ended December 31, 2007. The Predecessor financial statements were prepared on a “carve-out” basis, which include allocations from BMS prior to the ConvaTec Acquisition. These allocations may not be reflective of the actual level of costs or debt which would have been incurred had the Predecessor operated as a separate entity apart from BMS. The Successor period financial statements include the effects of purchase accounting adjustments related to the ConvaTec Acquisition. Because the Predecessor’s consolidated financial statements and the Successor’s consolidated financial statements are not comparable, we have included in “Summary—Summary consolidated financial and other data,” “Selected consolidated financial and other data” and in “Management’s discussion and analysis of financial condition and results of operations” only certain information for the seven months ended July 31, 2008 and have not included any information for the year ended December 31, 2007. In addition, “Management’s discussion and analysis of financial condition and results of operations” includes a presentation of combined net sales for 2008 solely to assist with comparisons with 2009. Although the Predecessor’s consolidated financial statements and the Successor’s consolidated financial statements are not comparable, we believe that net sales would not be materially impacted by such differences in the basis of presentation and combining such amounts for comparative purposes is reasonable. The combined information is a non-GAAP measure and is unaudited. Furthermore, the combined information should not be used in isolation or as substitution for the Predecessor or Successor results. Combined results of operations are being presented for informational purposes only and do not purport to represent or be indicative of the results that actually would have been obtained had the ConvaTec Acquisition occurred on January 1, 2008, or that may be obtained for any future period.

The unaudited financial information for the twelve months ended September 30, 2010 included elsewhere in this Offering Memorandum is based on the Consolidated Financial Statements and is calculated by taking the results of operations for the nine months ended September 30, 2010 (as shown in the Unaudited Interim Consolidated Financial Statements) and adding it to the results of operations for the year ended December 31, 2009 (as shown in the 2009 Audited Consolidated Financial Statements) and subtracting the nine months ended September 30, 2009 (as shown in the Unaudited Interim Consolidated Financial Statements). The unaudited financial information for the twelve months ended September 30, 2010 are non-GAAP financial measures.

Non-GAAP financial measures

This Offering Memorandum contains non-GAAP financial measures and ratios, including EBITDA, Adjusted EBITDA, net debt and leverage and coverage ratios, pro forma interest expense, total financial debt, exclusive of mandatorily redeemable preferred equity certificates (“PECs”) and net sales on a constant exchange rate that are not required by, or presented in accordance with, GAAP. We present these non-GAAP financial measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-GAAP financial measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under GAAP. Non-GAAP financial measures and ratios such as EBITDA, Adjusted EBITDA, net debt and leverage and coverage ratios and net sales on a constant exchange rate are not measurements of our performance or liquidity under GAAP and should not be considered as alternatives to operating profit or profit for the year or any other performance measures derived in accordance with GAAP or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in “Management’s discussion and analysis of financial condition and results of operations” are calculated using the numerical data in our consolidated financial statements or the tabular presentation of other data (subject to rounding) contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof.

We are a geographically diversified business with manufacturing operations and sales around the world and accordingly we transact in various currencies. To enhance the comparability of historical financial results, in certain instances, such results are compared using a constant exchange rate. Utilizing a constant exchange rate is a non-GAAP financial measure that enables us to focus on the results of operations from period to period without the effects of exchange rates. To compare results on a constant exchange rate basis in this Offering Memorandum, we translate the current period activity in local currency into U.S. dollars using the comparable base period exchange rate for the translation.

Currency presentation and definitions

In this Offering Memorandum, all references to “U.S. dollars,” “US\$” and “\$” are to the lawful currency of the United States of America and all references to “euro,” “EUR” or “€” are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. We publish our financial statements in U.S. dollars.

Definitions

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

- “**Avista Capital Partners**” means Avista Capital Partners, LP, Avista Capital Partners II, LP and their affiliated funds
- “**BMS**” refers to Bristol-Myers Squibb Company
- “**Board**” means the board of directors/managers of ConvaTec from time to time including a duly constituted committee thereof
- “**CAGR**” means compound annual growth rate

- “**Cidron**” refers to Cidron Healthcare Limited
- “**ConvaTec Acquisition**” means the acquisition by the Sponsors of the Predecessor on August 1, 2008, as contemplated by that certain Stock and Asset Purchase Agreement, dated as of May 2, 2008, by and among Bristol-Myers Squibb Company, a Delaware corporation, and Cidron Healthcare Limited, a Jersey limited company (a company organized by the Sponsors for the purpose of making the ConvaTec Acquisition).
- “**ConvaTec Healthcare C S.à r.l.**” refers to a Luxembourg private limited liability company (*société à responsabilité limitée*), having its registered office at 5, rue Guillaume Kroll, L-1882 Luxembourg, registered with the Luxembourg Register of Commerce and Companies (R.C.S. Luxembourg) under number B 138.872 and having a share capital of €12,117,883
- “**ConvaTec Healthcare D S.à r.l.**” refers to a Luxembourg private limited liability company (*société à responsabilité limitée*), having its registered office at 5, rue Guillaume Kroll, L-1882 Luxembourg, registered with the Luxembourg Register of Commerce and Companies (R.C.S. Luxembourg) under number B 138.555 and having a share capital of €12,117,883
- “**ConvaTec**,” “**the Company**,” “**CHB**,” “**the Group**,” “**we**,” “**us**,” and “**our**” refer to ConvaTec Healthcare B S.à r.l. (formerly Cidron Healthcare B S.à r.l.), a Luxembourg private limited liability company (*société à responsabilité limitée*), having its registered office at 5, rue Guillaume Kroll, L-1882 Luxembourg, registered with the Luxembourg Register of Commerce and Companies (R.C.S. Luxembourg) under number B 140.075 and having a share capital of €12,117,883 and a wholly owned subsidiary of Parent, together with its subsidiaries
- “**Directors**” means the directors/managers of the Company
- “**Depository**” means The Depository Trust Company, a trust company formed under the laws of New York
- “**Dollar Notes**” means the Senior Dollar Notes
- “**Euro Notes**” means the Secured Notes and the Senior Euro Notes
- “**European Economic Area**” or “**EEA**” refers to the trading area established by the European Economic Area Agreement of 1 January 1994, currently comprising the member states of the European Union (currently, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the U.K.) and Norway, Iceland and Liechtenstein
- “**Existing Credit Facilities**” means the Senior Facilities and the Mezzanine Facilities
- “**franchise**” refers to each of our four businesses/product groups: Ostomy Care, Wound Therapeutics, Continence & Critical Care, and Infusion Devices/Industrial Sales
- “**FSA**” means the U.K. Financial Services Authority
- “**FSMA**” means the Financial Services and Markets Act 2000, as amended
- “**GAAP**” refers to accounting principles generally accepted in the United States
- “**Global Exchange Market**” or “**GEM**” refers to the Global Exchange Market of the Irish Stock Exchange
- “**Indentures**” means the Secured Indenture and the Senior Indenture
- “**Initial Purchasers**” means J.P. Morgan Securities LLC, J.P. Morgan Securities Ltd. (together with J.P. Morgan Securities LLC, “**J.P. Morgan**”) Goldman Sachs International, Credit Suisse Securities (Europe) Ltd., DnB NOR Markets, Inc., Mediobanca—Banca di Credito Finanziario S.p.A. (“**Mediobanca**”), Merrill Lynch, Pierce, Fenner & Smith Incorporated, Merrill Lynch International, Barclays Bank PLC and Natixis Securities North America Inc. (“**Natixis**”)

- “**Irish Stock Exchange**” or “**ISE**” means Irish Stock Exchange
- “**ISIN**” means International Security Identification Number
- “**Issuer**” refers to ConvaTec Healthcare E S.A.
- “**Issuer Loan**” refers to the loan or loans to be made on the Issue Date from the Issuer to ConvaTec Healthcare D S. à r.l. in connection with the Notes.
- “**LIBOR**” refers to London Interbank Offered Rate
- “**Listing Rules**” refers to the rules and regulations made by the Irish Stock Exchange for notes listed and admitted to trading on the Global Exchange Market of the Irish Stock Exchange, as amended from time to time
- “**Mezzanine Facilities**” has the meaning given under “Management’s discussion and analysis of financial condition and results of operations—Liquidity and capital resources” herein
- “**New Credit Facilities**” refer to the \$1.50 billion credit facilities, arranged by J.P. Morgan and Goldman Sachs Lending Partners LLC
- “**Nordic Capital**” means Nordic Capital Limited and Nordic Capital Fund VII
- “**Parent**” means ConvaTec Healthcare A S.à r.l. a Luxembourg private limited liability company (*société à responsabilité limitée*), having its registered office at 5, rue Guillaume Kroll, L-1882 Luxembourg, registered with the Luxembourg Register of Commerce and Companies (R.C.S. Luxembourg) under number B 139.930 and having a share capital of €12,117,883 (formerly Cidron Healthcare A S.à r.l.), and a wholly owned subsidiary of Cidron
- “**Predecessor**” means ConvaTec, operating as a division of BMS
- “**Refinancing**” has the meaning given under “Summary—Use of proceeds” herein
- “**SEC**” means U.S. Securities and Exchange Commission
- “**Secured Indenture**” refers to the indenture governing the Secured Notes to be dated on or about the Issue Date by and among, inter alios, the Issuer, Deutsche Trustee Company Limited, as Trustee, Deutsche Bank AG, London Branch, as Principal Paying Agent and Deutsche Bank Luxembourg S.A. as Registrar
- “**Senior Facilities**” has the meaning given under “Management’s discussion and analysis of financial condition and results of operations—Liquidity and capital resources” herein
- “**Senior Indenture**” refers to the indenture governing the Senior Notes to be dated on or about the Issue Date by and among the Issuer, Deutsche Trustee Company Limited, as Trustee, Deutsche Bank AG, London Branch, as Principal Paying Agent for the Senior Euro Notes, Deutsche Bank Luxembourg S.A. as Registrar for the Senior Euro Notes and Deutsche Bank Trust Company Americas, as Registrar and Paying Agent for the Senior Dollar Notes
- “**U.K.**” or “**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland
- “**U.S.**” or “**United States**” means the United States of America
- “**Unomedical**” refers to Unomedical Holdings A/S
- “**Unomedical Acquisition**” refers to the consummation on September 2, 2008 of the transactions contemplated by that certain Share Purchase Agreement, dated as of June 27, 2008, by and among Nordic Capital IV Limited, a company incorporated and registered under the laws of Jersey, and Cidron Healthcare Two Limited, a company incorporated and registered under the laws of Jersey
- “**U.S. Securities Act**” means the U.S. Securities Act of 1933, as amended

Presentation of industry and market data

In this Offering Memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. Certain economic and industry data, market data and market forecasts set forth in this Offering Memorandum were extracted from market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. These external sources include GHX Market Intelligence and iDATA, among others. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts, to the extent quoted or referred to herein, are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness. While we accept responsibility for accurately summarizing the information from these external sources, and as far as we are aware and able to ascertain, no facts have been omitted which would render this information inaccurate or misleading, we accept no further responsibility in respect of such information.

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

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

Certain market share information and other statements presented herein regarding our position relative to our competitors with respect to the manufacture or distribution of particular products are not based on published statistical data or information obtained from independent third parties, but reflect our best estimates. We have based these estimates upon information obtained from our customers, trade and business organizations and associations and other contacts in our industries.

Trademarks

We own or have rights to use (in the United States, the European Union and various other jurisdictions) the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Some of the more important trademarks that we own, have rights to use or have prospective rights to use that appear in this Offering Memorandum include ActiveLife[®]/Colodress[™], Adhesive Coupling Technology[™], Aloe Vesta[®], AQUACEL[®], AQUACEL Ag[®], AQUACEL Ag[®] Burn, AQUACEL Ag[®] Foam, AQUACEL Ag[®] SURGICAL, AQUACEL Ag[®] Ribbon Dressing, AQUACEL[®] Burn, AQUACEL[®] SURGICAL, Bio-Dome[®], Careline[™], CGF[®], comfort[™], ConvaTec Moldable Technology[™], DuoDERM[®], DuoDERM[®] Extra Thin, DuoDERM[®] Hydroactive[®], DuoDERM Signal[®], Durahesive[®], Engenex[®], Esteem[®], Esteem synergy[®], Flexi-Seal[®] FMS, Flexi-Seal Signal[®], Great Comebacks[®], Hydrofiber[®] Technology, inset[®], inset[®] II, inset[®] 30, InvisiClose[®], Neria[®], Quickset[™]/Quick-set[®], Sensi-Care[®], Septi-Soft[®], Stomahesive[®] Skin Barrier Wafer, SUR-FIT Natura[®], UnoMeter[®], Versiva XC[®] and Vitala[®], each of which are registered by us or by our licensor in the appropriate jurisdictions where they are used and/or registered and/or pending registration in other jurisdictions, as appropriate to the needs of our relevant business. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum is the property of their owners.

Summary

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

Overview

We are a leading developer, manufacturer and marketer of innovative medical technologies, in particular products for ostomy management, advanced chronic and acute wound care, continence care, sterile single-use medical devices for hospitals, and infusion sets used in diabetes treatment infusion devices. We have a track-record of developing innovative, clinically-proven and reliable products for patients, as demonstrated by our global leadership positions in our four franchises. For the last twelve months ended September 30, 2010, we recorded net sales of \$1.54 billion and Adjusted EBITDA of \$434.6 million.

Our operations are spread across a wide range of countries, franchises and products. We employed 7,980 people worldwide as of September 30, 2010, approximately 88% of whom are outside the United States. As of the date of this Offering Memorandum, we have physical operations in over 35 countries and market our products in more than 100 countries. Our Europe, the Middle East and Africa ("EMEA") segment represents the largest share of our net sales, accounting for 51.3% of our 2009 net sales, while the United States represented 33.4%, and the Latin America, Canada, Australia and Asia-Pacific ("LAAP") segment represented the remainder. We have a broad base of customers. Our largest customer across all franchises represents 7% of our total net sales for the year ended December 31, 2009.

We operate through four franchises: Ostomy Care, Wound Therapeutics, Continence & Critical Care ("CCC") and Infusion Devices/Industrial Sales. Our history of innovation began in 1978 with the creation of our hydrocolloid ostomy skin adhesive (Stomahesive Skin Barrier Wafer) and, subsequently, the world's first two-piece disposable ostomy pouching system (now called SUR-FIT Natura ostomy system). By the mid-1980s, we had become an industry leader in ostomy care. In 1982, we leveraged these innovations to create a similar adhesive for wound care and pioneered the concept of moist wound healing with the introduction of DuoDERM Hydroactive wound dressing based on hydrocolloid technology. Our expertise in ostomy allowed us to expand into the adjacent incontinence care business, and in 2003 we launched our Flexi-Seal FMS incontinence care system. With our 2008 acquisition of Unomedical, we expanded into the Hospital Care and Infusion Devices businesses, taking advantage of our broad customer base and our global manufacturing and distribution capabilities.

Our strengths

Diverse geographic platform, end markets and customers

We are well diversified across countries, end markets, product lines and customers. During the year ended December 31, 2009, we recorded sales in more than 100 countries, with EMEA contributing 51.3% of our net sales, the United States 33.4% of our net sales, and the remainder contributed by LAAP. We are also well diversified by end markets as our four franchises are active in markets with differing market dynamics. While in our Ostomy Care and Infusion Devices/Industrial Sales franchises sales are driven by the recurring and non-discretionary purchase of consumable products by an installed base of customers, sales in our Wound Therapeutics franchise are supported by advanced wound care products and growth in the underlying causes of chronic wounds. Our Acute Fecal Incontinence ("AFI") and Hospital Care businesses further diversify our end-market exposure, providing advanced solutions for the AFI and urological drainage markets, which are driven by favorable demographic trends. Moreover, we have a broad customer base with no single customer representing more than 7% of net sales for the year ended December 31, 2009.

Predictable, non-cyclical markets with significant growth opportunities

Due to the nature of our products being required for necessary and non-elective medical care, we have a significant resistance to changes in economic conditions and have predictable cash flows. In particular, our Ostomy Care and Infusion Devices/Industrial Sales franchises are characterized by an established and growing customer base. For example, many ostomy procedures result in permanent stomas, and patients are loyal to their first brand of pouches, with very few patients switching brands after the first year of use. Our Hospital Care business also demonstrates stable and recurring revenues due

to the continuous demand for high volume, high quality, single use and sterile medical devices by hospitals. In addition, we believe there are significant growth opportunities in several of our markets. For example, the increased prevalence of diabetes and obesity combined with an aging population and increased life expectancies provide significant growth opportunities in our Wound Therapeutics and Infusion Devices/Industrial Sales franchises. The scarcity of qualified healthcare professionals and heightened focus on combating infections require more efficient and advanced wound care solutions such as our innovative range of advanced products. Furthermore, we believe there are significant opportunities for greater use of our products in the incontinence care market as innovative solutions take the place of traditional, costly and labor-intensive AFI management.

Leading market position in our core businesses with strong portfolio of products and brands

We have a leading market position in each of the ostomy care, wound care, continence and critical care and infusion devices markets, benefitting from a strong portfolio of products and widely-recognized brands within the industry. We have the largest market share in Ostomy Care in both North America and LAAP and we are a global market leader with a 29% market share as of 2010. Our Wound Therapeutics franchise holds the largest market position in the silver, alginates/Hydrofiber and hydrocolloid segments and we currently own three of the top six brands by market share in the advanced wound dressing market segment. We are also a global market leader in the production of fecal incontinence management systems with an approximate 80% market share as of December 31, 2009. We are the leader in the infusion devices market, and our competitive cost/quality position and development capabilities make it difficult for new participants to enter this market and effectively compete with us.

Record of innovation with strong research and development platform

Our research and development capabilities have been integral to our success in continuing to develop innovative products, and have gained us a reputation as a leading innovator. We have a history of successful innovation and product development, and have consistently introduced medical product breakthroughs, first in ostomy care, then in wound care, and most recently in adjacent areas such as fecal incontinence care. Our record of innovation includes a variety of leading technologies and commercialized products, often applicable across our franchises. For example, our hydrocolloid adhesive technology, which established us as a pioneer in both ostomy care and wound care, serves as the technology platform for a number of our products, including our DuoDERM wound dressings and our SUR-FIT Natura/S92, Esteem and Esteem synergy ostomy systems. Our Hydrofiber technology is the basis for a number of our fast-growing products, including the recently introduced AQUACEL SURGICAL/AQUACEL Ag SURGICAL, AQUACEL Ag and Versiva XC. Our ConvaTec Moldable Technology, our Phoenix pouching systems and our Vitala pouchless ostomy device are examples of our innovations in ostomy care.

Global footprint, with efficient global manufacturing capabilities and distribution resources and extensive marketing/sales expertise

We have an efficient network of 12 manufacturing facilities in nine countries which meets the production expectations of our customers. This assists us in maintaining a high-level of product quality, preserving sufficient operational flexibility, and improving productivity and overall profitability. In addition, our global sales and marketing efforts have been effective at sustaining and extending our product leadership positions. Through a combination of dedicated sales specialists, innovative customer interaction initiatives, targeted promotional campaigns and extensive channel management activities, we have successfully targeted and cultivated relationships with key decision makers, including specialized nurses. We have also been a leader in educating decision makers and consumers about advanced technologies and care protocols, helping us acquire and retain new customers. Our broad distribution network, with 27 distribution centers and distribution partners in more than 35 additional countries, provides an important complement to our manufacturing, sales and marketing capabilities.

Experienced senior management team supported by highly committed sponsors

Our senior management team is experienced and highly regarded in the industry, with an average of approximately 27 years of relevant industry experience and a seven year average tenure with the Company. The management team has successfully enhanced our competitiveness, operational excellence and attractive financial profile. Moreover, our focus on developing a performance culture has helped in bringing in significant new talent while building new functions and capabilities. We also benefit from our Sponsors' strong expertise in the healthcare sector. Nordic Capital has made a significant number of investments in the healthcare sector, including leveraged buyouts of companies in healthcare services, pharmaceuticals and medical devices. Avista Capital Partners has similar expertise in the healthcare sector, with several healthcare companies in its current portfolio.

Strong cash flow generation

Our business has strong cash flow generation characteristics and has historically generated significant cash. In the period since our acquisition by the Sponsors, we have used this cash to fund our separation and consolidation initiatives, including the cost of implementing our new information technology platform, of transitioning to a standalone company and of consolidating our operations. These initiatives have been substantially completed and we anticipate that a substantial portion of our cash will no longer be required to fund these separation and integration-related expenses. Based on the strengths described above including strong market share positions and the recurring non-discretionary nature of our products, coupled with the relatively low level of capital expenditure required to maintain our underlying businesses, we have the capability to generate significant free cash flow.

Our business's Adjusted EBITDA less capital expenditure for the twelve months ended September 30, 2010 was \$378.8 million.

Our strategy

Our goal is to be a leader in the businesses we compete in by developing and marketing differentiated technologies supported by strong marketing and clinical evidence. Through our global infrastructure and extensive geographic reach we aim to drive sustained revenue and EBITDA growth by leveraging the strengths of our four franchises:

Re-establish ConvaTec as the market leader in Ostomy Care through innovation and strengthened nurse and patient relationships

Our strategy is focused on increasing new patient capture through establishing ourselves as the innovation leader and by improving access to patients through channel strategies and improving our service model. A key product initiative is to globally roll out the Phoenix pouch system, recently introduced in Japan, which responds to nurse preferences by offering a pouch system with significantly improved aesthetics. We intend to follow this offering with the global roll out of our Vitala ostomy system, a pouchless system that provides temporary fecal continence for end colostomates. We will continue to focus on our differentiated adhesive technology platform, including ConvaTec Moldable Technology, and drive ongoing growth through consistent patient-driven life cycle management of our ostomy portfolio. To leverage our product innovation, we intend to improve access to new patients by strengthening our relationships with stoma care nurses through improved front line capabilities, educational programs and global advisory boards as well as through innovative channel strategies.

Become the market share growth leader in Wound Therapeutics by capturing a greater share of addressable wounds

We plan to strengthen our leadership position in advanced wound care products through three primary tactics. First we intend to leverage and expand the Hydrofiber Technology platform by continuing to build the AQUACEL brand in new and existing markets allowing for a broad product offering. This will include offerings in the surgical, burn and fast growing foam dressing markets. We also plan to continue to develop anti-infective technologies to sustain our leadership position. We will use AQUACEL Ag as the platform from which to grow and expand in the anti-infectives market, with products like AQUACEL Ag Foam dressings, and to employ aggressive life cycle management to address care issues that impede wound healing. And lastly, we will capitalize on our exclusive licensing agreement to penetrate the negative pressure wound therapy ("NPWT") market as part of our comprehensive Wound Therapeutics portfolio. We aim to target key opinion leaders and continue to develop clinical evidence of the effectiveness of NPWT and intend to develop competitive business models in the United States and then expand into additional geographic markets.

Continue market leadership in AFI and leverage our AFI leadership to increase CCC sales to ICU and other key customers

We aim to drive AFI sales growth globally by continuing to innovate, increasing our advertising presence, driving growth of our products and strengthening our leadership position. We intend to use Flexi-Seal SIGNAL to preserve pricing by offering additional product features, and we plan to introduce innovative product upgrades to further drive market growth and enhance product differentiation. We intend to target regions in which we do not yet have a strong presence and high potential accounts, and we will continue to focus on accelerating growth in European markets through our pan European First Marketing program. We also intend to leverage our Flexi-Seal market position in AFI to increase sales of our other products to ICU customers. We plan to drive geographic expansion for a focused set of hospital products such as UnoMeter and Abdo-Pressure and will continue to evaluate additional offerings for the ICU. For our Hospital Care products, we also plan to improve profitability by focusing on key products and through selective utilization of direct sales force and distributors. In addition, we intend to evaluate the opportunity to enter into the fast-growing uncoated ISC market in the United States.

Use Infusion Devices market position to expand into next generation technologies and expand Industrial Sales business by targeting key customers

We plan to maintain our leadership position in the market for infusion devices used in the treatment of type 1 diabetes by further developing our relationships with the key insulin pump manufacturers. We also intend to engage in product development projects to expand into components for patch pumps, an innovative new technology in this segment. In addition, we aim to leverage our leading position in this market to expand into treatment of type 2 diabetes. We also plan to use our knowledge base and manufacturing platform to build a position within subcutaneous infusion as a therapy in areas other than diabetes, such as Parkinson's disease, thalassaemia and primary immunodeficiency. In the Industrial Sales business-to-business operation, we aim to increase sales by leveraging our capabilities to manufacture uniform high-quality products in large volumes and our key account capabilities with major healthcare companies. We aim to gain new business and increase our profitability by becoming a broader portfolio supplier to the most important global surgery custom procedure pack companies and by continuing to serve market leaders in the urology segment.

In addition to the above franchise-specific strategies, the following strategic initiatives support our business across our franchises:

Expand our presence in emerging markets

We plan to enter into or increase our presence in emerging markets, particularly in China and Korea, organically and through selective acquisitions of new businesses. We believe the new regional distribution center in Singapore together with our exclusive distributor's regional distribution center in Latin America will enable us to achieve organic growth in our Latin America & Asia Pacific markets by strengthening our supply chain capability. Moreover, we intend to accelerate sales force growth and launch strategic products developed specifically for the emerging markets. We have increased sales force head count in both China and Korea, including adding a new clinical business team in Korea and a new business development director in China for our Hospital Care business. In addition, we have established partnerships to access the retail channel and have developed single-item packaging for ostomy products for direct patient purchase.

Enhance operational efficiency

We intend to make cost-efficient and strategic use of our global manufacturing and distribution network through selective closure of sub-optimal facilities and relocation of product lines from high-cost to low-cost labor markets. We also intend to reduce our total number of distribution centers with strategic opening of two new regional distribution centers to serve Latin America and emerging markets in Asia. We will also continue to focus on productivity improvements, cost reduction programs, procurement optimization, SKU rationalization and capacity expansion where appropriate.

Selectively pursue complementary acquisitions

We plan to make strategic acquisitions, including in emerging markets, to expand our global reach and complement our existing technologies and product portfolio. In addition, given the fragmented nature of the medical device industry and the opportunity this presents, we plan to selectively pursue complementary acquisitions which would allow us to expand our scope and scale to further enhance our offering to our customers and improve our economics.

Recent developments

Net sales for the month of October, both on an actual basis and at constant exchange rates, are below the equivalent period in 2009. November net sales have increased compared to October net sales but are less than the net sales in the equivalent period in 2009. In management's view, it is anticipated that Adjusted EBITDA for the year ending December 31, 2010 will not be materially different from the Adjusted EBITDA for the last twelve months ended September 30, 2010, although this view is based on a number of assumptions and estimates and our achievement of this level of performance is subject to a number of risks. See "Forward-looking statements" and "Risk factors."

Use of proceeds

We will use the net proceeds from the Offering of the Notes, together with cash on hand and borrowings under the New Credit Facilities, to directly or indirectly through the use intercompany loans or distributions (i) repay all amounts outstanding under the Senior Facilities, (ii) repay all amounts outstanding under the Mezzanine Facilities, including any prepayment premium, (iii) pay amounts due as a result of an early termination of certain of our existing hedging arrangements and (iv) pay related fees and expenses.

The foregoing transactions, including the issuance of Notes in this Offering, the entry into, and initial borrowing under, the New Credit Facilities and the repayment of all amounts outstanding under the Existing Credit Facilities are collectively referred to as the “**Refinancing.**”

For descriptions of our anticipated indebtedness following the Refinancing, see “Description of certain financing arrangements.” See also “Capitalization.”

The following table shows the estimated sources and uses of funds related to the Refinancing.

Sources of funds	(in millions of \$)		Uses of funds
Cash ⁽¹⁾	55.1	Repay Senior Facilities ⁽⁵⁾	1,706.7
New Credit Facilities ⁽²⁾	1,249.6	Repay Mezzanine Facilities ⁽⁶⁾	939.7
Secured Notes offered hereby ⁽³⁾	398.2	Early termination payment ⁽⁷⁾	57.5
Senior Notes offered hereby ⁽⁴⁾	1,076.8	Estimated fees and expenses	75.8
Total sources	2,779.7	Total uses	2,779.7

- (1) Represents the portion of our cash on hand that we intend to use in the Refinancing.
- (2) Represents borrowings of term loans under the New Credit Facilities. The New Credit Facilities provide for term borrowings of \$500.0 million and \$749.6 million in euro equivalent and revolving borrowings of up to \$250.0 million. The euro denominated portion of the New Credit Facilities have been converted into U.S. dollars at an assumed exchange rate of \$1.3273 to €1.00 and assuming an estimated foreign currency impact that is presented herein to be funded through the revolving portion of the New Credit Facilities. In the event that there are impacts from foreign currency exchange rates at the closing date that require additional funding, such amounts may be provided either from available cash or the New Credit Facilities. See “Description of certain financing arrangements—New Credit Facilities.” At closing, we expect that the availability under the revolving portion of the New Credit Facilities to be reduced by an estimated \$9.4 million relating to letters of credit and bank guarantees.
- (3) Represents the euro denominated Secured Notes converted into U.S. dollars at an assumed exchange rate of \$1.3273 to €1.00.
- (4) Represents \$745.0 million of U.S. dollar denominated Senior Notes and \$331.8 million in euro equivalent of euro denominated Senior Notes converted to U.S. dollars at an assumed exchange rate of \$1.3273 to €1.00.
- (5) Represents an estimate of the amount necessary to repay amounts outstanding under the Senior Facilities, including accrued and unpaid interest through the anticipated closing date at an assumed exchange rate of \$1.3273 to €1.00. As of September 30, 2010, the amount outstanding, including accrued and unpaid interest, was \$1,773.6 million at the September 30, 2010 exchange rate of \$1.3634 to €1.00.
- (6) Represents an estimate of the amount necessary to repay amounts outstanding under the Mezzanine Facilities, including prepayment premium and accrued and unpaid interest through the anticipated closing date at an assumed exchange rate of \$1.3273 to €1.00. As of September 30, 2010, the amount outstanding, including accrued and unpaid interest, was \$930.2 million at the September 30, 2010 exchange rate of \$1.3634 to €1.00.
- (7) The actual amount to be repaid in connection with the early termination of certain of our existing hedging arrangements will be determined by the costs to terminate our existing hedging arrangements on the date of the early termination.

Our Sponsors

Nordic Capital

Nordic Capital is a group of private equity funds creating value in its investments through committed ownership and by targeting strategic development and operational improvements. Founded in 1989, Nordic Capital was one of the private equity pioneers in northern Europe and has invested in a large number of companies operating in different sectors and regions.

Nordic Capital’s core investment principles are based on a dedicated partnership with the management of its portfolio companies.

Nordic Capital and affiliates have significant experience in the healthcare sector, currently owning six healthcare companies and having previously owned a further four. These current portfolio companies have recently made four add-on acquisitions.

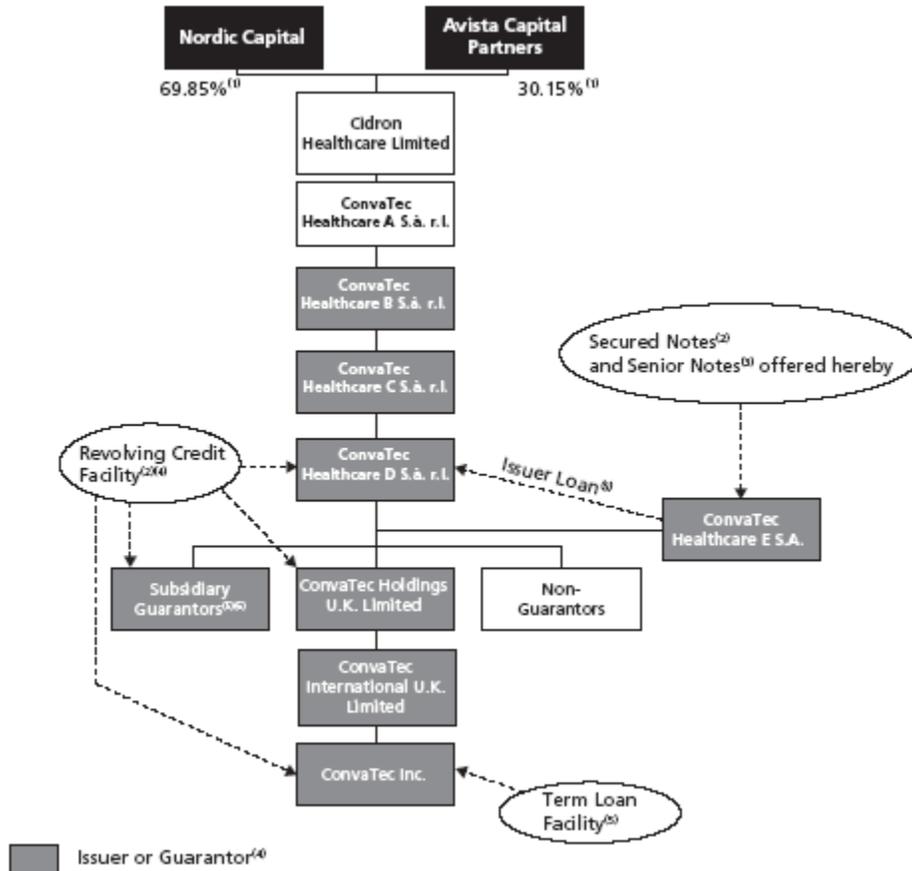
Avista Capital Partners

Founded in 2005, Avista Capital Partners is a leading private equity firm with offices in New York, New York, London, United Kingdom and Houston, Texas. Avista’s strategy is to make controlling or influential minority investments in growth-oriented healthcare, energy, media, consumer and industrial companies. Through its team of seasoned investment professionals and industry experts, Avista seeks to partner with exceptional management teams to invest in and add value to well-positioned businesses.

Avista Capital Partners has significant experience in the healthcare sector, having completed nine healthcare investments since Avista closed on its inaugural fund.

Corporate structure and certain financing arrangements

The following chart shows a simplified summary of our corporate and financing structure, as adjusted to give effect to the Offering and the Refinancing. The chart does not include all of our subsidiaries, nor all of the debt obligations thereof. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled “Description of the Secured Notes,” “Description of the Senior Notes,” “Description of certain financing arrangements” and “Capitalization.”



(1) Nordic Capital and Avista Capital Partners ownership is shown prior to dilution under our management incentive plans. See “Management—Compensation—Management incentive plans.”

(2) The Secured Notes will be senior obligations of the Issuer and will be guaranteed on a senior basis by ConvaTec Healthcare B S.à.r.l., ConvaTec Healthcare C S.à.r.l. and ConvaTec Healthcare D S.à.r.l. (together, the “**Parent Guarantors**”) and the Subsidiary Guarantors. The Secured Notes and its related guarantees will rank *pari passu* in right of payment with the New Credit Facilities and the Senior Notes and their related guarantees. The obligations of the Issuer under the Secured Notes and the obligations of the Guarantors under their respective guarantees will be secured by liens on all of the assets that secure the Issuer’s and the Guarantors’ obligations under the New Credit Facilities (the “**Collateral**”). We expect the Collateral will include (i) pledges over the capital stock of each Guarantor, (ii) fixed and floating charges over the assets and undertaking of Guarantors incorporated in England and Wales, (iii) fixed land charges or mortgages over certain real property located in Denmark, the Dominican Republic and the United States and (iv) certain other security granted over our intellectual property rights, an assignment of certain trade and insurance receivables, an assignment of intercompany receivables and security over certain bank accounts. Certain liens on the Collateral may not be in place and/or may not be perfected on the Issue Date. See “Description of the Secured Notes” for more information.

(3) The Senior Notes will be senior unsecured obligations of the Issuer and will be guaranteed on a senior basis by the Parent Guarantors and the Subsidiary Guarantors. The Senior Notes and its related guarantees will rank *pari passu* in right of payment with the New Credit Facilities and the Secured Notes and their related guarantees. See “Description of the Senior Notes” for more information.

(4) The New Credit Facilities also provide for a Revolving Credit Facility in the amount of \$250 million (U.S. dollar equivalent). The Issuer, ConvaTec Holdings U.K. Limited, ConvaTec Limited, ConvaTec Inc., ConvaTec Dominican Republic, Inc., ConvaTec (Denmark) ApS, Unomedical A/S and Papyro-Tex A/S are borrowers under the Revolving Credit Facility. The Revolving Credit Facility is not currently expected to be drawn as of the Issue Date (not giving effect to \$9.4 million of outstanding letters of credit, which reduces the amount available). See “Capitalization.”

(5) The Issuer Loan will be entered into in connection with the issuance of the Notes. The Issuer Loan will be assigned for the benefit of the creditors under the New Credit Facilities and the holders of the Secured Notes offered hereby on an equal and ratable first priority basis.

(6) The Guarantors are Papyro-Tex A/S, Unomedical A/S, Unomedical Holdings A/S, ConvaTec (Denmark) ApS, ConvaTec (Germany) GmbH, ConvaTec Healthcare B S.à r.l., ConvaTec Healthcare C S.à r.l., ConvaTec Healthcare D S.à r.l., ConvaTec Singapore PTE Limited, ConvaTec International Services GmbH, ConvaTec Holdings U.K. Limited, ConvaTec International U.K. Limited, Unomedical Holdings Limited, Unomedical Limited, ConvaTec Limited, AMCARE Limited, ConvaTec Inc., ConvaTec Dominican Republic, Inc. and ConvaTec Technologies Inc. We estimate that the Issuer and the Guarantors would have had greater than 85% of the total assets and EBITDA of the Company as of and for the nine months ended September 30, 2010.

(7) The guarantees of the Secured Notes and the Senior Notes will be subject to certain limitations under applicable law, as described under “Risk Factors—Risks related to our structure—Each Notes Guarantee and, in the case of the Secured Notes, security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.”

The Offering

The following is a brief summary of certain terms of the Offering of Secured Notes and Senior Notes. It may not contain all the information that is important to you. For additional information regarding the Notes and the Notes Guarantees, see “Description of the Secured Notes,” “Description of the Senior Notes” and “Description of certain financing arrangements—Intercreditor Agreement.”

Issuer ConvaTec Healthcare E S.A., incorporated as a public limited liability company (*société anonyme*) under the laws of Luxembourg (the “**Issuer**”).

Terms of the secured notes

Secured notes €300.0 million aggregate principal amount of 7.375% Secured Notes due 2017 (the “**Secured Notes**”).

Issue date On or about December 22, 2010.

Issue price of the secured notes 100.0% (plus accrued and unpaid interest from the Issue Date)

Maturity date..... December 15, 2017.

Interest rates and payment dates We will pay interest at a rate of 7.375% per annum on the Secured Notes on June 15 and December 15, beginning June 15, 2011. Interest will accrue from the Issue Date.

Ranking The Secured Notes will:

- be general, senior obligations of the Issuer, secured on a first-priority basis as set forth below under “—Security;”
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not subordinated to the Secured Notes (including the New Credit Facilities and the Senior Notes);
- rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated to the Secured Notes;
- effectively be subordinated in right of payment to any existing and future indebtedness of the Issuer that is secured by liens on assets that are not Collateral to the extent of the value of the assets securing such indebtedness; and
- be structurally subordinated to all existing and future obligations of the Issuer’s non-guarantor subsidiaries.

Guarantors	<p>Certain of the Parent’s subsidiaries in Denmark, Germany, Luxembourg, Singapore, Switzerland, the United Kingdom and the United States. See “Summary—Corporate structure and certain financing arrangements.” We estimate that the Issuer and the Guarantors would have had greater than 85% of the total assets and EBITDA of the Company as of and for the nine months ended September 30, 2010.</p>
Ranking of the secured notes guarantees	<p>Each Secured Notes Guarantee will:</p> <ul style="list-style-type: none"> • be a general, senior obligation of the relevant Guarantor, secured as set forth below under “—Security;” • rank <i>pari passu</i> in right of payment with any existing and future indebtedness of such Guarantor that is not subordinated to such Guarantor’s Secured Notes Guarantee (including the guarantees given by the Guarantors in favor of the New Credit Facilities and the Senior Notes); • rank senior in right of payment to any existing and future obligations of such Guarantor that are expressly subordinated to such Guarantor’s Secured Notes Guarantee; • effectively be subordinated in right of payment to all existing and future indebtedness of such Guarantor that is secured by liens on assets that are not Collateral to the extent of the value of the assets securing such indebtedness; and • be structurally subordinated to all existing and future obligations of such Guarantor’s non-guarantor subsidiaries (other than the Issuer). <p>The Secured Notes Guarantees will be subject to release under certain circumstances. See “Description of the Secured Notes—The Guarantees—Release of Guarantees.”</p>
Security	<p>Subject to the terms of the security documents and the Intercreditor Agreement, the obligations of the Issuer under the Secured Notes, and the obligations of the Guarantors in respect of the Guarantee under the Secured Indenture, will be secured by liens on the same assets that secure, inter alia, the obligations under the New Credit Facilities (the “Collateral”). The Collateral will be pledged in favor of the Collateral Agent and we expect will include (i) pledges over the capital stock of the Issuer and each Guarantor (other than the Company), (ii) fixed and floating charges over the assets and undertaking of Guarantors incorporated in England and Wales, (iii) fixed land charges or mortgages over certain real property located in Denmark, the Dominican Republic and the United States and (iv) certain other security granted over our intellectual property rights, an assignment of certain trade and insurance receivables, an assignment of intercompany receivables and security over certain bank accounts. Certain liens on the Collateral may not be in place and/or may not be perfected on the Issue Date. See “Description of the Secured Notes—Security.”</p>
Optional redemption	<p>At any time prior to December 15, 2013, the Issuer may redeem all or part of the Secured Notes at a redemption price equal to 100% of the principal amount of the Secured Notes redeemed plus the applicable “make-whole” premium set forth in this Offering Memorandum, plus accrued and unpaid interest, if any.</p>

At any time prior to December 15, 2013, the Issuer may redeem during each 12-month period commencing with the Issue Date up to 10% of the aggregate principal outstanding amount of Secured Notes at a redemption price equal to 103% of the principal amount of the Secured Notes redeemed plus accrued and unpaid interest on the Secured Notes to, but not including, the redemption date.

At any time prior to December 15, 2013 the Issuer may redeem up to 35% of the original principal amount of the Secured Notes with the net cash proceeds from specified public equity offerings at a redemption price equal to 107.375% of the principal amount thereof plus accrued and unpaid interest, if any, to the redemption date provided that at least 65% of the original principal amount of the Secured Notes remain outstanding after the redemption.

At any time on or after December 15, 2013, the Issuer may also redeem all or part of the Secured Notes at the redemption prices set forth under the caption “Description of the Secured Notes—Optional redemption” plus accrued and unpaid interest to the redemption date.

See “Description of the Secured Notes—Optional redemption.”

Collateral agent JPMorgan Chase Bank, N.A.

Terms of the senior notes

Senior dollar notes \$745.0 million aggregate principal amount of 10.500% Senior Notes due 2018 (the “**Senior Dollar Notes**”).

Senior euro notes €250.0 million aggregate principal amount of 10.875% Senior Notes due 2018 (the “**Senior Euro Notes**” and, together with the Senior Dollar Notes, the “**Senior Notes**”).

The Secured Notes and the Senior Notes are collectively referred to herein as the “Notes” unless context otherwise requires.

Issue date On or about December 22, 2010.

Issue price of the senior dollar notes 100.0% (plus accrued and unpaid interest from the Issue Date)

Issue price of the senior euro notes 100.0% (plus accrued and unpaid interest from the Issue Date)

Maturity date December 15, 2018.

Interest rates and payment dates We will pay interest at a rate of 10.500% per annum on the Senior Dollar Notes and at a rate of 10.875% per annum on the Senior Euro Notes on June 15 and December 15, beginning June 15, 2011. Interest will accrue from the Issue Date.

Ranking The Senior Notes will:

- be general, senior obligations of the Issuer;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not subordinated to the Senior Notes;
- rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated to the Senior Notes;
- effectively be subordinated in right of payment to any existing and future indebtedness of the Issuer that is secured, including its obligations in respect of the Secured Notes and indebtedness outstanding under the New Credit Facilities, to the extent of the value of the assets securing such indebtedness; and

- be structurally subordinated to all existing and future obligations of the Issuer’s non-guarantor subsidiaries.

Guarantors Certain of the Parent’s subsidiaries in Denmark, Germany, Luxembourg, Singapore, Switzerland, the United Kingdom and the United States. See “Summary—Corporate structure and certain financing arrangements.” We estimate that the Issuer and the Guarantors would have had greater than 85% of the total assets and EBITDA of the Company as of and for the nine months ended September 30, 2010.

Ranking of the senior notes guarantees Each Senior Notes Guarantee will:

- be a general unsecured obligation of the relevant Guarantor;
- rank *pari passu* in right of payment with any existing and future indebtedness of such Guarantor that is not subordinated to such Guarantor’s Senior Notes Guarantee;
- rank senior in right of payment to any existing and future obligations of such Guarantor that are expressly subordinated to such Guarantor’s Senior Notes Guarantee;
- effectively be subordinated in right of payment to all existing and future indebtedness of such Guarantor that is secured, including its obligations in respect of the Secured Notes and indebtedness outstanding under the New Credit Facilities, to the extent of the value of the assets securing such indebtedness; and
- be structurally subordinated to all existing and future obligations of such Guarantor’s non-guarantor subsidiaries (other than the Issuer).

The Senior Notes Guarantees will be subject to release under certain circumstances. See “Description of the Senior Notes—The Guarantees—Release of Guarantees.”

The Senior Notes Guarantees will be subject to the terms of the Intercreditor Agreement. See “Description of certain financing arrangements—Intercreditor Agreement.”

Optional redemption At any time prior to December 15, 2014, the Issuer may redeem all or part of the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed plus the applicable “make-whole” premium set forth in this Offering Memorandum, plus accrued and unpaid interest, if any.

At any time prior to December 15, 2013, the Issuer may redeem up to 35% of the original principal amount of either or both series of the Senior Notes with the net cash proceeds from specified public equity offerings at a redemption price equal to 110.500% (in the case of the Senior Dollar Notes) or 110.875% (in the case of the Senior Euro Notes) of the principal amount thereof plus accrued and unpaid interest, if any, to the redemption date provided that at least 65% of the original principal amount of the Senior Notes remain outstanding after the redemption.

At any time on or after December 15, 2014, the Issuer may also redeem all or part of either or both series of the Senior Notes at the redemption prices set forth under the caption “Description of the Senior Notes—Optional redemption” plus accrued and unpaid interest to the redemption date.

See “Description of the Senior Notes—Optional redemption.”

Terms common to the secured notes and the senior notes

Form of denomination	Each Global Note will have a minimum denomination of \$200,000 and be in any integral multiple of \$1,000 in excess thereof in the case of the Senior Dollar Notes (the “ Dollar Notes ”) or €100,000 and in any integral multiple of €1,000 in excess thereof in the case of the Secured Notes and the Senior Euro Notes (together, the “ Euro Notes ”). Notes in denominations of less than \$200,000 or €100,000 will not be available.
Use of proceeds.....	We will use the net proceeds from the issue of the Notes, together with cash in hand, to directly or indirectly through the use of intercompany loans, distributions and/or payments (i) repay the Existing Credit Facilities, (ii) pay amounts due as a result of an early termination of our existing hedging arrangements and (iii) pay costs and administrative expenses, taxes (including income taxes), fees and indemnities in connection with, or otherwise related to the Offering and any of the foregoing. Any remaining net proceeds will be used for general corporate purposes. See “Use of proceeds.”
Additional amounts.....	Any payments made by the Company or any Guarantor with respect to the Notes or any guarantees will be made without withholding or deduction for taxes in any taxing jurisdiction unless required by law. If we are required by law to withhold or deduct for taxes of a relevant Tax Jurisdiction with respect to a payment to the holders of the Notes or any guarantee, we will pay the additional amounts necessary so that the net amount received by the holders of the Notes or any guarantees after the withholding is not less than the amount that they would have received in the absence of the withholding, subject to certain exceptions. See “Description of the Secured Notes—Additional Amounts” and “Description of the Senior Notes—Additional Amounts.”
Optional redemption for tax reasons.....	In the event of certain developments affecting taxation or certain other circumstances, 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, if any, and additional amounts, if any, to the date of redemption. See “Description of the Secured Notes—Optional redemption—Redemption upon changes in withholding taxes” and “Description of the senior notes—Optional redemption—Redemption upon changes in withholding taxes.”
Asset sales.....	The Issuer will be required to offer to purchase the Notes with excess proceeds, if any, following certain asset sales at a purchase price equal to 100% of the principal amount, and accrued and unpaid interest to the date of purchase. See “Description of the Secured Notes—Certain covenants—Limitation on sale of certain assets” and “Description of the Senior Notes—Certain covenants—Limitation on sale of certain assets.”
Change of control	Upon the occurrence of certain change of control events, the Issuer will be required to offer to repurchase the Notes at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of the purchase. See “Description of the Secured Notes—Purchase of Secured Notes upon a Change of Control” and “Description of the Senior Notes—Purchase of Senior Notes upon a Change of Control.”
Certain covenants.....	The Indentures will limit, among other things, our ability to: <ul style="list-style-type: none">• incur additional indebtedness;• pay dividends on, redeem or repurchase our capital stock;

- make certain restricted payments and investments;
- create certain liens;
- impose restrictions on the ability of subsidiaries to pay dividends or other payments to the Company;
- transfer or sell assets;
- merge or consolidate with other entities; and
- enter into transactions with affiliates.

Each of the covenants is subject to a number of important exceptions and qualifications. See “Description of the Secured Notes—Certain covenants” and “Description of the Senior Notes—Certain covenants.”

Transfer restrictions	The Notes and the Notes Guarantees have not been registered under the U.S. Securities Act or the securities laws of any other jurisdiction and will not be so registered. The Notes are subject to restrictions on transferability and resale. See “Notice to investors.” Holders of the Notes will not have the benefit of any exchange or registration rights.
No prior market.....	Although application has been made to the Irish Stock Exchange for the approval of this document as Listing Particulars and for the Notes to be admitted to trading on the Global Exchange Market, the Notes will be new securities for which there is no market. Although the initial purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you that an active trading market for the Notes will develop or be maintained.
Governing law	The Notes, the Indentures and the Intercreditor Agreement will be governed by New York law. In the case of the Secured Notes, the security documents will be submitted to the laws of the jurisdiction in which the Collateral that is the subject of such security documents is located.
Trustee	Deutsche Trustee Company Limited.
Principal paying agent and transfer agent	Deutsche Bank AG, London Branch.
Registrar	Deutsche Bank Luxembourg S.A.
Irish listing agent	Arthur Cox Listing Services Limited.
U.S. registrar, U.S. paying agent and U.S. transfer agent	Deutsche Bank Trust Company Americas.
Risk factors	Investing in the Notes involves substantial risks. Please see the “Risk factors” section for a description of certain of the risks you should carefully consider before investing in the Notes.

Summary consolidated financial and other data

Summary ConvaTec consolidated financial and other data

The tables below present certain summary financial and other data for the Predecessor for the seven months ended July 31, 2008 and certain summary consolidated financial and other data for the Successor as of December 31, 2008 and 2009 and September 30, 2010 and for the five months ended December 31, 2008, the year ended December 31, 2009, the nine months ended September 30, 2009 and 2010, and for the twelve months ended September 30, 2010. We derived the summary financial data from our and the Predecessor’s consolidated financial statements prepared in accordance with GAAP. Such information should be read in conjunction with our consolidated financial statements and the related notes, included elsewhere in this Offering Memorandum. The financial data as of December 31, 2008 and 2009 and for the seven months

ended July 31, 2008, the five months ended December 31, 2008, and the year ended December 31, 2009 has been derived from our audited financial statements. The financial data as of September 30, 2010 and for the nine months ended September 30, 2009 and 2010 and as of and for the twelve months ended September 30, 2010 has been derived from our unaudited financial statements, has been prepared on the same basis as our audited consolidated financial statements and, in the opinion of management, reflects all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of this data. The results for any interim period are not necessarily indicative of the results that may be expected for a full year or any future reporting period.

The following tables should also be read in conjunction with “Presentation of financial and other information—Non-GAAP financial measures,” “Capitalization,” “Use of proceeds,” “Management’s discussion and analysis of financial condition and results of operations” and “Selected consolidated financial data.”

Consolidated statement of earnings data

	Predecessor	CHB				
	Seven months ended July 31, 2008 ⁽¹⁾	Five months ended December 31, 2008 ⁽²⁾	Year ended December 31, 2009	Nine months ended September 30, 2009 2010		Twelve months ended September 30, 2010 ⁽³⁾
(in millions of \$)						
Net sales⁽⁴⁾	727.4	631.4	1,527.3	1,108.8	1,116.9	1,535.4
Cost of goods sold ⁽⁵⁾	218.6	454.7	734.2	528.5	528.1	733.8
Gross profit	508.8	176.7	793.1	580.3	588.8	801.6
Selling, general and administrative	304.2	254.6	642.2	465.6	440.3	616.9
Research and development expenses	33.1	37.7	60.2	44.4	37.9	53.7
Acquired in-process research and development ⁽⁶⁾	—	184.3	—	—	—	—
Goodwill impairment ⁽⁷⁾	—	—	277.3	—	—	277.3
Operating income (loss)	171.5	(299.9)	(186.6)	70.3	110.6	(146.3)
Interest expense	7.6	292.0	503.7	373.6	372.2	502.3
Foreign exchange loss (gain)	3.5	(21.6)	1.9	(10.1)	(7.3)	4.7
Other (income) expense, net	(2.3)	(1.3)	(1.2)	(0.8)	0.4	—
Earnings (loss) before income taxes	162.7	(569.0)	(691.0)	(292.4)	(254.7)	(653.3)
Provision (benefit) for income taxes ⁽⁸⁾	58.7	(90.1)	(32.5)	(9.7)	52.7	29.9
Net (loss) earnings	104.0	(478.9)	(658.5)	(282.7)	(307.4)	(683.2)

Consolidated balance sheet data

	CHB		
	As of December 31, 2008	As of September 30, 2009	As of September 30, 2010
(in millions of \$)			
Cash and cash equivalents	170.9	102.5	98.3
Inventories, net	184.1	202.9	221.7
Accounts receivable	260.2	253.7	262.0
Total current assets	699.3	615.9	631.3
Property, plant and equipment, net	326.3	338.7	326.6
Intangible assets, net	2,537.7	2,501.3	2,374.5
Total non-current assets	4,511.4	4,111.8	3,814.1
Total assets	5,210.7	4,727.7	4,445.4
Accounts payable	155.7	109.2	82.5
Total current liabilities, exclusive of current portion of long-term debt	498.4	276.1	233.0
Total financial debt, exclusive of PECs ⁽⁹⁾	2,681.5	2,748.8	2,689.0
Non-current liabilities ⁽¹⁰⁾	2,460.4	2,652.4	2,691.1
Total liabilities	5,640.3	5,677.3	5,613.1

Consolidated cash flow statement data

	Predecessor		CHB		
	Seven months ended July 31, 2008	Five months ended December 31, 2008	Year ended December 31, 2009	2009	Nine months ended September 30, 2010
<i>(in millions of \$)</i>					
Cash and cash equivalents at beginning of the period	—	39.8	170.9	170.9	102.5
Net cash (used in) provided by operating activities	114.4	(32.2)	15.9	(2.4)	39.7
Net cash used in investing activities	(37.2)	(2,505.3)	(59.6)	(30.0)	(27.9)
Net cash provided by (used in) financing activities.....	(30.9)	2,697.0	(32.5)	(19.8)	(4.3)
Effect of exchange rates on cash.....	(6.5)	(28.4)	7.8	11.3	(11.7)
Net change in cash and cash equivalents	39.8	131.1	(68.4)	(40.9)	(4.2)
Cash and cash equivalents at end of the period	39.8	170.9	102.5	130.0	98.3

Other data

	CHB			
	As of and for the year ended December 31, 2009	As of and for the nine months ended September 30, 2009	As of and for the nine months ended September 30, 2010	As of and for the twelve months ended September 30, 2010
<i>(in millions of \$, except ratios)</i>				
EBITDA ⁽¹¹⁾	(6.7)	202.9	247.4	37.8
Adjusted EBITDA ⁽¹²⁾	440.0	314.4	309.0	434.6
Pro forma cash and cash equivalents ⁽¹³⁾				43.2
Pro forma senior secured debt ⁽¹⁴⁾				1,679.3
Pro forma total financial debt ⁽¹⁴⁾				2,765.2
Pro forma net senior secured debt ⁽¹⁵⁾				1,636.1
Pro forma net debt ⁽¹⁵⁾				2,722.0
Pro forma interest expense ⁽¹⁶⁾				224.6
Ratio of pro forma net senior secured debt to Adjusted EBITDA ⁽¹²⁾⁽¹⁵⁾				3.8
Ratio of pro forma net debt to Adjusted EBITDA ⁽¹²⁾⁽¹⁵⁾				6.3
Ratio of Adjusted EBITDA to pro forma interest expense ⁽¹²⁾⁽¹⁶⁾				1.9

(1) Due to the ConvaTec Acquisition, our historical financial statements are separated into Predecessor and Successor periods. Predecessor refers to ConvaTec, operating as a division of BMS, prior to August 1, 2008. The results of operations for the seven months ended July 31, 2008 are presented on a carve-out basis and are derived from the consolidated financial statements and accounting records of BMS. The Predecessor's results of operations include expense allocations for certain functions historically provided by BMS. Successor refers to the Company beginning August 1, 2008 and thereafter. The Successor's financial statements for the five months ended December 31, 2008 include the effects of purchase accounting adjustments related to the ConvaTec Acquisition. The impact of certain more significant purchase accounting adjustments are described in footnotes 5 and 6 below.

(2) On September 2, 2008, a wholly owned subsidiary of CHB acquired the stock of Unomedical pursuant to a stock purchase agreement. The results of operations for the five months ended December 31, 2008 include the results of operations of Unomedical from the acquisition date forward as well as the effects of purchase accounting adjustments related to this acquisition. The impact of certain more significant purchase accounting adjustments are described in footnotes 5 and 6 below.

(3) Results of operations for the twelve months ended September 30, 2010 are presented solely for purposes of this Offering Memorandum and are calculated from the results of operations for the year ended December 31, 2009, the results of operations for the nine months ended September 30, 2009 and the results of operations for the nine months ended September 30, 2010. Our independent auditors have not performed any audit or review procedures on such twelve month period.

(4) Net sales is comprised of sales of our products net of rebates and discounts.

(5) Cost of goods sold during the five months ended December 31, 2008 includes non-cash charges of \$169.8 million related to purchase accounting adjustments to increase the value of inventory acquired in the ConvaTec Acquisition and the Unomedical Acquisition to fair value, which amount was expensed over three months, the estimated period over which such inventory was sold.

(6) In accordance with accounting guidance related to business combinations, acquired in-process research and development related to the acquisitions of ConvaTec and Unomedical was measured at fair value. It was determined that the acquired in-process research and development did not have any future alternative use; therefore, we recorded a non-cash charge to expense the total fair value immediately upon completion of the business combinations. For the five months ended December 31, 2008, the total amount expensed associated with acquired in-process research and development was \$184.3 million.

(7) In conjunction with our annual goodwill impairment test during 2009, it was determined that the implied fair value of the North America managed segment was less than its carrying value, and as a result, a non-cash charge was recorded to write down goodwill by \$277.3 million. See Note 2, "Accounting policies—Goodwill and other intangible assets" and Note 11, "Goodwill" to our 2009 Audited Consolidated Financial Statements, included elsewhere in this Offering Memorandum, for further description.

(8) In accordance with accounting guidance related to income taxes, we must periodically assess whether certain deferred tax assets are “more likely than not” to be realized. During the nine months ended September 30, 2010, facts and circumstances occurred that precluded us from meeting this recognition threshold in certain jurisdictions. Accordingly, we recorded a valuation allowance against deferred tax assets in Luxembourg and in the United States, which resulted in a non-cash charge to income tax expense of \$100.8 million.

(9) Total financial debt is presented to exclude mandatorily redeemable preferred equity certificates (“PECs”) in the amount of \$1,800.9 million, \$1,857.0 million, and \$1,758.3 million at December 31, 2008, December 31, 2009 and September 30, 2010, respectively. See “Certain relationships and related party transactions—Mandatorily redeemable preferred equity certificates.”

(10) Other liabilities is presented to include the PECs balance amounts disclosed in footnote 9 above and also includes accrued interest on the PECs of \$99.8 million, \$365.4 million, and \$554.9 million at December 31, 2008, December 31, 2009 and September 30, 2010, respectively. See “Certain relationships and related party transactions—Mandatorily redeemable preferred equity certificates.”

(11) EBITDA consists of net (loss) earnings for the respective period before (benefit)/provision for income taxes, other (income) expense, net, foreign exchange (gain) loss, interest expense, and depreciation and amortization. EBITDA is not a measurement of performance under GAAP and you should not consider EBITDA as an alternative to (a) operating income or net earnings for the year (as determined in accordance with GAAP) as a measure of our operating performance, (b) cash flows from operating, investing, and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles.

We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate us. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing our EBITDA to EBITDA of other companies. EBITDA as presented here differs from the definition of “Consolidated EBITDA” contained in the Indentures. The following table reconciles net (loss) earnings to EBITDA for the periods indicated.

(in millions of \$)	CHB			
	Year ended December 31,	Nine months ended September 30,		Twelve months ended September 30,
	2009	2009	2010	2010
Net (loss) earnings	(658.5)	(282.7)	(307.4)	(683.2)
(Benefit)/provision for income taxes	(32.5)	(9.7)	52.7	29.9
Other (income) expense, net	(1.2)	(0.8)	0.4	—
Foreign exchange (gain) loss	1.9	(10.1)	(7.3)	4.7
Interest expense, net.....	503.7	373.6	372.2	502.3
Depreciation and amortization	179.9	132.6	136.8	184.1
EBITDA	(6.7)	202.9	247.4	37.8

(12) We present Adjusted EBITDA as a further supplemental measure of our operating performance. Adjusted EBITDA represents EBITDA as adjusted for costs that are considered by management to be non-recurring in nature and other non-cash and unusual items, as such costs are not reflective of the on-going performance of the business and are added back to derive Adjusted EBITDA. We believe Adjusted EBITDA is a relevant measure for assessing and measuring the recurring operating performance of the business. Accordingly, this information has been disclosed in this Offering Memorandum to permit a more complete and comprehensive analysis of our operating performance. Other companies may calculate Adjusted EBITDA differently than we do. Adjusted EBITDA is not a measurement of financial performance under GAAP and is not audited and should not be considered as a measure of liquidity or an alternative to operating profit or profit for the year or any other performance measure derived in accordance with GAAP. The following table provides a reconciliation of EBITDA to Adjusted EBITDA for the periods indicated.

(in millions of \$)	CHB			
	Year ended	Nine		Twelve
	December 31,	months ended	months ended	months ended
	2009	September 30, 2009	September 30, 2010	September 30, 2010
EBITDA	(6.7)	202.9	247.4	37.8
Adjustments:				
Goodwill impairment ^(a)	277.3	—	—	277.3
ConvaTec separation and Unomedical integration				
Information technology costs ^(b)	60.6	50.8	19.7	29.5
Professional service fees ^(c)	45.9	22.6	8.9	32.2
Restructuring and reorganization costs ^(d)	22.7	13.7	12.2	21.2
Legal and regulatory costs ^(e)	3.5	1.3	1.9	4.1
Other ^(f)	9.6	6.0	1.9	5.5
Total separation and integration costs	142.3	94.4	44.6	92.5
Other ^(g)	27.1	17.1	17.0	27.0
Total adjustments	446.7	111.5	61.6	396.8
Adjusted EBITDA	440.0	314.4	309.0	434.6

(a) See footnote 7 above.

(b) Primarily consisted of costs incurred to (i) implement a new SAP information technology platform and a new consolidation and reporting system, (ii) align other IT-related initiatives for the new stand-alone company and (iii) integrate the information technology systems of Unomedical into that of ConvaTec. Significant costs included payments to third party vendors in connection with the design and implementation project work, including establishing our own hardware environment. This adjustment also includes the duplication of costs for information technology functions related to our establishment of such functions as a separate, independent company while simultaneously incurring related costs pursuant to our transition services agreement with BMS.

(c) Primarily consisted of (i) transition and project management services in the establishment of our new business processes, (ii) research studies and advisory services in connection with strategic business modeling, optimization strategies for manufacturing and supply chain operations, and organizational structuring, (iii) advisory services and general assistance provided in connection with our establishment of a new capital structure, including adherence to statutory and legal requirements and (iv) other transitional technical finance and accounting advisory projects.

(d) Restructuring-related initiatives included in the consolidation and rationalization of certain manufacturing and supply chain operations and other corporate departments, in connection with the acquisition and integration of Unomedical. Costs included, but were not limited to, termination and retention payments, equipment, machinery and employee transfers. Additionally, this expense includes restructuring actions taken to reorganize and better align our commercial operations and support functions, which primarily included severance and termination related-benefits.

(e) These costs include legal expenses related to the review of ConvaTec Acquisition and Unomedical Acquisition transaction documents, including sales and purchase agreements and bank credit agreements, re-registration of patents and tradenames/trademarks from BMS to ConvaTec globally and other non-recurring legal and regulatory expenses.

(f) Other costs include amounts incurred to implement a global shared services center, writeoff and disposal costs related to BMS branded inventory, costs incurred to implement new ConvaTec logos and signage, and other miscellaneous non-recurring costs.

(g) Other non-recurring expenses and non-cash items include gains/losses on the sale of businesses, settlements related to product recall activity, and non-recurring legal and professional service fees (incremental to those incurred as part of the BMS separation) for significant management initiatives including manufacturing optimization, sales force reorganization, go-to-market strategy and other miscellaneous non-recurring expenses.

(13) Pro forma cash and cash equivalents is calculated by giving pro forma effect to the issuance of the Notes, the gross drawings under the New Credit Facilities and the application of the proceeds therefrom, and the use of a portion of our cash on the balance sheet in connection with the Refinancing as if each of these transactions had occurred on September 30, 2010. See “Use of proceeds.”

(14) Pro forma senior secured debt and pro forma total financial debt are calculated by giving pro forma effect to the issuance of the Notes, the gross drawings under the New Credit Facilities and the repayment of all amounts under the Existing Credit Facilities as if each of these transactions had occurred on September 30, 2010. Pro forma senior secured debt and total financial debt assume an aggregate principal amount of \$409.0 million (equivalent) of Secured Notes, gross drawings of \$1,270.0 million under the New Credit Facilities. Please see “Use of proceeds” and “Capitalization.” For presentational purposes, the aggregate principal amount of the Euro Notes has been converted into U.S. dollars at an exchange rate of \$1.3634 to €1.00, which is the exchange rate used for our balance sheet as of September 30, 2010. This exchange rate differs from the exchange rate as reported by Bloomberg as of September 30, 2010 and may differ from the exchange rate in effect as of the date the Euro Notes are issued. The closing exchange rate of the U.S. dollar to the euro as reported by Bloomberg on December 17, 2010 was \$1.3156 to €1.00.

(15) Pro forma net senior secured debt and pro forma net debt is calculated by deducting pro forma cash and cash equivalents from pro forma senior secured debt and pro forma total debt, respectively. See notes 13 and 14 above.

(16) Pro forma interest expense is calculated by giving pro forma effect for the issuance of the Notes, the gross drawings of \$1,270.0 million under the New Credit Facilities, the application of the proceeds as set out in “Use of proceeds” as if each of these transactions occurred on October 1, 2009. The pro forma interest expense on the Euro Notes has been converted into U.S. dollars using an exchange rate of \$1.3634 to €1.00, which is the exchange rate used for our balance sheet as of September 30, 2010. The closing exchange rate of the euro to the U.S. dollar as reported by Bloomberg on December 17, 2010 was \$1.3156 to €1.00. Pro forma interest expense has been presented for illustrative purposes only. Pro forma interest expense does not purport to represent what our interest expense would have actually been had the Refinancing occurred on the date assumed nor does it purport to project our interest expense for any future period.

Summary ConvaTec franchise and segment data

The tables below present certain franchise and managed segment data for the Predecessor for the seven months ended July 31, 2008 and for the Company for the five months ended December 31, 2008, the year ended December 31, 2009, for the nine months ended September 30, 2009 and 2010 and for the twelve months ended September 30, 2010. We derived the summary financial data from our and the Predecessor’s consolidated financial statements prepared in accordance with GAAP. Such information should be read in conjunction with the Consolidated Financial Statements and Audited Predecessor Financial Statements included elsewhere in this Offering Memorandum. The financial data as of December 31, 2008 and 2009 and for the seven months ended July 31, 2008, the five months ended December 31, 2008, and the year ended December 31, 2009 has been derived from our audited financial statements. The financial data for the nine months ended September 30, 2009 and 2010 and the twelve months ended September 30, 2010 has been derived from our unaudited financial statements, has been prepared on the same basis as our Audited Consolidated Financial Statements and, in the opinion of management, reflects all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of this data. The results for any interim period are not necessarily indicative of the results that may be expected for a full year or any future reporting period.

The following tables should also be read in conjunction with “Presentation of financial and other information—Non-GAAP financial measures” “Capitalization,” “Use of proceeds,” “Management’s discussion and analysis of financial condition and results of operations” and “Selected consolidated financial data.”

Net sales by franchise

	Predecessor		CHB			
	Seven months ended July 31, 2008 ⁽¹⁾	Five months ended December 31, 2008	Year ended December 31, 2009	Nine months ended September 30, 2009	Twelve months ended September 30, 2010	Twelve months ended September 30, 2010
<i>(in millions of \$)</i>						
Net sales by franchise						
Ostomy Care	363.8	247.7	569.2	411.3	405.5	563.4
Wound Therapeutics	307.7	214.7	488.7	357.9	360.7	491.5
Continance & Critical Care.....	55.9	110.4	270.3	197.7	195.6	268.2
Infusion Devices/Industrial Sales	—	58.6	199.1	141.9	155.1	212.3
Total net sales	727.4	631.4	1,527.3	1,108.8	1,116.9	1,535.4

Net sales by managed segment⁽²⁾

	Predecessor		CHB			
	Seven months ended July 31, 2008 ⁽¹⁾	Five months ended December 31, 2008	Year ended December 31, 2009	Nine months ended September 30, 2009	Twelve months ended September 30, 2010	Twelve months ended September 30, 2010
<i>(in millions of \$)</i>						
Legacy ConvaTec:						
North America	241.4	206.9	418.2	299.5	307.6	426.3
EMEA	397.4	239.7	589.2	438.2	419.7	570.7
LAAP.....	87.7	55.3	145.1	102.0	110.1	153.2
Unomedical	—	128.7	373.6	268.1	278.5	384.0
Corporate and other	0.9	0.8	1.2	1.0	1.0	1.2
Total net sales	727.4	631.4	1,527.3	1,108.8	1,116.9	1,535.4

- (1) Due to the ConvaTec Acquisition, our historical financial statements are separated into predecessor and successor periods. Predecessor refers to ConvaTec, operating as a division of BMS, prior to August 1, 2008. The results of operations for the seven months ended July 31, 2008 are presented on a carve-out basis and are derived from the consolidated financial statements and accounting records of BMS. The Predecessor’s results of operations include expense allocations for certain functions historically provided by BMS. Successor refers to the Company beginning August 1, 2008 and thereafter.
- (2) We analyze our net sales by franchise as well as geographic segment, however our operations are managed at a geographic region level for the legacy ConvaTec business (North America, EMEA and LAAP) and for Unomedical as a whole (each herein referred to as a “**managed segment**” of the business). Management evaluates performance on this basis, including making resource allocation and investment decisions. Global support operations and corporate expenses are managed on a departmental basis.

Risk factors

We encourage you to read the following discussion in conjunction with the section entitled “Selected consolidated financial data,” our and the Predecessor’s audited consolidated financial statements and our unaudited interim condensed consolidated financial statements and the related notes thereto, included elsewhere in this Offering Memorandum. The following discussion may include forward-looking statements which, although based on assumptions that we consider reasonable, are based on assumptions and estimates and are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by any such forward-looking statements.

Risks related to our business

The current global economic downturn and related credit and financial market problems may pose additional risks and exacerbate existing risks to our business.

The serious slowdown in the global economy, as well as the ongoing problems in the credit and financial markets, have had and may continue to have a negative effect on demand for our products, availability and reliability of vendors and third party contract manufacturers, our ability to timely collect our accounts receivable and the availability of financing for acquisitions and working capital requirements. We experienced an overall decrease in our revenue growth in 2009 and a significant slowdown in sales of our products, in part due to customers purchasing less frequently (through extending use of each product) and/or purchasing lower cost, less advanced products. A continued or renewed deterioration of the general economic situation in Europe, the United States and/or in the other countries in which we sell our products could contribute to those trends remaining a problem or becoming worse.

The reduction in economic activity and lack of available financing have impacted and could continue to impact our business in a variety of ways, including the following:

- loss of jobs and lack of health insurance as a result of the economic slowdown could depress demand for healthcare services and our products;
- reduction in the number of insureds and lack of available credit could result in the inability of private insurers to satisfy their reimbursement obligations, lead to delays in payment or cause the insurers to increase their scrutiny of our claims;
- customers and group purchasing organizations could continue to exert downward pressure on the prices of our products;
- shortage of available credit for working capital could lead customers who buy goods from us to curtail their purchases or cause them difficulty in meeting payment obligations;
- tightening of credit and disruption in the financial markets could disrupt or delay performance by our third party vendors and contractors and adversely affect our business; or
- problems in the credit and financial markets could limit the availability and size of alternative or additional financing for our working capital or other corporate needs and could make it more difficult and expensive to obtain waivers under or make changes to our existing credit arrangements.

If any of these (or other similar) risks were to materialize, our business, results of operations and financial condition may be adversely affected, and the risks could become more pronounced if the problems in the global economy and the credit and financial markets continue or worsen.

We operate in a highly competitive business environment, and our inability to compete effectively could adversely affect our business prospects, results of operations and financial condition.

We operate in highly competitive and fragmented markets. Our Wound Therapeutics franchise and the Hospital Care sub-group of our CCC franchise compete with both large and small companies, including several large, diversified companies with significant market share and numerous smaller niche companies, particularly in the wound care products market. Our Ostomy Care and Infusion Devices/Industrial Sales franchises and the AFI sub-group of our CCC franchise generally compete with a small number of competitors in the market. We may not be able to offer products similar to, or more desirable than, those of our competitors or at a price comparable to that of our competitors. Existing or new competitors could introduce innovative new technologies that may be preferred by our customers, which could have a direct impact on our businesses, either through market share losses or price reductions. Our competition could also decide to more aggressively compete on price, causing us and others in the industry to counter by reducing prices accordingly in an effort to maintain market share. This would impact profitability and potentially the attractiveness of the product and/or market segment.

In addition to our direct competitors who make products similar to ours, many of our advanced products compete with traditional products for the same applications. For example, because our advanced wound care products compete with conventional wound care products such as gauze, we also compete with manufacturers of such products. If we are not successful in driving the shift from conventional to advanced products, we may face greater competition from manufacturers who do not directly compete with us but make alternatives to our products.

We are also facing increased competition from our channel partners, especially in markets such as Germany and the United Kingdom. In some cases, channel partners have launched their own brands of our products to directly compete with us. If this practice increases, or if we are otherwise not able to compete effectively with our direct and indirect competitors as described above, our business, results of operations and financial condition may be adversely affected.

The success of many of our products depends heavily on acceptance by healthcare professionals who prescribe and recommend our products and by end users of our products, and our failure to maintain a high level of confidence in our products could adversely affect our business.

We maintain customer relationships with numerous specialized nurses, surgeons, primary care physicians, home healthcare providers, other specialist physicians and other healthcare professionals. We believe that sales of our products depend significantly on their confidence in, and recommendations of, our products. In addition, our success depends on end users' acceptance and confidence in the effectiveness, comfort and ease-of-use of our products, including our new products. In order to achieve acceptance by end users and healthcare professionals alike, we seek to educate patients and the healthcare community as to the distinctive characteristics, perceived benefits, clinical efficacy and cost-effectiveness of our products compared to alternative products, including the products offered by our competitors. Acceptance of our products also requires effective training of patients and healthcare professionals in the proper use and application of our products. Failure to effectively educate and train our customers and end-users and failure to continue to develop relationships with leading healthcare professionals and new patients could result in a less frequent recommendation of our products, which may adversely affect our sales and profitability.

Our business may be harmed as a result of litigation, particularly if the number of product liability claims increases significantly and/or our insurance proves inadequate.

The manufacture and sale of medical devices and related products exposes us to a significant risk of litigation, particularly product liability claims. From time to time, we have been, and we currently are, subject to a number of product liability claims alleging that the use of our products resulted in adverse effects. In addition, we are exposed to claims that a material design or manufacturing failures in our products, quality system failures, or other safety issues warrant the recall of some of our products. Even if we are successful in defending against any claims, such claims could nevertheless divert the time, energy and efforts of our management, result in substantial costs, harm our reputation, adversely affect the sales of all our products and otherwise harm our business. If there is a significant increase in the number of product liability claims, our business could be adversely affected.

We maintain product liability insurance that is subject to annual renewal and includes self-insurance elements. Our existing product liability insurance coverage may be inadequate to satisfy liabilities we might incur. If a product liability claim or series of claims is brought against us for uninsured liabilities or is in excess of our insurance coverage limits, our business could suffer and our results of operations and financial condition could be materially adversely impacted.

We are subject to cost-containment efforts of group purchasing organizations, which may have a material adverse effect on our business, results of operations and financial condition.

Many customers of our products have joined group purchasing organizations in an effort to contain costs. Group purchasing organizations ("GPOs") conduct tender processes and/or negotiate pricing arrangements with medical supply manufacturers and distributors, and these negotiated prices are made available to a GPO's affiliated hospitals and other members. If we are not one of the providers selected by a GPO, affiliated hospitals and other members may be less likely to purchase our products, and if the GPO has negotiated a strict compliance contract for another manufacturer's products, we may be precluded from making sales to GPO members for the duration of the contractual arrangement. For example, the balance of 2010 and 2011 are part of an eighteen-month time frame in which all the U.S. GPOs will renew their three-year contracts in the AFI category, whereby some price erosion of our AFI products is possible. Our failure to respond to GPOs' cost-containment may cause us to lose market share to our competitors and could have a material adverse effect on our business, results of operations and financial condition.

Our international operations, particularly those in emerging markets, expose us to risks related to conducting business outside developed markets and may cause our profitability to decline due to increased costs.

The international scope of our operations exposes us to economic, regulatory and other risks, particularly outside developed markets. During the year ended December 31, 2009, we estimate that we derived \$248 million, or 16% of our net sales from sales of our products outside of the United States and Europe. We intend to continue to pursue growth opportunities in emerging markets, which could expose us to additional risks associated with such sales and operations. Our operations outside the United States, Europe and other developed markets are, and will continue to be, subject to a number of risks and potential costs, including:

- diminished protection of intellectual property;
- greater payables risk due to difficulty in collecting accounts receivable and longer collection periods;
- trade protection measures and import or export licensing requirements;
- difficulty in staffing, training and managing local operations;
- differing legal and labor regulations;
- labor disputes;
- increased costs of transportation or shipping;
- potential adverse tax consequences, including consequences from changes in tax laws and the imposition or increase of withholding and other taxes on remittances and other payments by international subsidiaries, which, among other things, may preclude payments or dividends from certain subsidiaries from being used for our debt service, and exposure to adverse tax regimes;
- political and economic instability; and
- security risks associated with criminal activity in certain countries.

In addition, as we aim to grow our operations in emerging markets, we may become increasingly dependent on local distributors for our compliance and adherence to local laws and regulations that we may not be familiar with, and we cannot assure you that these distributors will adhere to such laws and regulations or adhere to our own business practices and policies. Any violation of laws and regulations by local distributors or a failure of such distributors to comply with our business practices and policies could result in legal or regulatory sanctions against us or potentially damage our reputation in that respective market. If we fail to manage these risks effectively, our business, results of operations and financial condition may be materially adversely affected.

We are exposed to market risk due to changes in currency exchange rates, which impact profitability measures and cash flows.

We manufacture and sell our products in various countries around the world and as a result of the global nature of our operations, we are exposed to risks arising from changes in currency exchange rates. Transactions that are to be settled in a currency that is not the functional currency of the transacting entity are recorded to the income statement at each remeasurement date or settlement date. Additionally, assets and liabilities of subsidiaries whose functional currency is not the U.S. dollar are translated into U.S. dollars at the exchange rate at each balance sheet date. Any cumulative translation difference is recorded within equity.

Our primary net foreign currency translation exposures are the euro, Japanese yen, British pound sterling, Danish krone and Canadian dollar. Exposures to foreign currency denominated net assets/(liabilities) were approximately \$1,691.1 million and \$1,262.4 million, as of December 31, 2009 and 2008, respectively. Significant increases in the value of the U.S. dollar relative to foreign currencies could have a material adverse effect on our results of operations. Assets and liabilities are converted based on the exchange rate on the balance sheet date, and income statement items are converted based on the average exchange rate during the period.

We generally attempt to use “natural” hedges within our foreign currency activities, including the matching of revenues and costs and strategically denominating our debt in certain functional currencies in order to match with the projected functional currency exposures within our operations. We currently do not utilize foreign currency forward contracts. See “Management’s discussion and analysis of financial condition and results of operations—Quantitative and qualitative disclosure about market risk—Foreign currency risk” and Note 17 to the 2009 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

If we lose one of our key suppliers or one of our contract manufacturers stops making the raw materials and components used in our products, we may be unable to meet customer orders for our products in a timely manner or within our budget.

We rely on a limited number of suppliers for the raw materials and components used in our products. Wherever possible, we attempt to source materials from multiple suppliers. However, some key components and raw materials are from a single source, and in some cases, these suppliers are pre-approved by the FDA. One or more of our suppliers may decide to cease supplying us with raw materials and components for reasons beyond our control. FDA or other government regulations may require additional testing of any raw materials or components from new suppliers prior to our use of those materials or components. In addition, in the case of a device which is the subject of a pre-market approval (“PMA”), we may be required to obtain prior permission from the FDA or another regulatory body (which may or may not be given), which could delay or prevent our access or use of such raw materials or components. If we are unable to obtain materials we need from our suppliers or our agreements with our suppliers are terminated, and we cannot obtain these materials from other sources, we may be unable to manufacture our products to meet customer orders in a timely manner or within our manufacturing budget. In that event, our business, results of operations and financial condition could be adversely affected.

In addition, we rely on third parties to manufacture some of our products. For example, we outsource virtually all production of our skin care products to two key contractors, as we do not have internal capability to produce liquids, creams and ointments. We also outsource the production of Flexi-Seal fecal management system (“FMS”) catheters to two third-party manufacturers while the corresponding pouches are produced at our Haina facility. In addition to outsourcing the production of these discrete franchises, we rely on third-party contractors for the production of certain ostomy products, for stitch-bonding of wound therapeutics products and for the manufacture of negative pressure wound therapy devices. We also use third-party manufacturers for the production of subcomponents for our Infusion Devices, Ostomy Care, and CCC products. Third-party contract manufacturers accounted for approximately 10% of our annual cost of goods sold budget for 2010. If we encounter a cessation, interruption or delay in the supply of the products purchased from our third-party manufacturers, we may be unable to obtain such products through other sources on acceptable terms, within a reasonable amount of time or at all. In addition, if our agreements with the manufacturing companies are terminated, we may not be able to find suitable replacements within a reasonable amount of time or at all. Any such cessation, interruption or delay affecting our global supply chain may impair our ability to meet scheduled deliveries of our products to our customers and may cause our customers to cancel orders. In that event, our reputation, business, results of operations and financial condition may be adversely affected.

Many of our products are sourced from only a single internal manufacturing facility, so an event affecting our manufacturing capabilities, such as a natural or man-made disaster, could have a material adverse effect on our business.

We have 12 manufacturing operations located in nine countries. Significant portions of our products for certain franchises are produced in one/two manufacturing facilities as follows:

- Michalovce (Slovakia): majority of our CCC urinary bags and catheters;
- Rhymney/Deeside (U.K.): majority of our Wound Therapeutics Hydrofiber Technology based products;
- Haina (Dominican Rep): majority of our Ostomy Care pouches; and
- Reynosa ID (Mexico): majority of our Infusion Device products.

For many of our products, we do not have redundancy or excess capacity, either in terms of space or equipment, to manufacture products at a different location in our network in the event of failure or unavailability of one of our facilities. In the event that any of our facilities is severely damaged or destroyed, including as a result of a natural or man-made disaster, we would be forced to shift production to our other facilities and/or rely on third-party manufacturers. In some cases, shifting production to an alternate site could take three to six months or more, which could result in loss of sales, back orders, penalties, damage to our reputation, and loss of our customers to our competitors, among other things. Such an event could have a material adverse effect on our business, results of operations and financial condition.

We also have a facility in Schaffhausen, Switzerland which was established in June 2009 and commenced operations in October 2009. Functions in Schaffhausen include EMEA regional management, EMEA logistics and distribution management and global supply chain central planning as well as all supporting functions such as human resources, quality, finance, marketing and customer service for some of the European markets. The distribution operation manages and owns inventory in regional distribution centers located in Germany, Poland, France, Italy, Spain, Sweden and Singapore. In the event that the Schaffhausen facility is severely damaged or destroyed as a result of a natural or man-made disaster, this would significantly adversely impact our business, results of operations and financial condition.

Loss of our key management and other personnel, or an inability to attract such management and other personnel, could impact our business.

We depend on our senior managers and other key personnel to run our business and on technical experts to develop new products and technologies. The loss of any of these senior managers or other key personnel could adversely affect our operations. Competition for qualified employees is intense, and the loss of qualified employees or an inability to attract, retain and motivate additional highly skilled employees required for the management, operation and expansion of our business could hinder our ability to expand, conduct research and development activities successfully and develop marketable products.

If our patents and other intellectual property rights do not adequately protect our products, we may lose market share to our competitors and may not be able to operate our business profitably.

We rely on a combination of patents, trade secrets, copyrights, trademarks, license agreements and contractual provisions to establish and protect our intellectual property rights in our products and the processes for the development, manufacture and marketing of our products.

We use non-patented, proprietary know-how, trade secrets, processes and other proprietary information and currently employ various methods to protect this proprietary information, including confidentiality agreements, invention assignment agreements and proprietary information agreements with vendors, employees, independent sales agents, distributors, consultants, and others. However, these agreements may be breached. Governmental agencies or other national or state regulatory bodies may require the disclosure of such information in order for us to have the right to market a product. An agency or regulator may also disclose such information on its own initiative if it should decide that such information is not confidential business or trade secret information. Trade secrets, know-how and other unpatented proprietary technology may also otherwise become known to or independently developed by our competitors.

In addition, we also hold U.S. and non-U.S. patents relating to a number of our components and products and have patent applications pending with respect to other components and products. We also apply for additional patents in the ordinary course of our business, as we deem appropriate. However, these precautions offer only limited protection, and would not, for example, protect against our proprietary information becoming known to, or being independently developed by, competitors. We cannot assure you that our existing or future patents, if any, will afford us adequate protection or any competitive advantage, that any future patent applications will result in issued patents or that our patents will not be circumvented, invalidated or declared unenforceable.

Additionally, our proprietary rights in intellectual property may be challenged, which could have a material adverse effect on our business, financial condition and results of operations. The wound care, ostomy care, infusion devices and continence care industries are highly litigious with respect to the enforcement of patents and other intellectual property rights. In some cases, intellectual property litigation may be used to gain a competitive advantage. We have in the past and may in the future become a party to lawsuits involving patents or other intellectual property. If a third party brings a legal action against us, we may incur substantial costs in defending ourselves, and we cannot assure you that such an action would be resolved in our favor. If such a dispute were to be resolved against us, we may be subject to significant damages, and the testing, manufacture or sale of one or more of our technologies or products may be enjoined.

Any proceedings before a national patent and/or trademark governmental authority or in a national or state court could result in adverse decisions as to the priority of our inventions and the narrowing or invalidation of claims in issued or pending patents. We could also incur substantial costs in any such proceedings. In addition, the laws of some of the countries in which our products are or may be sold may not protect our products and intellectual property to the same extent as other countries such as the United States or in Europe, if at all. We may also be unable to protect our rights in trade secrets, trademarks and unpatented proprietary technology in certain countries.

In addition, we hold patent, trademark and other intellectual property licenses from third parties for some of our products and on technologies that are necessary in the design and manufacture of some of our products. The loss of such licenses could prevent us from manufacturing, marketing and selling these products, which in turn could harm our business, results of operations and financial condition.

Consolidation in the healthcare industry could have an adverse effect on our revenues and results of operations.

Many healthcare industry companies, including medical device companies, are consolidating to create larger companies. As the healthcare industry consolidates, competition to provide products and services to industry participants may become more intense. In addition, many of our distribution channels and purchasing entities are also consolidating, and industry participants may try to use their purchasing power to negotiate price concessions or reductions for the products that we manufacture and market. Consolidation may have an impact on price or may enable a competitor to offer a more complete portfolio of products to customers. If we are forced to reduce our prices or suffer other competitive disadvantages because of consolidation in the healthcare industry, our revenues could decrease, and our business, financial condition and results of operations could be adversely affected.

We could incur significant costs complying with environmental and health and safety requirements, or as a result of liability for contamination or other potential environmental harm caused by our operations.

Our operations are subject to national, state and local environmental laws, regulations and other requirements, including regulations governing the generation, use, manufacture, handling, transport, storage, treatment and disposal of, or exposure to, hazardous materials, discharges to air and water, the clean up of contamination and occupational health and safety matters. For example, our research and development and manufacturing processes involve the use of hazardous and other materials subject to environmental regulation.

We cannot eliminate the risk of contamination or injury resulting from hazardous materials, and we may incur liability as a result of any contamination or injury. Under some environmental laws and regulations, we could also be held responsible for costs relating to any contamination at our past or present facilities and at third party waste disposal sites where we have sent wastes. These could include costs relating to contamination that did not result from any violation of law, and in some circumstances, contamination that we did not cause. We may incur significant expenses in the future relating to any failure to comply with environmental laws or regulations, including material fines and penalties. Any such future expenses or liability could have a significant negative impact on our financial condition and results of operations. The enactment of stricter laws or regulations, the stricter interpretation of existing laws and regulations or the requirement to undertake the investigation or remediation of currently unknown environmental contamination at our own or third party sites may require us to make additional expenditures, which could be material.

We may not be able to successfully integrate businesses that we have recently acquired, or businesses we may acquire in the future, and we may not be able to realize the anticipated cost savings, revenue enhancements or other synergies from such acquisitions.

Our ability to successfully implement our business plan and achieve targeted financial results may be dependent on our ability to successfully integrate businesses that we acquire in the future. We, for example, have made a number of key acquisitions, including the purchase of Acordis Speciality Fibres, through which we secured the Hydrofiber Technology and an exclusive license agreement for a proprietary negative pressure wound therapy system. The process of integrating such acquired businesses involves risks. These risks include, but are not limited to:

- demands on management related to integration processes;
- diversion of management's attention from the management of daily operations to the integration of newly acquired operations;
- difficulties in the assimilation of different corporate cultures, practices and sales and distribution methodologies;
- difficulties in conforming the acquired company's accounting, book and records, internal accounting controls, and procedures and policies to ours;
- retaining the loyalty and business of the customers of acquired businesses;

- retaining employees who may be vital to the integration of the acquired business or to the future prospects of the combined businesses;
- difficulties and unanticipated expenses related to the integration of departments, information technology systems, including accounting systems;
- difficulties integrating technologies and maintaining uniform standards, such as internal accounting controls, procedures and policies; and
- unanticipated costs and expenses associated with any undisclosed or potential liabilities.

Failure to successfully transfer business operations and to otherwise integrate the former operations of any acquired businesses may result in reduced levels of revenue, earnings or operating efficiency than we have achieved or might have achieved if we had not acquired such businesses, and loss of customers of the acquired businesses.

Furthermore, even if we are able to integrate successfully the former operations of acquired businesses, we may not be able to realize the potential cost savings, synergies and revenue enhancements that were anticipated from the integration, either in the amount or within the time frame that we expect, and the costs of achieving these benefits may be higher than, and the timing may differ from, what we expect. Our ability to realize anticipated cost savings, synergies and revenue enhancements may be affected by a number of factors, including, but not limited to, the following:

- the use of more cash or other financial resources on integration and implementation activities than we expect;
- increases in other expenses unrelated to the acquisitions, which may offset the cost savings and other synergies from the acquisitions;
- our ability to eliminate duplicative back office overhead and overlapping and redundant selling, general and administrative functions, rationalize manufacturing capacity and shift production to more economical facilities; and
- our ability to avoid labor disruptions in connection with any integration, particularly in connection with any headcount reduction.

If we fail to realize anticipated cost savings, synergies or revenue enhancements, our financial results will be adversely affected, and we may not generate the cash flow from operations that we anticipated.

Our business involves large customers and if we were to lose one or more of those customers or if one or more were to default in its obligations under applicable contractual arrangements, we could be exposed to potentially significant losses.

The medical device industry is concentrated, with relatively few companies accounting for a large percentage of sales in the markets that we target. No single customer accounted for more than 7% of our net sales for the year ended December 31, 2009. However, we have large customers in each of our franchises. In particular, we have four primary customers in the Infusion Devices franchise who accounted for greater than 70% of the net sales of our Infusion Devices/Industrial Sales franchise for the year ended December 31, 2009. We are likely to experience increased customer concentration, particularly if there is further consolidation or in-sourcing within the medical device industry. For example, insulin pump manufacturers, our primary customers in our Infusion Devices/Industrial Sales franchise, have attempted to in-source production of our infusion sets in the past. So far, these attempts have not been successful. A key customer in our Industrial Sales sub-group recently in-sourced production of catheters that it had previously purchased from us. Future attempts or decisions by any of our customers to in-source production of our products could have an adverse effect on our business, financial condition and results of operations. We also cannot assure you that net sales to customers that have accounted for significant net sales in the past, either individually or as a group, will reach or exceed historical levels in any future period. The loss or a significant reduction of business from any of our major customers would adversely affect our results of operations and financial condition.

A substantial amount of our assets represents goodwill, and our earnings will be reduced if our goodwill becomes impaired.

As of December 31, 2009, our goodwill represented \$1,081.3 million, or 22.8%, of our total assets. Goodwill is generated in acquisitions where the cost of an acquisition exceeds the fair value of the net tangible and identifiable intangible assets we acquire. Goodwill is subject to an impairment analysis at least annually based on a comparison of the fair value of the

reporting unit to its carrying value. If an impairment is indicated from this first step, the implied fair value of the goodwill must be determined. During the year ended December 31, 2009 we recorded goodwill impairment charges of \$277.3 million. We could be required to recognize additional reductions in our earnings caused by the impairment of goodwill, which if significantly impaired, could materially and adversely affect our results of operations.

Risks related to our regulatory environment

We and our customers are subject to substantial national and local government regulation and compliance with these regulations can have a material adverse effect on our business.

The medical devices we design, develop, test, manufacture, label, distribute, market and export/import are subject to rigorous regulation by governmental authorities such as the U.S. Food and Drug Administration (the “**FDA**”) in the United States, the EU National Competent Authorities (the “**NCAs**”) of the Member States of the EEA, and numerous other national and/or state governmental authorities in the countries in which we manufacture and sell our products. These regulations govern, among other things: clinical efficacy, product standards, packaging requirements, labeling requirements, import/export restrictions, tariff regulations, duties and tax requirements. Our products and operations are also often subject to the rules of industrial standards bodies, such as the International Standards Organization or the rules of associations of healthcare professionals. In the United States, our device products are subject to regulation by the FDA pursuant to its authority under the federal Food, Drug and Cosmetic Act (the “**FDCA**”) and its implementing regulations, and many of the laws and regulations applicable to our products in other countries, such as the Council Directive 93/42/EEC of 14 June 1993 concerning medical devices, as amended (the “**EU Medical Devices Directive**”) (as transposed into the respective national laws and regulations of the EU Member States), are generally comparable to those of the FDCA in their aim to promote the safety and efficacy of medical devices, but the applicable standards and proceedings are not globally harmonized. Such regulations are subject to continuous revision, which may entail increased requirements, and, more generally, there appears to be a trend toward more stringent regulatory oversight throughout the world. We do not anticipate this trend to diminish in the near future. Due to the movement towards harmonization of standards in the European Union and the expansion of the European Union, we expect a changing regulatory environment in Europe characterized by a shift from a country-by-country regulatory system to a European Union-wide single regulatory system. The timing of this harmonization and its effect on us cannot currently be predicted.

In addition, in many countries the national health or social security organizations require our products to be qualified before they can be marketed with the benefit of reimbursement eligibility. In emerging markets, new regulations and product registration requirements continue to evolve. Failure to receive or delays in the receipt of, relevant national or state qualifications could have a material adverse effect on our business, results of operations and financial condition.

We are required to expend significant time, effort and expense in bringing new products to market and to adhering to post-market requirements. Among other things, we are required to implement and maintain stringent reporting, labeling and record keeping procedures and must make available our manufacturing facilities and records for periodic inspections by governmental agencies, including the FDA in the United States, state authorities, Notified Bodies and comparable agencies in other countries.

The medical device industry also is subject to an immense number of complex laws governing healthcare reimbursement and healthcare fraud and abuse laws, with these laws and regulations being subject to interpretation. Recent legislative and regulatory changes have been or are in the process of being implemented. In addition, in many instances, the industry does not have the benefit of significant regulatory or judicial interpretation of these laws and regulations. In certain public statements, governmental authorities have taken positions on issues for which little official interpretation was previously available. Some of these positions appear to be inconsistent with common practices within the industry that have not previously been challenged.

Various national and state agencies have become increasingly vigilant in recent years in their investigation of various business practices. If we fail to pass an inspection or to comply with applicable regulatory requirements, we may receive a warning letter or could otherwise be required to take corrective action and, in severe cases, we could suffer a disruption of our operations and manufacturing delays. We cannot assure you that the FDA, the NCAs or other governmental authorities would agree with our interpretation of applicable regulatory requirements or that we have in all instances fully complied with all applicable requirements. Any failure to comply with applicable requirements could adversely affect our product sales and profitability. We have received an FDA warning letter in the past and we cannot assure you that the FDA or other governmental authorities will not take further action in the future. Governmental and regulatory actions against us can result in various actions that could adversely impact our operations, including:

- the recall or seizure of products;
- operating restrictions or the suspension or revocation of the authority necessary for the production or sale of a product;
- the suspension of shipments from particular manufacturing facilities;
- the imposition of fines and penalties;
- the delay of our ability to introduce new products into the market;
- the exclusion of our products from being reimbursed by national healthcare programs;
- the issuance of an alert blocking the export of our products from or the import of our products into a particular jurisdiction; and
- other civil or criminal sanctions against us.

Any of these actions, in combination or alone, or even a public announcement that we are being investigated for possible violations of these laws, could have a material adverse effect on our business, results of operations and financial condition.

We are also subject to antitrust, anti-competition, anti-fraud and anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act (the “**FCPA**”) and similar laws in other countries, any violation of which could create a substantial liability for us and also cause a loss of reputation or business opportunity in the market. The FCPA prohibits U.S. companies and their officers, directors, employees, shareholders acting on their behalf and agents from offering, promising, authorizing or making payments to foreign officials for the purpose of obtaining or retaining business abroad or otherwise obtaining favorable treatment. Companies must also maintain records that fairly and accurately reflect transactions and maintain internal accounting controls. In many countries, hospitals and clinics are government-owned and healthcare professionals employed by such hospitals and clinics, with whom we regularly interact, may meet the definition of a foreign official for purposes of the FCPA. If we are found to have violated the FCPA or other similar laws, we may face sanctions including fines, criminal penalties, disgorgement of profits and suspension or debarment of our ability to contract with government agencies or receive export licenses.

As government authorities and courts interpreting the relevant laws and regulations throughout the world have become increasingly stringent, we may be subject to more rigorous regulation in the future. If we fail to adequately address any of these regulations, our business may be harmed.

We are subject, directly or indirectly, to national and state healthcare fraud and abuse laws and regulations and could face substantial penalties if we are unable to fully comply with such laws.

We are subject to healthcare fraud and abuse regulation and enforcement by both the national governments and the states in which we conduct our business. These healthcare laws and regulations include, for example:

- the U.S. Anti-Kickback Law, which prohibits, among other things, persons or entities from soliciting, receiving, offering or providing remuneration, directly or indirectly, in return for or to induce either the referral of an individual for, or the purchase order or recommendation of, any item or services for which payment may be made under a U.S. federal healthcare program such as the Medicare and Medicaid programs;
- federal false claims laws which, prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent, and which may apply to entities like us to the extent that our interactions with customers may affect their billing or coding practices;
- the U.S. Health Insurance Portability and Accountability Act of 1996 (“**HIPAA**,” which established new federal crimes for knowingly and willfully executing a scheme to defraud any healthcare benefit program or making false statements in connection with the delivery of or payment for healthcare benefits, items or services; and
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws, which may apply to items or services reimbursed by any third-party payor, including commercial insurers.

If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs, and the curtailment or restructuring of our operations. Any penalties, damages, fines, exclusions, curtailment or restructuring of our operations could adversely affect our ability to operate our business and our financial results. The risk of our being found in violation of these laws is increased by the fact that many of these laws are broad and their provisions are open to a variety of interpretations. Further, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (collectively referred to as the “**Affordable Care Act**” or “**ACA**”), among other things, amends the intent requirement of the federal anti-kickback and criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the government may assert that a claim including items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the false claims statutes. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management’s attention from the operation of our business.

Sales may decline if our customers do not receive adequate levels of coverage and reimbursement from third-party payors for our products and if certain types of healthcare programs are adopted in our key markets.

In many countries, patients or healthcare providers that purchase our products (e.g., hospitals, physicians and other healthcare providers) rely on payments from third-party payors (principally national, state and private health insurance plans) to cover all or a portion of the cost of our products. In institutional care settings, such as acute care hospitals, third party payments to providers are often in the form of a “lump sum” amount based on a patient’s diagnosis and/or procedures. For medical supplies such as ostomy supplies and wound dressings, reimbursement is assumed to be included in the lump sum payment. With few exceptions, there is no separate reimbursement for medical supplies in hospital or other institutional settings. Reductions in lump sum payment amounts by payors has an indirect impact on our sales as hospital operating margins are compressed and hospitals, in turn, put pressure on manufacturer selling prices. Outside of the hospital, separate reimbursement of medical supplies does exist in most developed countries. Reductions in reimbursement amounts for medical supplies in this setting can have a direct impact on our sales depending on the product categories impacted and the degree of the impact on reimbursement amounts and patient co-pays.

We believe that nurses, surgeons, hospitals and other healthcare providers may not use, purchase or prescribe our products and patients may not purchase our products if these third-party payors do not provide satisfactory coverage of and reimbursement for the costs of our products or the procedures involving the use of our products. In the event that third-party payors deny coverage or reduce their current levels of reimbursement, we may be unable to sell certain products on a profitable basis, thereby materially adversely impacting our results of operations. Further, third-party payors are continuing to carefully review their coverage policies with respect to existing and new therapies and can, without notice, deny coverage for treatments that may include the use of our products.

Due to cost containment pressures in many countries, legislation has been passed, and we expect will continue to be introduced and passed, to limit governmental healthcare coverage and reimbursement expenditures. For example, in the United States, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (“**MMA**”) established a competitive acquisition program for items of durable medical equipment, prosthetics, orthotics and supplies (“**DMEPOS**”), a category of products under which our products dispensed to patients for home use are classified. This competitive program—commonly referred to as “the Medicare DMEPOS competitive bidding program”—is being implemented by the Secretary of the Department of Health and Human Services (“**HHS**”). The program, replaces the existing DMEPOS fee schedule payment amounts with amounts derived from bids. The MMA requires the total amounts paid under competitive bidding to be less than the total amounts otherwise payable under existing payment formulas. The program currently is scheduled to go into effect on January 1, 2011 in nine competitive bidding areas and for eight product categories generally dispensed to patients for home use (an additional product category is also included for Miami only). Those areas in which the program has not been implemented will remain subject to the current DMEPOS fee schedule payment amounts. Our products have not yet been included within those DMEPOS items affected. Based on past proposals in the area, we expect that negative pressure wound therapy systems will be included in future rounds. Though the number of jurisdictions in the country and products currently subject to competitive bidding program remains limited, this will increase significantly beginning in 2013. Further, current law requires HHS to pay for items of DMEPOS either under the DMEPOS competitive bidding or make payment adjustments using competitively-bid rates throughout the country by 2016. At this time, we cannot predict the full impact of this program on our products. See also the risk factor captioned “National and state health reform and cost control efforts include provisions that could adversely impact our business, results of operations and financial condition.”

Reimbursement systems vary significantly from country to country. In the majority of the non-U.S. markets in which our products are sold, government-managed healthcare systems mandate the coverage and reimbursement rates and methods for medical devices and procedures. If adequate levels of coverage and reimbursement from third-party payors are not obtained, sales of our products may decline. In addition, some private insurance plans in the United States have adopted, or are considering the adoption of, a managed care system in which the providers contract to provide comprehensive healthcare for a fixed cost per person. In the event that the United States considers the adoption of a national healthcare system in which prices are controlled and patient care is managed by the government, such regulation could have a material adverse effect on our business, results of operations and financial condition. See “—National and State healthcare reform and cost control efforts include provisions that could adversely impact our business, results of operations and financial condition.”

Private insurers in a managed care system may attempt to control costs by authorizing fewer elective surgical procedures or by requiring the use of the least expensive products available. Many markets, including Canada, and some European and Asian countries, have in the past reduced reimbursement rates. Our ability to continue to sell certain products profitably in these markets may diminish if the government-managed healthcare systems continue to reduce reimbursement rates for our products. In response to these and other pricing pressures, our competitors may lower the prices for their products. We may not be able to match the prices offered by our competitors, thereby adversely impacting our results of operations and future prospects.

Any developments in our markets that eliminate, reduce or materially modify coverage of, and reimbursement rates for, our products could have a material adverse effect on our ability to sell our products.

Our activities are subject to national and state privacy and security laws and regulations, which could have an impact on our operations.

In the European Union (“EU”), we are subject to laws relating to our collection, control, processing and other use of personal data (for example, employee and patient data) which impact our operations. The data privacy regime in the EU is harmonized by Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data and by the E-Privacy Directive 2002/58/EC (as amended by Directive 2009/136/EC). Although this legislation has been implemented at a European level, it is for each of the EU member states to enact legislation to incorporate these Directives into its national data privacy regime. The laws applicable in each member state therefore differ from jurisdiction to jurisdiction. We must therefore ensure compliance with the rules in each jurisdiction in which we use personal data. In particular, to the extent that we process, control or otherwise use sensitive data relating to living individuals (which includes the health or medical information relating to an individual who order our products directly), more stringent rules will apply and will limit the circumstances and the manner in which we are legally permitted to process and transfer that data outside of the EU. Local laws are amended from time to time and guidance is issued reasonably frequently by regulators and the Article 29 Working Party (a body formed of the European regulators). Any changes in law and new guidance may impact, and require changes to, our current operations. In addition, the EU Commission is undertaking a review of the entire European regime over the next two years. The outcome of this could further impact our operations. Whilst we have taken steps to ensure compliance with the current regime in all material respects, given its nature and our geographical diversity, there could be areas where we are non-compliant. Should we not be in compliance with this legislation or any changes thereto, we may be subject to sanctions which could include giving undertakings to regulatory authorities to change our operations, adverse publicity, substantial financial penalties and/or criminal proceedings.

In the United States, we may be subject to the HIPAA, and its implementing regulations, which established uniform standards for certain “covered entities” (healthcare providers, health plans and healthcare clearinghouses) governing the conduct of certain electronic healthcare transactions and protecting the security and privacy of protected health information. The American Recovery and Reinvestment Act of 2009, commonly referred to as the economic stimulus package, included sweeping expansion of HIPAA’s privacy and security standards. The legislation included the Health Information Technology for Economic and Clinical Health Act (“HITECH”). Among other things, the new law makes HIPAA’s privacy and security standards directly applicable to “business associates”—independent contractors of covered entities that receive or obtain protected health information in connection with providing a service on their behalf. HITECH also increased the civil and criminal penalties that may be imposed and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney fees and costs associated with pursuing federal civil actions. We are reviewing these new requirements to assess the potential impact on our operations. Any failure to comply with applicable requirements could adversely affect our profitability.

In addition to U.S. federal regulations issued under HIPAA and HITECH, some U.S. states have enacted privacy and security statutes or regulations that, in some cases, are more stringent than those issued under HIPAA. In those cases, it may be necessary to modify our planned operations and procedures to comply with the more stringent state laws. If we fail to comply with applicable U.S. state laws and regulations, we could be subject to additional sanctions.

If we are unable to continue to develop and market new products and technologies in a timely manner, the demand for our products may decrease or our products could become obsolete, and our revenue and profitability may decline.

The markets for many of our products are highly competitive and dominated by a small number of large companies. We are continually engaged in product development, research and improvement efforts to sustain our history of innovation. New products and line extensions of existing products represent a significant component of our growth rate. Our ability to continue to grow sales effectively depends on our capacity to keep up with existing or new products and technologies in the wound care, ostomy, continence, and infusion devices products markets. The process of obtaining regulatory clearances and approvals to market a new medical device, or a significant modification to an existing device, can be costly and time consuming and approvals and clearances might not be granted for future products on a timely basis, if at all. In the United States, before a new medical device, or a new use of, or claim for, an existing device can be marketed, it must first receive either pre-market clearance under Section 510(k) of the FDCA or pre-market approval from the FDA, unless an exemption applies. In the 510(k) clearance process, the FDA must determine that the proposed device is “substantially equivalent” to a device legally on the market, known as a “predicate” device. Clinical data is sometimes required to support substantial equivalence. The PMA pathway, which is typically reserved for devices that are deemed to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices, requires an applicant to affirmatively demonstrate the safety and effectiveness of the device for its intended use based, in part, on extensive data from human clinical studies. The FDA can delay, limit or deny clearance or approval of a device for many reasons, including:

- we may not be able to demonstrate to the FDA’s satisfaction that our products are safe and effective for their intended users;
- the data from our pre-clinical studies and clinical trials may be insufficient to support clearance or approval, where required; and
- the manufacturing process or facilities we use may not meet applicable requirements.

Further, any modification we make to a 510(k) cleared device that could significantly affect its safety or efficacy, or that would constitute a major change in its intended use, technology, materials, packaging and certain manufacturing processes, may require us to submit a new 510(k) or, possibly, a PMA. The FDA requires every manufacturer to make the determination regarding the need for a new 510(k) or PMA in the first instance, but the FDA may review the manufacturer’s decision and, if it disagrees, require the manufacturer to submit a new 510(k) for the modified device. FDA also has the authority to require a manufacturer to cease marketing and recall the modified device until the new 510(k) is obtained. We have made modifications to our products in the past and may make additional modifications in the future that we believe do not or will not require additional clearances or approvals. Our currently commercialized products are either 510(k) exempt or have received pre-market clearance under Section 510(k) of the FDCA. However, no assurance can be given that the FDA would agree with any of our future decisions not to seek 510(k) clearance or PMA.

Changes in FDA clearance or approval policies or the adoption of new regulations may also impact our ability to obtain timely clearances and approvals for our products. For example, the FDA recently completed an internal review of the clearance process and issued a 510(k) Preliminary Report and Recommendations on August 4, 2010, which, if adopted, could make the 510(k) process more costly and burdensome.

In the EEA, our devices are required to comply with the essential requirements of the EU Medical Devices Directive before they can be commercialized. Compliance with these requirements entitles us to affix the CE conformity mark to our medical devices. In order to demonstrate compliance with the essential requirements and obtain the right to affix the CE conformity mark, we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low-risk medical devices, where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the EU Medical Devices Directive, a conformity assessment procedure requires the intervention of an organization accredited by a Member State of the EEA to conduct conformity assessments (a “**Notified Body**”). The EU Medical Devices Directive was recently amended by Directive 2007/47, which entered into force on March 21, 2010, and the European Commission is currently reviewing the medical devices legislative framework with the aim of simplifying it and ensuring a more uniform application of the provisions contained in the applicable European directives across the EEA.

Delays in receipt of, or failure to obtain, approvals and clearances for future products, or failure to comply with the regulations applicable to our current products, could result in delayed realization of product revenues or in substantial additional costs which could have a material adverse effect on our business or results of operations. In addition, if our competitors' new products and technologies reach the market before our products, they may gain a competitive advantage or render our products obsolete. See "—Competition" under each of our franchises in the "Our business" section of this Offering Memorandum for more information about our competitors. The ultimate success of our product development efforts will depend on many factors, including, but not limited to, our ability to create innovative designs and materials, provide innovative medical solutions and techniques for our customers, accurately anticipate and meet customers' needs, commercialize new products in a timely manner and manufacture and deliver products in sufficient volumes on time.

Moreover, research and development efforts may require a substantial investment of time and resources before we are able to determine the commercial viability of a new product, technology, material or other innovation. Even in the event that we are able to successfully develop innovations, they may not produce revenue in excess of the costs of development and may be quickly rendered obsolete as a result of changing customer preferences or the introduction by our competitors of products embodying new technologies or features.

We may fail to receive positive clinical results for our products in development that require clinical trials, and even if we receive positive clinical results, we may still fail to receive the necessary clearance or approvals to market our products.

In the development of new products or new indications for, or modifications to, existing products, we may be required to conduct or sponsor clinical trials. Clinical trials are expensive and require significant investment of time and resources and may not generate the data we need to support a submission to the FDA, Notified Bodies, ministries of health and other similar regulatory bodies. Delay in or failure to receive necessary clearance or approvals to market our products may have an adverse effect on our financial condition and results of operations. Failure to comply with relevant regulations and directives in the country where a clinical trial is being conducted, including, but not limited to, failure to obtain adequate informed consent of subjects, failure to adequately disclose financial conflicts or failure to report data or adverse events accurately, could result in fines, penalties, suspension of trials and the inability to use the data to support the marketing authorization process (whether it be 510(k), CE mark, or otherwise) and subsequent reimbursement filings.

If a regulatory agency determines that we have promoted off-label use of our products in violation of applicable regulations, we may be subject to various penalties, including civil or criminal penalties, and the off-label use of our products may result in injuries that lead to product liability suits, which could be costly to our business.

In the United States, the Department of Health and Human Services ("HHS"), the Office of Inspector General ("OIG"), the FDA, the U.S. Department of Justice ("DOJ") and other regulatory agencies actively enforce regulations prohibiting the promotion of a medical device for a use that has not been cleared or approved by the FDA. Use of a device outside its cleared or approved indications is known as "off-label" use. Physicians may use our products for off-label uses, as the FDA does not restrict or regulate a physician's choice of treatment within the practice of medicine. However, if the OIG, the FDA or another regulatory agency determines that our promotional materials, training or activities constitute improper promotion of an off-label use, it could request that we modify our promotional materials, training or activities, or subject us to regulatory enforcement actions, including the issuance of a warning letter, injunction, seizure, civil fine and criminal penalties. Although our policy is to refrain from statements and activities that could be considered off-label promotion of our products, the FDA, DOJ or another regulatory agency could disagree and conclude that we have engaged in off-label promotion and, potentially, aided and abetted in the submission of false claims. In addition, the off-label use of our products may increase the risk of injury to patients, and, in turn, the risk of product liability claims. Product liability claims are expensive to defend and could divert our management's attention and result in substantial damage awards against us.

National and state healthcare reform and cost control efforts include provisions that could adversely impact our business, results of operations and financial condition.

From time to time, in the United States, the passage of new healthcare laws and other healthcare reform measures have significantly affected the manner in which healthcare services and products are dispensed and reimbursed. Major reform was passed in March 2010, when the President of the United States signed into law the ACA. The ACA is a sweeping measure designed to expand access to affordable health insurance, control healthcare spending, and improve healthcare quality in the United States. Several provisions of the ACA specifically impact the medical equipment industry. In addition to changes in Medicare reimbursement for durable medical equipment ("DME"), prosthetics and supplies and an expansion of competitive bidding programs, the ACA imposes a new annual federal excise tax on certain medical device manufacturers and importers. Specifically, for sales on or after January 1, 2013, manufacturers, producers, and importers of taxable medical devices must pay as an excise tax 2.3% of the price for which the devices are sold. The ACA also requires medical supply and device

manufacturers to report certain payments made to physicians and other referral sources, effective March 31, 2013. Finally, the ACA establishes new Medicare and Medicaid program integrity provisions, including expanded documentation requirements for Medicare DME prescriptions written by physicians and more stringent procedures for screening competitive bidding program suppliers responsible for dispensing DME products to patients, along with broader expansion of federal fraud and abuse authorities. Although the eventual impact of the health reform provisions of the ACA are still uncertain, it is possible that the new laws and implementing regulations and their guidelines will have a material adverse impact on our business, results of operations and financial condition.

Similarly, many U.S. states have adopted or are considering changes in state healthcare payor and regulatory policies as a result of state budgetary shortfalls. While ACA-mandated expansions of the Medicaid program will have some positive impact on the volume of claims submitted and paid, it will also pressure state budgets further over the next few years. Medicaid changes implemented recently by several states have included reductions in provider and supplier reimbursement of “optional benefits,” including in some cases reduced reimbursement for our products and/or other Medicaid coverage restrictions. Optional benefits, which include coverage of ostomy supplies and wound dressings, are those which states are not required to provide in order to qualify for matching federal funds. As states continue to face significant financial pressures, it is possible that state health policy changes will adversely affect our profitability.

Risks related to the Group’s financial profile

The Group’s substantial leverage and debt service obligations could adversely affect the Group’s business and prevent the Group from fulfilling our obligations with respect to the Notes and the Notes Guarantees.

After the issuance of the Notes, the Group will continue to be highly leveraged. As of September 30, 2010, after adjusting for the *pro forma* effects of the Refinancing, the Group would have total financial debt (exclusive of PECs) of \$2,765.2 million, including term borrowings of \$500.0 million and \$770.0 million in euro equivalent and the \$250 million availability under the revolving portion of the New Credit Facilities (not giving effect to \$9.4 million of outstanding letters of credit, which reduces the amount available, and any funding used for foreign currency effects at closing). See “Capitalization.”

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

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

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

The terms of each of the Secured Notes Indenture and the Senior Notes Indenture will permit Group members to incur substantial additional indebtedness.

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

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

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

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

In addition, we will be subject to the affirmative and negative covenants contained in the New Credit Facilities. In particular, the New Credit Facilities require us to maintain specified financial ratios and satisfy certain financial condition tests which become more restrictive over the life of such indebtedness. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet them. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under our New Credit Facilities. Upon the occurrence of any event of default under our New Credit Facilities, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding under the New Credit Facilities, together with accrued interest, immediately due and payable. In addition, any default under the New Credit Facilities could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indentures for the Secured Notes and the Senior Notes, respectively. If our creditors, including the creditors under our New Credit Facilities, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable the Group to repay the Secured Notes or the Senior Notes, in full or in part. In addition, if the Group is unable to repay those amounts, the Group’s creditors could proceed against any collateral granted to them to secure repayment of those amounts.

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

Our ability to make principal or interest payments when due on our indebtedness, including the New Credit Facilities and the Group’s obligations under the Secured Notes and the Senior Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these “Risk factors,” many of which are beyond our control. Our New Credit Facilities provide for a term loan facility under which \$500 million and €50 million will mature in 2016 and a revolving credit facilities of which \$250.0 million will be available until 2015. The Secured Notes mature in 2017 and the Senior Notes mature in 2018. See “Description of certain financing arrangements,” “Description of the Secured Notes” and “Description of the Senior Notes.” At the maturity of these loans, the Secured Notes,

the Senior Notes or any other debt which we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay the Group's debt obligations, or to fund our other liquidity needs, we may be required to refinance the Group's indebtedness. If we are unable to refinance all or a portion of the Group's indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to sell assets, or raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of the Secured Notes Indenture and the Senior Notes Indenture may limit our ability to pursue any of these measures.

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

The loans under our New Credit Facilities bear interest at floating rates of interest per annum equal to LIBOR and/or Euribor (subject to a minimum rate in the case of the term loan facility), as adjusted periodically, plus a spread. These interest rates could rise significantly in the future. Although we intend to maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will continue to be available on commercially reasonable terms. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

Risks related to the Secured Notes

Holders of the Secured Notes will not control certain decisions regarding the collateral.

The Secured Notes will be secured initially by the same collateral securing the obligations under our New Credit Facilities. In addition, under the terms of the Secured Notes Indenture, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same collateral.

As a result of the voting provisions set forth in the Intercreditor Agreement, the lenders under the New Credit Facilities and counterparties to certain cash management and hedging arrangements will have effective control of all decisions with respect to the collateral. The Intercreditor Agreement provides that a common security agent will serve as the Collateral Agent for the secured parties under the New Credit Facilities and the Secured Notes with respect to the shared collateral. The Collateral Agent will act with respect to the shared collateral only at the direction of the "Requisite Holders." If the aggregate principal amount of the obligations under the New Credit Facilities (including obligations under related cash management and hedging arrangements) is greater than 25% of the aggregate principal amount of the first lien obligations subject to the Intercreditor Agreement, the holders of a majority of the outstanding principal amount of the obligations under the New Credit Facilities (including obligations under related cash management and hedging arrangements) will be the Requisite Holders; *provided* that following a customary 150-day "stand still" period, if the first lien obligations subject to the Intercreditor Agreement (other than the obligations under the New Credit Facilities and the related cash management and hedging obligations) are at least 50.1% of the aggregate principal amount of the then outstanding first lien obligations, the holders of a majority in aggregate principal amount of the first lien obligations (other than the obligations under the New Credit Facilities and the related cash management and hedging obligations) shall be the "Requisite Holders" unless the Administrative Agent or the secured parties under the New Credit Facilities have commenced enforcement against the shared collateral or the Issuer or a is subject to an insolvency or liquidation proceeding (in which case the Administrative Agent or the secured parties under the New Credit Facilities shall continue to be the Requisite Holders).

Disputes may occur between the holders of the Secured Notes and lenders under the New Credit Facilities as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the collateral. In such an event, the holders of the Secured Notes may be bound by any decisions of the lenders under the New Credit Facilities, which may result in enforcement action in respect of the shared collateral, whether or not such action is approved by the holders of the Secured Notes or may be adverse to such noteholders. The creditors under our New Credit Facilities may have interests that are different from the interests of holders of the Secured Notes and they may elect to pursue their remedies under the security documents at a time when it would otherwise be disadvantageous for the holders of the Secured Notes to do so. See "Description of certain financing arrangements—Intercreditor Agreement" and "Description of the Secured Notes—Release of Liens."

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

The Secured Notes and the Secured Notes Guarantees will be secured by security interests in the collateral described in this Offering Memorandum, which collateral also secures the obligations under the New Credit Facilities. The collateral may also secure additional debt to the extent permitted by the terms of the Secured Notes Indenture. Your rights to the collateral may be diluted by any increase in the debt secured by the collateral or a reduction of the collateral securing the Secured Notes.

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

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

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

The security interests of the Collateral Agent will be subject to practical problems generally associated with the realization of security interests in collateral. For example, under Luxembourg law, the enforcement of shares, whether by means of a sale or an appropriation, is subject to certain specific requirements. The Collateral Agent may also need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Collateral Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Collateral Agent may not have the ability to foreclose upon those assets, and the value of the collateral may significantly decrease.

In addition, our business requires a variety of national, state and local permits and licenses. The continued operation of properties that comprise part of the collateral and that depend on the maintenance of such permits and licenses may be prohibited or restricted. Our business is subject to regulations and permitting requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or if changes in applicable regulations or requirements occur. In the event of foreclosure, the grant of permits and licenses may be revoked, the transfer of such permits and licenses may be prohibited or may require us to incur significant cost and expense. Further, we cannot assure you that the applicable governmental authorities will consent to the transfer of all such permits. If the regulatory approvals required for such transfers are not obtained, are delayed or are economically prevented, the foreclosure may be delayed, a temporary or lasting shutdown of operations may result, and the value of the collateral may be significantly decreased.

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

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

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 security interests. Generally, according to paragraph 2(4) of the Luxembourg act dated August 5, 2005 concerning financial collateral arrangements, a security (financial 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 may be determined. Without prejudice to their obligations *vis-à-vis* third-party beneficiaries of the security, persons acting on behalf of beneficiaries of the security, the fiduciary or the trustee benefit from the same rights as those of the direct beneficiaries of the security aimed at by such law.

In certain jurisdictions, including Germany, due to the laws and other jurisprudence governing the creation, perfection and enforceability of security interests, the documents governing the Refinancing will provide for the creation of “parallel debt” obligations in favor of the Collateral Agent (“**Parallel Debt**”) mirroring the obligations of the Issuer and the Guarantors towards holders of the Secured Notes under or in connection with the Secured Indenture (“**Principal Obligations**”) in order to satisfy a requirement under applicable law that the Collateral Agent, as grantee of certain types of Collateral, be a creditor of the relevant security provider. The pledges in such jurisdictions will be granted to the Collateral Agent as security for the Parallel Debt and will not directly secure the Principal Obligations. The Parallel Debt will be at all times in the same amount and payable at the same time as the Principal Obligations. Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. In respect of the security interest granted to secure the Parallel Debt, the holders of the Secured Notes will not have direct security and will not be entitled to take enforcement actions in respect of such security except through the Collateral Agent. Therefore, the holders of the Notes will bear the risk of insolvency or bankruptcy of the Collateral Agent. In addition, the Parallel Debt construct has not been tested under law in certain of these jurisdictions and to the extent that the security interests in the Collateral created under the Parallel Debt construct are successfully challenged by other parties, holders of the Secured Notes will not receive any proceeds from an enforcement of such security interests in the Collateral.

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

Under various circumstances, collateral securing the Secured Notes and the Secured Notes Guarantees will be released automatically, including:

- in connection with any sale or other disposition of the property or assets constituting collateral, if the sale or other disposition does not violate the “Limitation of sale of certain assets” covenant or other provisions of the Secured Indenture;
- in the case of a Guarantor that is released from its Secured Notes Guarantee pursuant to the terms of the Secured Indenture, the release of the property and assets, and share capital, of such Guarantor;
- if CHB designates any restricted subsidiary to be an unrestricted subsidiary in accordance with the applicable provisions of the Secured Indenture, the release of the property and assets, and share capital, of such subsidiary;
- in accordance with the “Amendments and waivers” provisions of the Secured Indenture;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the relevant Indenture as provided under the captions “Description of the Secured Notes—Legal defeasance or covenant defeasance of Secured Indenture” and “Description of the Secured Notes—Satisfaction and discharge” and; or
- in connection with an enforcement sale pursuant to the Intercreditor Agreement.

Even though the holders of the Secured Notes share in the collateral securing the Secured Notes ratably with the lenders under the New Credit Facilities, the creditors under the New Credit Facilities and certain of our hedging arrangements will initially control enforcement actions with respect to the collateral through the Collateral Agent, whether or not the holders of the Secured Notes agree or disagree with those actions. See “Description of the Secured Notes—Security.”

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

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

The granting of the security interests in connection with the issuance of the Secured Notes may create hardening periods for such security interests in accordance with the law applicable in certain jurisdictions.

The granting of new security interests in connection with the issuance of the Secured Notes and the New Credit Facilities may create hardening periods for such security interests in certain jurisdictions. The applicable hardening period for these new security interests will run as 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 applicable in such jurisdiction, it may be declared void and/or it may not be possible to enforce it.

Risks related to the Senior Notes

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

Claims of the Group's secured creditors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Senior Notes. As such, each Senior Notes Guarantee will be effectively subordinated to any secured indebtedness and other secured obligations of the relevant Guarantor (including obligations with respect to the New Credit Facilities and the Secured Notes) to the extent of the value of the assets securing such indebtedness or other obligations. In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any Guarantor that has secured obligations, holders of secured indebtedness will have prior claims to the assets of such Guarantor that constitute their collateral. Under the terms of the Senior Indenture, we will be permitted to incur significant additional secured indebtedness. Subject to the limitations referred to under the caption “—Risks related to our structure—Each Notes Guarantee and, in the case of the Secured Notes, the security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability,” the holders of the Senior Notes will participate ratably with all holders of the unsecured, unsubordinated indebtedness of the relevant Guarantor, and, potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the relevant Guarantor. In the event that any of the secured indebtedness of the relevant Guarantor becomes due or the creditors thereunder proceed against the operating assets that secured such indebtedness, the assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the relevant Senior Notes Guarantee. As a result, holders of Senior Notes may receive less, ratably, than holders of secured indebtedness of the relevant Guarantor.

As of September 30, 2010, on a pro forma basis to reflect the Refinancing, the Group will have had an aggregate principal amount of \$1,679.3 million of senior secured debt outstanding, and up to \$250.0 million available for additional borrowings under the committed revolving portion of the New Credit Facilities (not giving effect to \$9.4 million of outstanding letters of credit, which reduces the amount available, and any funding used for foreign currency effects at closing). The Group will be permitted to borrow substantial additional indebtedness, including senior debt, in future, under the terms of the Senior Notes Indenture.

Risks related to our structure

The Issuer is a finance company which will depend on payments under the Issuer Loan to provide it with funds to meet its obligations under the Notes

The Issuer is a direct, wholly owned subsidiary of ConvaTec Healthcare D S.à. r.l. with limited assets, no subsidiaries and a limited ability to generate revenues. The Issuer will require payments to be made by ConvaTec Healthcare D S.à. r.l. under the Issuer Loan to make any payments due on the Notes.

ConvaTec Healthcare D S.à r.l.'s ability to make payments under the Issuer Loan will depend upon ConvaTec Healthcare D S.à r.l.'s cash flow and earnings which, in turn, will be affected by all of the factors discussed in these risk factors and elsewhere in this Offering Memorandum.

In addition, the Indentures will permit ConvaTec Healthcare D S.à r.l. and its subsidiaries to incur additional indebtedness with terms and conditions that may severely restrict or prohibit the making of distributions, the payment of dividends, the making of loans by such subsidiaries or other payments to ConvaTec Healthcare D S.à r.l. and will permit ConvaTec Healthcare D S.à r.l. to make significant investments in its subsidiaries and otherwise.

Neither the Issuer nor ConvaTec Healthcare D S.à r.l. can assure you that the funding permitted by the agreements governing ConvaTec Healthcare D S.à r.l.'s and the Issuer's existing and future indebtedness or the Intercreditor Agreement will provide ConvaTec Healthcare D S.à r.l. and the Issuer with sufficient amounts to fund payments on the Notes when due.

The Group intends to provide funds to the Issuer in order to meet the obligations on the Notes through a combination of dividends and interest payments on intercompany loans.

If the Group's subsidiaries do not fulfill their obligations under the intercompany loans and do not distribute cash to 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 relevant Notes.

Various agreements governing the Group's debt may restrict and, in some cases may actually prohibit, the ability of these subsidiaries to move cash within their restricted group. Applicable tax laws may also subject such payments to further taxation. Applicable law may also limit the amounts that some of the Group's subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. In addition, the subsidiaries of the Issuer that do not guarantee the Notes have no obligation to make payments with respect to any of the Notes.

The inability to transfer cash among entities within the Group may mean that, even though the Group, as a whole, may have sufficient resources to fund the Issuer's obligation to make payments with respect to the Notes, the Group may not be permitted to make the necessary transfers from one entity in to another entity in order to fund the Issuer's obligation to make payments with respect to the Notes.

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

Under various circumstances, the Notes Guarantees will be released automatically, including:

- in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) or the share capital of that Guarantor to a person that is not (either before or after giving effect to such transaction) the Issuer or a restricted subsidiary of CHB, if the sale or other disposition is otherwise permitted by the relevant Indenture;
- if CHB designates any restricted subsidiary that is a Guarantor to be an unrestricted subsidiary in accordance with the applicable provisions of the relevant Indenture;
- upon defeasance or satisfaction and discharge of the relevant Indenture as provided under the captions "Description of the Secured Notes—Legal defeasance or covenant defeasance of Secured Indenture," "Description of the Senior Notes—Legal defeasance or covenant defeasance of Senior Indenture," "Description of the Secured Notes—Satisfaction and discharge" or "Description of the Senior Notes—Satisfaction and discharge," as applicable;
- if such Guarantor is unconditionally released and discharged from its liability with respect to indebtedness in connection with which such guarantee was executed as provided under the captions "Description of the Secured Notes—Certain covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries" and "Description of the Senior Notes—Certain covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries," as applicable; and
- pursuant to a transaction permitted by the covenant described under the caption "Description of the Secured Notes—Certain covenants—Consolidation, merger and sale of assets" or "Description of the Senior Notes—Certain covenants—Consolidation, merger and sale of assets," as applicable.

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

Not all of our subsidiaries will guarantee the Notes. Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including by holders of the Notes under the Notes Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-Guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Secured Notes, the Senior Notes and each Notes Guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-Guarantor subsidiaries. At September 30, 2010, on a *pro forma* basis to reflect the Refinancing, the non-Guarantor subsidiaries would have had de minimis total third-party funded indebtedness, as well as trade payables and tax liabilities, to which the Notes and the Note Guarantees are structurally subordinated.

Each Notes Guarantee and, in the case of the Secured Notes, the security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.

The Guarantors will guarantee the payment of the Notes on a senior basis. Each Notes Guarantee will provide the relevant holders of the Notes with a direct claim against the relevant Guarantor. In addition, the Guarantors will secure the payment of the Secured Notes by granting security under the relevant security documents. However, each Indenture will provide that each Notes Guarantee of a Guarantor that is a subsidiary of the Issuer and each security interest granted by it under a security document will be limited to the maximum amount that can be guaranteed/secured by the relevant Guarantor/security provider without rendering the relevant Notes Guarantee/security interest voidable or otherwise ineffective under applicable law, and enforcement of each Notes Guarantee/security document would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void the Notes Guarantees of a Guarantor that is a subsidiary of the Issuer or the security interest granted by it under the Security Documents and, if payment had already been made under a Notes Guarantee or enforcement proceeds applied under a Security Document, require that the recipient return the payment to the relevant Guarantor/security provider, if the court found that:

- the amount paid or payable under the relevant Notes Guarantee or the enforcement proceeds under the relevant Security Document was in excess of the maximum amount permitted under applicable law;
- the relevant Notes Guarantee or security interest under a Security Document was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor/security provider or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor/security provider was insolvent when it granted the relevant Notes Guarantee or security interest;
- the Guarantor/security provider did not receive fair consideration or reasonably equivalent value for the relevant Notes Guarantee/security interest and the Guarantor/security provider was: (i) insolvent or rendered insolvent because of the relevant Notes Guarantee/security interest; (ii) undercapitalized or became undercapitalized because of the relevant Notes Guarantee/Security Document; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity; or
- the relevant Notes Guarantees/security documents were held to exceed the corporate objects of the Guarantor/security provider or not to be in the best interests or for the corporate benefit of the Guarantor/security provider.

The insolvency laws of Luxembourg or the jurisdiction of incorporation or formation of the Guarantors may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.

Your rights under the Notes and the Notes Guarantees will 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 ConvaTec Healthcare E S.A., which is organized under the laws of Luxembourg, and the Notes will be guaranteed by entities formed or incorporated in Denmark, the Dominican Republic, Germany, Luxembourg, Singapore, Switzerland, the United Kingdom and the United States. In the event of a bankruptcy or insolvency event, proceedings could be initiated in Luxembourg, the United States, the United Kingdom or in one or more other jurisdictions in which the guarantors are domiciled. Such multi-jurisdictional proceedings are likely to be complex and costly and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. 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 Notes Guarantees. The application of foreign law may limit your ability to enforce your rights under the Notes and the Notes Guarantees.

Luxembourg

Against the Issuer and any Guarantor which is incorporated under the laws of Luxembourg, insolvency proceedings may be initiated in Luxembourg in the event of an insolvency of any of these companies. The insolvency laws of Luxembourg may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar.

The following is a brief description of certain aspects of insolvency law in Luxembourg. In the event that the Issuer or Guarantor incorporated under the laws of Luxembourg (a “**Luxembourg Guarantor**”) 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.

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. bankruptcy laws. Under Luxembourg law, the following types of proceedings (altogether referred to as insolvency proceedings) may be opened against a company incorporated in Luxembourg having its centre of main interests in Luxembourg or an establishment within the meaning of EU Council Regulation No. 1346/2000 of May 29, 2000 on insolvency proceedings (in relation to secondary proceedings):

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the company or by any of its creditors. Following such a request, the courts having jurisdiction may open bankruptcy proceedings if the Issuer: (i) is in a state of cessation of payments (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*). If a court finds that these conditions are satisfied, it may open bankruptcy proceedings, *ex officio* (absent a request made by the company or a creditor). The main effect of such proceedings is the suspension of all measures of enforcement against the company, except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets;
- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the company and not by its creditors and under which a court may order provisional suspension of payments, including a stay of enforcement of claims by secured creditors; and
- composition proceedings (*concordat préventif de faillite*), the opening of which may only be requested by the company (subject to obtaining the consent of the majority of its creditors) and not by its creditors themselves. The court’s decision to admit a company to the composition proceedings triggers a provisional stay on enforcement of claims by creditors.

In addition to these proceedings, your ability to receive payment on the relevant Notes may be affected by a decision of a court to grant a reprieve from payments (*sursis de paiement*) or to put the Issuer or the Luxembourg Guarantor into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the commercial code or of the Luxembourg law dated August 10, 1915 on commercial companies, as amended. The management of such liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

Liability of the Issuer or Luxembourg Guarantor in respect of the relevant Notes will, in the event of a liquidation of the company following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the relevant entity that are 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).

Pursuant to article 20 of the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, all collateral arrangements in respect of assets over which the Luxembourg security interests have been granted, as well as all enforcement measures and valuation and enforcement measures agreed upon by the parties in accordance with this law, are valid and enforceable even if entered into during the pre-bankruptcy period against third parties, commissioners, receivers, liquidators and other similar persons notwithstanding the insolvency proceedings (save in the case of fraud).

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of controlled management proceedings providing expressly that the rights of secured creditors are frozen until a final decision has been taken by the 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.

Luxembourg insolvency laws may affect transactions entered into or payments made by the relevant Luxembourg company during the pre-bankruptcy handling period (*période suspecte*) which is a maximum of six months (and ten days, depending on the transaction in question) 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.

- pursuant to article 445 of the Luxembourg Code of Commerce (*code de commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent debts save in respect of financial collateral arrangements within the meaning of the Luxembourg act dated August 5, 2005 concerning financial and collateral arrangements; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg Code of Commerce, payments made for matured debts as well as other transactions concluded for consideration during the 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 party's cessation of payments;
- pursuant to article 21 (2) of the Luxembourg act dated August 5, 2005 concerning financial collateral arrangements, notwithstanding the suspect period as referred to in articles 445 and 446 of the Luxembourg Code of Commerce, where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is enforceable against third parties, administrators, insolvency receivers, liquidators and other similar organs if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it; and

- pursuant to article 448 of the Luxembourg Code of Commerce and article 1167 of the Civil Code (*action paulienne*) the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in 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. However, the insolvency receiver may choose to terminate certain contracts. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate.

Insolvency proceedings may hence have a material adverse effect on the relevant Luxembourg company's business and assets and the Luxembourg company's respective obligations under the Notes (as Issuer or Luxembourg Guarantor, as applicable).

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to EU Council Regulation No. 1346/2000 of May 29, 2000 on insolvency proceedings.

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

Upon the occurrence of certain events constituting a "change of control," the Issuer would be required to offer to repurchase all outstanding Notes, in each case, at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions in our New Credit Facilities, the Secured Notes Indenture, the Senior Notes Indenture 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 under, or acceleration of, our New Credit Facilities and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash to allow it to pay cash to the holders of the Notes following the occurrence of a change of control, may be limited by our then existing financial resources. In addition, under the terms of the New Credit Facilities, under certain circumstances, we are required to repay an equal amount of debt under our New Credit Facilities if we repay all or a portion of the principal under the Notes. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when the Group is prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that the Group would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Secured Notes and the Senior Notes would constitute a default under each of the Secured Notes Indenture and the Senior Notes Indenture, respectively, which would, in turn, constitute a default under the New Credit Facilities and certain other indebtedness. See "Description of the Secured Notes—Purchase of Secured Notes upon a Change of Control" and "Description of the Senior Notes—Purchase of Senior Notes upon a Change of Control."

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

The definition of "Change of Control" in each 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 are required to make an offer to repurchase the relevant Notes.

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

We cannot assure you as to:

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

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

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

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

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

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

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

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

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

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

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

The Notes will be issued in fully registered form. The Euro Regulation S Global Notes and the Euro Rule 144A Global Notes will be deposited, on the closing date, with, or on behalf of, a common depository for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depository. The Dollar Regulation S Global Notes and the Dollar Rule 144A Global Notes will be deposited, upon issuance, with a custodian for DTC and registered in the name of DTC or its nominee.

Ownership of beneficial interests in the Global Notes (the “**Book-Entry Interests**”) will be limited to persons that have accounts with DTC, 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 DTC, Euroclear and Clearstream 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. DTC, the common depository for Euroclear and/or Clearstream, or their respective nominees, 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 Agents. The Paying Agents will, in turn, make such payments to the common depository or its nominee for Euroclear and/or Clearstream (in the case of the Euro Regulation S Global Notes and the Euro Rule 144A Global Notes) and to DTC or its nominee (in the case of the Dollar Regulation S Global Notes and the Dollar Rule 144A Global Notes). The common depository or its nominee, or DTC or its nominee, as applicable, will in turn distribute such payments to participants in accordance with its procedures. After payment to the common depository or its nominee for Euroclear and/or Clearstream (in the case of the Euro Regulation S Global Notes and the Euro Rule 144A Global Notes) or to DTC or its nominee (in the case of the Dollar Regulation S Global Notes and the Dollar Rule 144A Global Notes), 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 DTC, Euroclear or Clearstream, as applicable, and if you are not a participant in DTC, Euroclear or Clearstream, 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 governing the Notes.

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 DTC, 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 governing the Notes, 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 DTC, Euroclear or Clearstream. The procedures to be implemented through DTC, Euroclear or Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

Risks related to the Group’s ownership

The interests of the Group’s principal shareholders may conflict with your interests.

The interests of the Group’s principal shareholders, in certain circumstances, may conflict with your interests as holders of the Notes. As of the date of this Offering Memorandum, each of Nordic Capital and Avista Capital Partners owns indirectly 69.85% and 30.15% of the Issuer’s shares, respectively. See “Principal shareholders.” As a result, these shareholders have,

and will continue to have, directly or indirectly, the power, among other things, to affect the Group's legal and capital structure and the Group's day-to-day operations, as well as the ability to elect and change the Group's management and to approve any other changes to the Group's operations. For example, the shareholders could vote to cause the Group to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the Secured Notes Indenture, the Senior Notes Indenture, the Senior Facilities and the Intercreditor Agreement so permit. The incurrence of additional indebtedness would increase the Group's debt service obligations and the sale of certain assets could reduce the Group's ability to generate revenue, each of which could adversely affect holders of the Notes.

Use of proceeds

We will use the net proceeds from the Offering of the Notes, together with cash on hand and borrowings under the New Credit Facilities, to directly or indirectly through the use of intercompany loans or distributions (i) repay all amounts outstanding under the Senior Facilities, (ii) repay all amounts outstanding under the Mezzanine Facilities, including any prepayment premium, (iii) pay amounts due as a result of an early termination of certain of our existing hedging arrangements and (iv) pay related fees and expenses.

The foregoing transactions, including the issuance of Notes in this Offering, the entry into, and initial borrowings under, the New Credit Facilities and the repayment of all amounts outstanding under the Existing Credit Facilities are collectively referred to as the "Refinancing."

For descriptions of our anticipated indebtedness following the Refinancing, see "Description of certain financing arrangements." See also "Capitalization."

The following table shows the estimated sources and uses of funds related to the Refinancing.

Sources of funds		Uses of funds	
(in millions of \$)			
Cash ⁽¹⁾	55.1	Repay Senior Facilities ⁽⁵⁾	1,706.7
New Credit Facilities ⁽²⁾	1,249.6	Repay Mezzanine Facilities ⁽⁶⁾	939.7
Secured Notes offered hereby ⁽³⁾	398.2	Early termination payment ⁽⁷⁾	57.5
Senior Notes offered hereby ⁽⁴⁾	1,076.8	Estimated fees and expenses	75.8
Total sources	2,779.7	Total uses	2,779.7

(1) Represents the portion of our cash on hand that we intend to use in the Refinancing.

(2) Represents borrowings of term loans under the New Credit Facilities. The New Credit Facilities provide for term borrowings of \$500.0 million and \$749.6 million in euro equivalent and revolving borrowings of up to \$250.0 million. The euro denominated portion of the New Credit Facilities have been converted into U.S. dollars at an assumed exchange rate of \$1.3273 to €1.00 and assuming an estimated foreign currency impact that is presented herein to be funded through the revolving portion of the New Credit Facilities. In the event that there are impacts from foreign currency exchange rates at the closing date that require additional funding, such amounts may be provided either from available cash or the New Credit Facilities. See "Description of certain financing arrangements—New Credit Facilities." At closing, we expect that the availability under the revolving portion of the New Credit Facilities to be reduced by an estimated \$9.4 million relating to letters of credit and bank guarantees.

(3) Represents the euro denominated Secured Notes converted into U.S. dollars at an assumed exchange rate of \$1.3273 to €1.00.

(4) Represents \$745.0 million of U.S. dollar denominated Senior Notes and \$331.8 million in euro equivalent of euro denominated Senior Notes converted to U.S. dollars at an assumed exchange rate of \$1.3273 to €1.00.

(5) Represents an estimate of the amount necessary to repay amounts outstanding under the Senior Facilities, including accrued and unpaid interest through the anticipated closing date at an assumed exchange rate of \$1.3273 to €1.00. As of September 30, 2010, the amount outstanding, including accrued and unpaid interest, was \$1,773.6 million at the September 30, 2010 exchange rate of \$1.3634 to €1.00.

(6) Represents an estimate of the amount necessary to repay amounts outstanding under the Mezzanine Facilities, including prepayment premium and accrued and unpaid interest through the anticipated closing date at an assumed exchange rate of \$1.3273 to €1.00. As of September 30, 2010, the amount outstanding, including accrued and unpaid interest, was \$930.2 million at the September 30, 2010 exchange rate of \$1.3634 to €1.00.

(7) The actual amount to be repaid in connection with the early termination of certain of our existing hedging arrangements will be determined by the costs to terminate our existing hedging arrangements on the date of the early termination.

An affiliate of J.P. Morgan is a lender under our Senior Facilities, which will be repaid in full out of the proceeds of this Offering. An affiliate of Goldman Sachs International is a lender under our Existing Credit Facilities, which will be repaid in full out of the proceeds of this offering. All or a portion of the proceeds received by such affiliate may be reinvested in the Notes and the New Credit Facilities. Mediobanca or its affiliate and Natixis or its affiliate are lenders under our Existing Credit Facilities, which will be repaid in full out of the proceeds of this Offering. An affiliate of J.P. Morgan is the senior facility agent under the Senior Facilities and security agent under the Existing Credit Facilities. The Initial Purchasers will be bookrunners, an affiliate of J.P. Morgan will be Administrative Agent and each Initial Purchaser or one of its affiliates will be a lender under our New Credit Facilities. See “Description of certain financing arrangements—New Credit Facilities.”

Capitalization

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2010 on a historical basis and as adjusted to reflect the Refinancing, including the application of the net proceeds of the offering of the Notes and borrowings under the New Credit Facilities each as described in “Use of proceeds,” as if these events had occurred on September 30, 2010. The historical consolidated financial information has been derived from the unaudited interim consolidated financial statements as of and for the nine months ended September 30, 2010 prepared in accordance with GAAP included elsewhere in this Offering Memorandum.

This table should be read in conjunction with “Use of proceeds,” “Management’s discussion and analysis of financial condition and results of operations,” “Description of certain financing arrangements” and the consolidated financial statements and the accompanying notes included elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since September 30, 2010.

(in millions of \$) ⁽¹⁾	As of September 30, 2010		
	Historical	Adjustments	As adjusted
Cash and cash equivalents ⁽²⁾	98.3	(55.1)	43.2
Debt ⁽³⁾			
Existing Credit Facilities ⁽⁴⁾	2,703.7	(2,703.7)	—
New Credit Facilities ⁽⁵⁾	—	1,270.0	1,270.0
Secured Notes offered hereby ⁽⁶⁾	—	409.0	409.0
Other borrowings	0.3	—	0.3
Total Secured Debt	2,704.0	(1,024.7)	1,679.3
Senior Notes offered hereby ⁽⁶⁾	—	1,085.9	1,085.9
Total debt	2,704.0	61.2	2,765.2
Mandatorily redeemable preferred equity certificates ⁽⁷⁾	2,313.2	—	2,313.2
Total stockholder’s deficit	(1,167.7)	—	(1,167.7)
Total capitalization ⁽⁸⁾	3,849.5	61.2	3,910.7

(1) The euro denominated borrowings (as determined for purposes of “Use of proceeds”) have been converted into dollars at an exchange rate of \$1.3634 to €1.00, the rate used for purposes of preparing our balance sheet at September 30, 2010.

(2) Excludes restricted cash.

(3) Debt includes both long-term debt and short-term portion of long-term debt.

(4) Represents amounts outstanding under the Senior Facilities and the Mezzanine Facilities, including accrued and unpaid interest of \$15.0 million as of September 30, 2010.

(5) Represents anticipated borrowings of term loans under the New Credit Facilities, without deducting any associated deferred financing fees that will be included as an asset in accordance with GAAP. The New Credit Facilities provide for term borrowings of \$500.0 million and \$770.0 million in euro equivalent (see footnote 1 above) and revolving borrowings of up to \$250.0 million. See “Description of certain financing arrangements—New Credit Facilities.” At closing, we expect that the availability under the revolving portion of the New Credit Facilities to be reduced by an estimated \$9.4 million relating to letters of credit and bank guarantees.

(6) Represents the gross proceeds from the Offering of the Secured Notes and the Senior Notes, respectively, without deducting any associated deferred financing fees which will be included as an asset in accordance with GAAP.

(7) Includes accrued preferred equity certificates interest. See “Certain relationships and related party transactions—Mandatorily redeemable preferred equity certificates.”

(8) Total capitalization is calculated as the sum of total financial liabilities and total equity.

Selected consolidated financial data

Selected ConvaTec consolidated financial and other data

The tables below present certain selected financial and other data for the Predecessor for the seven months ended July 31, 2008 and certain selected consolidated financial and other data for the Successor as of December 31, 2008 and 2009 and September 30, 2010 and for the five months ended December 31, 2008, the year ended December 31, 2009, the nine months ended September 30, 2009 and 2010, and for the twelve months ended September 30, 2010. We derived the selected financial data from our and the Predecessor’s consolidated financial statements prepared in accordance with GAAP. Such information should be read in conjunction with our consolidated financial statements and the related notes, included elsewhere in this Offering Memorandum. The financial data as of December 31, 2008 and 2009 and for the seven months ended July 31, 2008, the five months ended December 31, 2008, and the year ended December 31, 2009 has been derived from our audited financial statements. The financial data as of September 30, 2010 and for the nine months ended September 30, 2009 and 2010 and as of and for the twelve months ended September 30, 2010 has been derived from our unaudited financial statements, has been prepared on the same basis as our audited consolidated financial statements and, in the opinion of management, reflects all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of this data. The results for any interim period are not necessarily indicative of the results that may be expected for a full year or any future reporting period.

The following tables should also be read in conjunction with “Presentation of financial and other information—Non-GAAP financial measures,” “Capitalization,” “Use of proceeds,” “Management’s discussion and analysis of financial condition and results of operations” and “Summary consolidated financial data.”

Consolidated statement of earnings data

	Predecessor Seven months ended July 31, 2008 ⁽¹⁾	CHB				
		Five months ended December 31, 2008 ⁽²⁾	Year ended December 31, 2009	Nine months ended September 30, 2009 2010		Twelve months ended September 30, 2010 ⁽³⁾
<i>(in millions of \$)</i>						
Net sales⁽⁴⁾	727.4	631.4	1,527.3	1,108.8	1,116.9	1,535.4
Cost of goods sold ⁽⁵⁾	218.6	454.7	734.2	528.5	528.1	733.8
Gross profit	508.8	176.7	793.1	580.3	588.8	801.6
Selling, general and administrative.....	304.2	254.6	642.2	465.6	440.3	616.9
Research and development expenses.....	33.1	37.7	60.2	44.4	37.9	53.7
Acquired in-process research and development ⁽⁶⁾ ...	—	184.3	—	—	—	—
Goodwill impairment ⁽⁷⁾	—	—	277.3	—	—	277.3
Operating income (loss)	171.5	(299.9)	(186.6)	70.3	110.6	(146.3)
Interest expense.....	7.6	292.0	503.7	373.6	372.2	502.3
Foreign exchange loss (gain).....	3.5	(21.6)	1.9	(10.1)	(7.3)	4.7
Other (income) expense, net.....	(2.3)	(1.3)	(1.2)	(0.8)	0.4	—
Earnings (loss) before income taxes	162.7	(569.0)	(691.0)	(292.4)	(254.7)	(653.3)
Provision (benefit) for income taxes ⁽⁸⁾	58.7	(90.1)	(32.5)	(9.7)	52.7	29.9
Net (loss) earnings	104.0	(478.9)	(658.5)	(282.7)	(307.4)	(683.2)

Consolidated balance sheet data

<i>(in millions of \$)</i>	CHB		
	As of		As of
	December 31,	September 30,	September 30,
	2008	2009	2010
Cash and cash equivalents	170.9	102.5	98.3
Inventories, net	184.1	202.9	221.7
Accounts receivable.....	260.2	253.7	262.0
Total current assets	699.3	615.9	631.3
Property, plant and equipment, net	326.3	338.7	326.6
Intangible assets, net.....	2,537.7	2,501.3	2,374.5
Total non-current assets	4,511.4	4,111.8	3,814.1
Total assets	5,210.7	4,727.7	4,445.4
Accounts payable.....	155.7	109.2	82.5
Total current liabilities, exclusive of current portion of long-term debt.....	498.4	276.1	233.0
Total financial debt, exclusive of PECs ⁽⁹⁾	2,681.5	2,748.8	2,689.0
Non-current liabilities ⁽¹⁰⁾	2,460.4	2,652.4	2,691.1
Total liabilities.....	5,640.3	5,677.3	5,613.1

Consolidated cash flow statement data

<i>(in millions of \$)</i>	Predecessor	CHB			
	Seven months ended July 31, 2008	Five months ended December 31, 2008	Year ended December 31, 2009	Nine months ended September 30, 2009 2010	
				2009	2010
Cash and cash equivalents at beginning of the period	—	39.8	170.9	170.9	102.5
Net cash (used in) provided by operating activities	114.4	(32.2)	15.9	(2.4)	39.7
Net cash used in investing activities	(37.2)	(2,505.3)	(59.6)	(30.0)	(27.9)
Net cash provided by (used in) financing activities.....	(30.9)	2,697.0	(32.5)	(19.8)	(4.3)
Effect of exchange rates on cash.....	(6.5)	(28.4)	7.8	11.3	(11.7)
Net change in cash and cash equivalents	39.8	131.1	(68.4)	(40.9)	(4.2)
Cash and cash equivalents at end of the period	39.8	170.9	102.5	130.0	98.3

(1) Due to the ConvaTec Acquisition, our historical financial statements are separated into Predecessor and Successor periods. Predecessor refers to ConvaTec, operating as a division of BMS, prior to August 1, 2008. The results of operations for the seven months ended July 31, 2008 are presented on a carve-out basis and are derived from the consolidated financial statements and accounting records of BMS. The Predecessor's results of operations include expense allocations for certain functions historically provided by BMS. Successor refers to the Company beginning August 1, 2008 and thereafter. The Successor's financial statements for the five months ended December 31, 2008 include the effects of purchase accounting adjustments related to the ConvaTec Acquisition. The impact of certain more significant purchase accounting adjustments are described in footnotes 5 and 6 below.

(2) On September 2, 2008, a wholly owned subsidiary of CHB acquired the stock of Unomedical pursuant to a stock purchase agreement. The results of operations for the five months ended December 31, 2008 include the results of operations of Unomedical from the acquisition date forward as well as the effects of purchase accounting adjustments related to this acquisition. The impact of certain more significant purchase accounting adjustments are described in footnotes 5 and 6 below.

(3) Results of operations for the twelve months ended September 30, 2010 are presented solely for purposes of this Offering Memorandum and are calculated from the results of operations for the year ended December 31, 2009, the results of operations for the nine months ended September 30, 2009 and the results of operations for the nine months ended September 30, 2010. Our independent auditors have not performed any audit or review procedures on such twelve month period.

(4) Net sales is comprised of sales of our products net of rebates and discounts.

(5) Cost of goods sold during the five months ended December 31, 2008 includes non-cash charges of \$169.8 million related to purchase accounting adjustments to increase the inventory value acquired in the ConvaTec Acquisition and the Unomedical Acquisition to fair value, which were expensed over three months, the estimated period over which such inventory was sold.

(6) In accordance with accounting guidance related to business combinations, acquired in-process research and development related to the acquisitions of ConvaTec and Unomedical was measured at fair value. It was determined that the acquired in-process research and development did not have any future alternative use; therefore, we recorded a non-cash charge to expense the total fair value immediately upon completion of the business combinations. For the five months ended December 31, 2008, the total amount expensed associated with acquired in-process research and development was \$184.3 million.

(7) In conjunction with our annual goodwill impairment test during 2009, it was determined that the implied fair value of the North America managed segment was less than its carrying value, and as a result, a non-cash charge was recorded to write down goodwill by \$277.3 million. See Note 2, “Accounting policies—Goodwill and other intangible assets” and Note 11, “Goodwill” to our 2009 Audited Consolidated Financial Statements, included elsewhere in this Offering Memorandum, for further description.

(8) In accordance with accounting guidance related to income taxes, we must periodically assess whether certain tax positions are “more likely than not” to be realized. During the nine months ended September 30, 2010, facts and circumstances occurred that precluded us from meeting this recognition threshold in certain jurisdictions. Accordingly, we recorded a valuation allowance against deferred tax assets in Luxembourg and in the United States, which resulted in a non-cash charge to income tax expense of \$100.8 million.

(9) Total financial debt is presented to exclude mandatorily redeemable preferred equity certificates (“PECs”) in the amount of \$1,800.9 million, \$1,857.0 million, and \$1,758.3 million at December 31, 2008, December 31, 2009 and September 30, 2010, respectively. See “Certain relationships and related party transactions—Mandatorily redeemable preferred equity certificates.”

(10) Other liabilities is presented to include the PECs balance amounts disclosed in footnote 9 above and also includes accrued interest on the PECs of \$99.8 million, \$365.4 million, and \$554.9 million at December 31, 2008, December 31, 2009 and September 30, 2010, respectively. See “Certain relationships and related party transactions—Mandatorily redeemable preferred equity certificates.”

Management’s discussion and analysis of financial condition and results of operations

We encourage you to read the following discussion in conjunction with the section entitled “Selected consolidated financial data” as well as with the audited consolidated financial statements, and unaudited consolidated financial statements, and the related notes thereto, included elsewhere in this Offering Memorandum. The following discussion includes forward-looking statements which, although based on assumptions and/or estimates that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties please refer to the sections entitled “Forward-looking statements” and “Risk factors.”

Overview

We are a leading developer, manufacturer and marketer of innovative medical technologies, in particular products for ostomy management, advanced acute and chronic wound care, continence care, sterile single-use medical devices for hospitals, and infusion sets used in diabetes treatment infusion devices. We have a track-record of developing innovative, clinically-proven and reliable products for patients, as demonstrated by our global leadership positions in the following four franchises:

Ostomy Care. Our Ostomy Care franchise is comprised of a comprehensive product portfolio of one- and two-piece ostomy systems for people having undergone an ostomy procedure.

Wound Therapeutics. Our Wound Therapeutics franchise is primarily comprised of a comprehensive portfolio of moist wound dressings, particularly hydrocolloid, Hydrofiber Technology and antimicrobial wound dressings and related products for the advanced treatment of acute and chronic wounds as well as professional skin care products.

Continence and Critical Care. Our CCC franchise is comprised of (i) our Flexi-Seal fecal management system, an innovative temporary containment device for AFI and (ii) our hospital care business, which provides a broad assortment of high volume and high quality medical devices for procedures across the intensive care unit and operating room settings.

Infusion Devices/Industrial Sales. Our Infusion Devices products are comprised of disposable infusion sets for use with insulin pumps in the treatment of diabetes that are sold to leading pump manufacturers. Industrial Sales products consist of the same products we manufacture and sell in the Hospital Care business of our CCC franchise, but the Industrial Sales business is a part of the Infusion Devices/Industrial Sales franchise because its business-to-business model of selling products to a few large industrial customers is closely aligned with our Infusion Devices business.

We employed 7,980 people worldwide as of September 30, 2010, approximately 88% of whom are outside the United States. As of the date of this Offering Memorandum, we have physical operations in 36 countries and market our products in more than 100 countries.

We remain focused on developing and marketing differentiated technologies supported by strong marketing and clinical evidence. Through our global infrastructure and extensive geographic reach we aim to drive sustained growth by leveraging the strengths of our four franchises.

ConvaTec's evolution as a stand-alone company

The Sponsors acquired the ConvaTec business, formerly a division of BMS, on August 1, 2008 for \$4,103.0 million in the ConvaTec Acquisition. Additionally we then acquired the Unomedical business on September 2, 2008 for \$593.6 million in the Unomedical Acquisition. We believe that the ConvaTec and Unomedical Acquisitions have allowed us, and will continue to allow us to:

- improve strategic planning, increase management focus and streamline decision-making by providing us the flexibility to implement our strategic plans and to respond more effectively to our customer needs and the changing economic environment;
- adopt a capital structure that is suited to our financial profile and business needs and positions us to execute on growth strategies; and
- facilitate incentive compensation arrangements for employees more directly tied to the performance of our business, and enhance employee hiring and retention by, among other things, improving the alignment of management and employee incentives with performance and growth objectives.

Key factors influencing our results of operations

Our results of operations during the periods under consideration have been primarily affected by the following factors.

The economic environment and regulatory reform

Our results of operations are substantially affected not only by global economic conditions, but also by local operating and economic conditions, which can vary substantially by market. Unfavorable conditions that depress sales in a given market may result in actions that adversely affect our margins, constrain our operating flexibility or result in charges which are unusual or non-recurring. Certain macroeconomic events, such as the current adverse conditions in the global economy, can have a more wide-ranging and prolonged impact on the general business environment, which adversely affects us.

We believe the global uncertainty or recessionary environment has impacted the year-over-year market growth rates of certain of our franchises due in part to customers purchasing less frequently (through extending use of each product) and/or purchasing lower cost, less advanced products. Additionally, many non-U.S. markets, including Canada, various countries around continental Europe and some Asian countries, have decreased reimbursement rates. Because of this, management has taken, and will continue to take, proactive measures to be able to manage expenses more conservatively. During 2010, we executed on cost optimization efforts within our global manufacturing and supply chain operations, which included implementing lower cost labor alternatives for more labor intensive products. Additionally, we have new product enhancements of key brands planned to be launched in our Ostomy Care, Wound Therapeutics and CCC franchises in 2011, which we believe can further improve our competitive position and may render higher pricing in certain markets.

In the United States, healthcare providers that purchase our products (including hospitals, physicians and nurses) generally rely on payments from third-party payors (principally federal Medicare, state Medicaid and private health insurance plans) to cover all or a portion of the cost of our products. The second half of 2010 and through the end of 2011 comprise an eighteen-month time frame in which all the U.S. GPOs will renew their 3-year contracts, whereby some price erosion for our products is possible. However, beyond 2011, we believe any such price erosion should level off and return to a more typical rate as seen in previous years, as the standard pricing for our products will be set for the three-year contract term. Additionally, although no assurance can be given, we believe that we will continue to retain the majority of GPO contracts driven by new innovation and enhancements of our product portfolio, improved sales execution and competitive pricing. We also believe that winning such contracts will provide a competitive advantage by offering additional opportunity to further increase our share of the market. Recent cost pressures and census levels in all U.S. healthcare systems have had a negative impact on consumption. Development and use of a health economics tool to demonstrate the total cost benefit of this technology, coupled with the ability to effectively contain infectious waste and reduce the chance of cross-infection in the hospital setting, leads us to believe this area of focus will continue to be a growth opportunity for us. Furthermore, we believe that our current work to develop enhanced product offerings, should continue to keep us as the strong market leader in the United States.

Our results of operations could also be affected by regulatory mandates. In March 2010, the U.S. Congress adopted and President Obama signed into law comprehensive health care reform legislation through the passage of the Patient Protection and Affordable Health Care Act (H.R. 3590) and the Health Care and Education Reconciliation Act (H.R. 4872). Among other initiatives, these laws impose a 2.3% excise tax on domestic sales of medical devices following December 31, 2012. Various healthcare reform proposals have also emerged at the state level. We cannot predict with certainty what healthcare initiatives, if any, will be implemented at the state level, or what the ultimate effect of federal health care reform or any future legislation or regulation will have on us. However, an expansion in government's role in the U.S. healthcare industry may lower reimbursements for our products and adversely affect our business and results of operations, possibly materially.

Outside of the United States, reimbursement systems vary significantly from country to country. If adequate levels of reimbursement from third-party payors outside of the United States are not obtained or maintained, international sales of our products may decline. Our ability to continue to sell certain products profitably in these markets may diminish if the government-managed healthcare systems continue to reduce reimbursement rates, which can decrease pricing. Our growth strategies include expansion of our business geographically in emerging markets, where we believe growth opportunities exist for both reimbursed and non-reimbursed products.

Innovation and new products

Our business strategy relies significantly on our continuing to develop innovative products that address unmet customer needs and differentiate us from our competitors. Our investment expense in research and development (“R&D”) was \$33.1 million, \$37.7 million, \$60.2 million and \$37.9 million, or 4.6%, 6.0%, 3.9% and 3.4% of sales, respectively, during the seven months ended July 31, 2008, the five months ended December 31, 2008, the year ended December 31, 2009 and the nine months ended September 30, 2010. In the last three years, our total R&D expense for the Ostomy Care, Wound Therapeutics and CCC franchises has generally been split equally between the development of product enhancements in support of our existing portfolio of products and development of new strategic pipeline opportunities. The split of our R&D expense by franchise changes over time dependent on the quantity, type and stage of development of projects in the pipeline.

During 2010, we completed the consolidation and integration of the former Unomedical R&D function (formerly in Birkerød, Denmark) into our existing Deeside U.K. facility, which resulted in cost efficiencies. Furthermore, R&D spending in 2010 was more targeted on the life cycle management of our existing technologies and products to maximize the value of strategic brands such as the Hydrofiber platform, ConvaTec Moldable Technology and Flexi-Seal FMS. Additionally, we focused more on supplementing internal development efforts with in-sourcing initiatives in the relevant areas of our business, which resulted in reduced spend while offering a collaborative approach to enable accelerated opportunities for future growth.

In addition to new product development, our Global Science & Innovation division strives to optimize the life cycles of innovative products in our existing portfolio by enhancing features and leveraging technologies across our franchises. Looking forward, we remain committed to producing a pipeline of innovative products to continue to support our growth strategies. We continue to proactively supplement our internal development efforts with targeted scouting initiatives for innovative late stage products in the relevant areas of our business to accelerate commercial growth. In particular, we are focusing on technologies in the areas of infection prevention, diagnosis and therapy, new generation adhesives, and flexible balloon catheter technology.

International and foreign exchange

We market our products in more than 100 countries and have 12 manufacturing operations located in nine countries throughout the world. Significant products for certain franchises are produced in manufacturing facilities in Slovakia, the United Kingdom, the Dominican Republic and Mexico. Due to the global nature of our business, our revenue and expenses are influenced by foreign exchange movements. In the year ended December 31, 2009, 62%, 63% and 55% of our sales, cost of goods sold and operating expenses, respectively, were in currencies other than U.S. dollars. Increases or decreases in the value of the U.S. dollar compared to other currencies will affect our reported results as we translate those currencies into U.S. dollars. The following table sets forth our percentages of net sales, cost of goods sold and operating expenses for the year ended December 31, 2009 by major currencies:

	Year ended December 31, 2009		
	Net sales	Cost of goods sold	Operating expenses
United States Dollar.....	38%	37%	45%
Euro	30%	15%	18%
British pound sterling	10%	20%	10%
All Other	22%	28%	27%
	100%	100%	100%

Acquisitions

We may selectively pursue complementary acquisitions which would allow us to expand our scope and scale to further enhance our offering to our customers. Consistent with this, in September 2008 we completed the acquisition of Unomedical which engages in the development, manufacture, and distribution of medical devices to hospitals and healthcare sectors worldwide, including catheters, surgical aids, drainage bags, and infusion devices. See Note 3, “Acquisitions” to the 2009 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum for further information.

Separation and restructuring initiatives

In connection with the ConvaTec Acquisition and resulting separation from BMS, as well as the integration of Unomedical and other restructuring initiatives undertaken, we have incurred costs of a non-recurring nature to establish and align our stand-alone infrastructure. These expenditures primarily consisted of (i) costs to implement a new information technology platform and align other related initiatives, (ii) duplication of costs for certain functions, such as information technology, due to our establishment of such functions as a separate, independent company while simultaneously incurring related costs pursuant to our transition services agreement with BMS, (iii) professional fees, primarily to provide transaction-related services and new business model structuring, (iv) restructuring-related initiatives, including consolidation efforts and termination costs to reorganize our operations and support functions, (v) costs to comply with legal and regulatory requirements in statutory jurisdictions, (vi) costs to start up our stand-alone legal capitalization structure and (vii) other non-recurring expenses. During the five months ended December 31, 2008, the year ended December 31, 2009 and the nine months ended September 30, 2010, we incurred such non-recurring costs of \$57.9 million, \$142.3 million and \$44.6 million, respectively. We expect such non-recurring costs related to our separation from BMS, our integration of Unomedical and restructuring activities related to infrastructure alignment to be substantially completed by December 31, 2010. See “Summary—Summary consolidated financial and other data—Other data” for a reconciliation of EBITDA to Adjusted EBITDA, including a discussion related to separation and integration-related costs associated with our separation from BMS, the integration of Unomedical and other non-recurring expenses.

Seasonality

The end-use of our products are generally not seasonal in nature because ostomy appliances, wound dressings, hospital related products and infusion sets are non-elective, chronic-related use products that are used on a routine basis by end users. However, our sales have been weighted toward a higher percentage in the second half of the year. We believe this trend may be impacted by the following factors: (i) distributor buy-in prior to the winter holiday season; (ii) increased purchases from certain U.S. customers and GPOs to achieve certain contractual volume rebates or to use their allowable allotments under U.S. healthcare programs; (iii) annual discretionary price increases in the United States that have typically been made effective during the fourth quarter of the year, thereby resulting in increased purchases prior to the effective dates of such increases; and (iv) reimbursement practices impacting purchasing trends such as in Ostomy Care, in which customers in the U.S. can purchase up to three months’ ostomy supplies in one month and customers in Japan are given vouchers twice a year for the purchase of ostomy care products. Generally speaking, our business is split into 47% of sales occurring in the first half of the year and 53% occurring in the latter half of the year. In 2009, we generated 22%, 25%, 26% and 27% of our annual sales in the first, second, third and fourth quarters, respectively.

Results of operations

As discussed under the caption “Presentation of financial and other information,” our historical financial statements are separated into Predecessor and Successor periods. The Predecessor financial statements were prepared on a “carve-out” basis, which include allocations from BMS, prior to the ConvaTec Acquisition. These allocations may not be reflective of the actual level of costs or debt which would have been incurred had the Predecessor operated as a separate entity apart from BMS. The Successor period financial statements include the effects of purchase accounting adjustments related to the ConvaTec Acquisition, effective August 1, 2008 and the Unomedical Acquisition, effective September 2, 2008. The operating results of Unomedical have been included in our consolidated results since the date of the acquisition. For the reasons just described, there is a lack of comparability in expenses reported in the Predecessor and Successor financial statements. As such, the comparative results of operations discussion for expenses is primarily focused on the comparison of the nine month period ended September 30, 2010 and the nine month period ended September 30, 2009.

The discussion below under “—Comparison of net sales for the year ended December 31, 2009 and the combined year ended December 31, 2008—Net sales” includes presentation of combined net sales for 2008 solely to assist with comparisons with 2009. Although the expenses within the Predecessor’s consolidated financial statements and the Successor’s consolidated financial statements are not comparable, we believe that net sales would not be materially impacted by such differences in the basis of presentation and combining such amounts for comparative purposes is reasonable. The combined information is a non-GAAP financial measure and is unaudited. Furthermore, However, cost of goods sold and other operating expenses were significantly impacted in the periods following the ConvaTec Acquisition and the Unomedical Acquisition due to the effects of purchase accounting and other non-recurring costs associated with our separation from BMS. Accordingly, we believe it would be inappropriate to discuss cost of goods sold and other operating expenses on a combined basis for 2008, as compared to 2009. See the footnotes to the tabular presentation below for a more detailed description of the nature and amounts of items that impact comparability of our results of operations across the periods presented. On September 2, 2008, our wholly owned subsidiary acquired the stock of Unomedical. Accordingly, the results of operations are not directly comparable across all periods presented.

The following table sets forth our historical net sales and expense items for each of the periods indicated.

	Predecessor		CHB		
	Seven months ended July 31, 2008 ⁽¹⁾	Five months ended December 31, 2008 ⁽²⁾	Year ended December 31, 2009	Nine months ended September 30,	
(in millions of \$)				2009	2010
Net sales⁽³⁾	727.4	631.4	1,527.3	1,108.8	1,116.9
Cost of goods sold ⁽⁴⁾	218.6	454.7	734.2	528.5	528.1
Gross profit	508.8	176.7	793.1	580.3	588.8
Selling, general and administrative	304.2	254.6	642.2	465.6	440.3
Research and development expenses	33.1	37.7	60.2	44.4	37.9
Acquired in-process research and development ⁽⁵⁾	—	184.3	—	—	—
Goodwill impairment ⁽⁶⁾	—	—	277.3	—	—
Operating income (loss)	171.5	(299.9)	(186.6)	70.3	110.6
Interest expense	7.6	292.0	503.7	373.6	372.2
Foreign exchange loss (gain)	3.5	(21.6)	1.9	(10.1)	(7.3)
Other (income) expense, net	(2.3)	(1.3)	(1.2)	(0.8)	0.4
Earnings (loss) before income taxes	162.7	(569.0)	(691.0)	(292.4)	(254.7)
Provision (benefit) for income taxes ⁽⁷⁾	58.7	(90.1)	(32.5)	(9.7)	52.7
Net (loss) earnings	104.0	(478.9)	(658.5)	(282.7)	(307.4)

(1) Due to the ConvaTec Acquisition, our historical financial statements are separated into Predecessor and Successor periods. Predecessor refers to ConvaTec, operating as a division of BMS, prior to August 1, 2008. The results of operations for the seven months ended July 31, 2008 are presented on a carve-out basis and are derived from the consolidated financial statements and accounting records of BMS. The Predecessor's results of operations include expense allocations for certain functions historically provided by BMS. Successor refers to the Company beginning August 1, 2008 and thereafter. The Successor's financial statements for the five months ended December 31, 2008 include the effects of purchase accounting adjustments related to the ConvaTec Acquisition. The impact of certain more significant purchase accounting adjustments are described in footnotes 4 and 5 below.

(2) On September 2, 2008, a wholly owned subsidiary of CHB acquired the stock of Unomedical pursuant to a stock purchase agreement. The results of operations for the five months ended December 31, 2008 include the results of operations of Unomedical from the acquisition date forward as well as the effects of purchase accounting adjustments related to this acquisition. The impact of certain more significant purchase accounting adjustments are described in footnotes 4 and 5 below.

(3) Net sales is comprised of sales of our products net of rebates and discounts.

(4) Cost of goods sold during the five months ended December 31, 2008 includes non-cash charges of \$169.8 million related to purchase accounting adjustments to increase the inventory value acquired in the ConvaTec Acquisition and the Unomedical Acquisition to fair value, which were expensed over three months, the estimated period over which such inventory was sold.

(5) In accordance with accounting guidance related to business combinations, acquired in-process research and development related to the acquisitions of ConvaTec and Unomedical was measured at fair value. It was determined that the acquired in-process research and development did not have any future alternative use; therefore, we recorded a non-cash charge to expense the total fair value immediately upon completion of the business combinations. For the five months ended December 31, 2008, the total amount expensed associated with acquired in-process research and development was \$184.3 million.

(6) In conjunction with our annual goodwill impairment test during 2009, it was determined that the implied fair value of the North America managed segment was less than its carrying value, and as a result, a non-cash charge was recorded to write down goodwill by \$277.3 million. See Note 2, "Accounting policies—Goodwill and other intangible assets" and Note 11, "Goodwill" to our 2009 Audited Consolidated Financial Statements, included elsewhere in this Offering Memorandum, for further description.

(7) In accordance with accounting guidance related to income taxes, we must periodically assess whether certain deferred tax assets are "more likely than not" to be realized. During the nine months ended September 30, 2010, facts and circumstances occurred that precluded us from meeting this recognition threshold in certain jurisdictions. Accordingly, we recorded a valuation allowance against deferred tax assets in Luxembourg and in the United States, which resulted in a non-cash charge to income tax expense of \$100.8 million.

We analyze our net sales by franchise as well as geographic segment. However, our operations are managed at a geographic region level for the legacy ConvaTec business (North America, EMEA and LAAP) and for Unomedical as a whole (each herein referred to as a "**managed segment**" of the business). Management evaluates performance on this basis, including making resource allocation and investment decisions. Global support operations and corporate expenses are managed on a departmental basis. The Hospital Care sub-group of our CCC franchise as well as our Infusion Devices/Industrial Sales franchise are part of the historical Unomedical business.

Comparison of nine-month periods ended September 30, 2010 and September 30, 2009

Net sales

Net sales is comprised of the sales of our products net of rebates and discounts. The following tables set forth our historical net sales by franchise and by managed segment for the nine months ended September 30, 2009 and 2010. The tables also present the percentage change on a reported and constant exchange rate basis. Net sales on a constant exchange rate basis is a non-GAAP financial measure and should not be viewed as a replacement of GAAP results. Such measure is presented because we believe it enables us to focus on the actual performance-related changes in the results of operations from period to period without the effects of exchange rates.

Net sales by franchise

The table below sets forth our net sales by franchise for the nine months ended September 30, 2009 and 2010.

(in millions of \$)	Nine months ended September 30,		Percentage change	
	2009	2010	As reported	At constant exchange rate
Net sales by franchise				
Ostomy Care	411.3	405.5	(1.4)%	(1.8)%
Wound Therapeutics	357.9	360.7	0.8%	0.5%
Continance & Critical Care	197.7	195.6	(1.1)%	(1.7)%
Infusion Devices/Industrial Sales	141.9	155.1	9.3%	9.9%
Total net sales	1,108.8	1,116.9	0.7%	0.5%

Ostomy Care net sales

Net sales in our Ostomy Care franchise for the nine months ended September 30, 2010 were \$405.5 million, a decrease of \$5.8 million, or approximately 1.4%, from \$411.3 million for the nine months ended September 30, 2009. At a constant exchange rate, Ostomy Care net sales decreased 1.8% due primarily to (i) the impact of governmental cost containment/reimbursement measures in several countries around continental Europe, including Germany, which had the greatest negative impact of all European countries, (ii) changes in inventory management practices by some of our larger U.S. customers, in response to tighter credit conditions, whereby they carried lower inventory levels, (iii) decreased sales in the U.K. associated with competitive pricing conditions and the natural attrition of mature brands, (iv) a temporary backorder situation in one of our main ostomy production facilities during 2010, which negatively impacted our sales globally and (v) increased competition in the U.S. resulting from the market shift from two-piece offerings to one-piece. We have plans to launch a portfolio of new Ostomy products in 2011, which will include the next generation of enhanced one-piece and two-piece offerings. Another factor contributing to the decrease from period to period was fewer product sales in the first quarter of 2010 to certain markets due to increased product orders and shipments during December of 2009, in advance of our planned implementation of a new SAP information technology system.

The decrease in Ostomy Care net sales was partially offset by (i) increased sales in Latin America, primarily due to the opening of a new warehouse by our Latin America distributor and the related inventory needs to stock such warehouse, and (ii) increased sales in Canada primarily due to successful market strategies that secured several hospital purchasing contracts and thereby resulted in an incremental number of patients over and above previous demand in the region.

Wound Therapeutics net sales

Net sales in our Wound Therapeutics franchise for the nine months ended September 30, 2010 were \$360.7 million, an increase of \$2.8 million, or approximately 0.8%, from \$357.9 million for the nine months ended September 30, 2009. At a constant exchange rate, Wound Therapeutics net sales increased 0.5% due primarily to (i) increased sales of our Hydrofiber Technology products in France and the United States, including the launch of our AQUACEL Ag SURGICAL product in the United States, which resulted from our marketing strategy of demonstrating the product's performance compared to products of our competitors and (ii) increased sales of other Wound Therapeutics products resulting from enhanced marketing efforts, including sales growth in our direct-to-patient medical supply business that sells branded and non-branded products. In addition, life cycle extensions to the Hydrofiber brand have offered new growth platforms in the area of acute wounds in both the operating rooms and emergency departments of U.S. healthcare systems. The increase in Wound Therapeutics net sales was primarily offset by (i) decreased sales in the U.K. market resulting from competitive pricing conditions, (ii) decreased sales to one of our customers who filed for bankruptcy during 2010, and (iii) a decline in regulated reimbursement rates on Wound Therapeutics products in Japan that became effective in April 2010.

Continance & Critical Care net sales

Net sales in our CCC franchise for the nine months ended September 30, 2010 were \$195.6 million, a decrease of \$2.1 million, or approximately 1.1%, from \$197.7 million for the nine months ended September 30, 2009. At a constant exchange rate, CCC net sales decreased 1.7% due primarily to (i) the divestiture of the Unomedical custom procedure packs business in April 2010, and (ii) lower sales volume and pricing of our Flexi-Seal products in the United States due to competitive pricing conditions, which we took remedial actions to address, including the launch of Flexi-Seal Signal. The decrease in net sales was offset by (i) an increase of CCC net sales within Unomedical, due to its presence in the Russian and Finland markets where better economic conditions for our products existed in 2010 as compared to the prior year and (ii) general Flexi-Seal growth in countries around continental Europe and LAAP.

Infusion Devices/Industrial Sales net sales

Net sales in our Infusion Devices/Industrial Sales franchise for the nine months ended September 30, 2010 were \$155.1 million, an increase of \$13.2 million, or approximately 9.3%, from \$141.9 million for the nine months ended September 30, 2009. At a constant exchange rate, Infusion Devices/Industrial Sales net sales grew 9.9% due primarily to increased sales by our key customers of insulin infusion devices that contain our proprietary infusion sets.

Net sales by managed segment⁽¹⁾

The table below sets forth our net sales by managed segment for the nine months ended September 30, 2009 and 2010.

(in millions of \$)	Nine months ended September 30,		Percentage change	
	2009	2010	As reported	At constant exchange rate
Legacy ConvaTec:				
North America	299.5	307.6	2.7%	1.4%
EMEA	438.2	419.7	(4.2)%	(2.3)%
LAAP	102.0	110.1	7.9%	0.9%
Unomedical	268.1	278.5	3.9%	3.8%
Corporate and Other	1.0	1.0	—	—
Total	1,108.8	1,116.9	0.7%	0.5%

(1) We analyze our net sales by franchise as well as geographic segment, however our operations are managed at a geographic region level for the legacy ConvaTec business (North America, EMEA and LAAP) and for Unomedical as a whole. Management evaluates performance on this basis, including making resource allocation and investment decisions. Global support operations and corporate expenses are managed on a departmental basis.

North America

Net sales in North America for the nine months ended September 30, 2010 were \$307.6 million, an increase of \$8.1 million, or approximately 2.7%, from \$299.5 million for the nine months ended September 30, 2009. At a constant exchange rate, net sales in North America increased 1.4% due primarily to (i) increased sales of our Hydrofiber Technology products in the U.S., including the launch of our AQUACEL Ag SURGICAL product resulting from our marketing strategy of demonstrating the products' performance compared to products of our competitors, and (ii) increased sales in Canada primarily due to successful marketing strategies that secured several hospital purchasing contracts and thereby resulted in an incremental number of patients over and above previous demand in the geography.

The increase was partially offset by (i) a decline in sales of Ostomy Care products in the United States due to changes in inventory management practices by some of our larger U.S. customers whereby they carried lower inventory levels in 2010, (ii) a temporary backorder situation in one of our main ostomy production facilities, which negatively impacted U.S. sales and (iii) lower sales volume and pricing of our Flexi-Seal products due to competitive pricing conditions.

EMEA

Net sales in EMEA for the nine months ended September 30, 2010 were \$419.7 million, a decrease of \$18.5 million, or approximately 4.2%, from \$438.2 million for the nine months ended September 30, 2009. At a constant exchange rate, net sales in EMEA decreased 2.3% due primarily to (i) the impact of governmental cost containment/reimbursement measures in several countries around continental Europe, including Germany, which had the greatest negative impact of all European countries, (ii) decreased sales in the U.K. market associated with competitive pricing conditions and the natural attrition from mature brands within our Ostomy Care franchise, and (iii) decreased sales to one of our customers who filed for bankruptcy during 2010.

These decreases were partially offset by (i) increased sales performance in France of Hydrofiber Technology products within the Wound Therapeutics franchise, and (ii) increased sales of Wound Therapeutics products by our direct-to patient medical supply business that sells branded and non-branded products.

LAAP

Net sales in LAAP for the nine months ended September 30, 2010 were \$110.1 million, an increase of \$8.1 million, or approximately 7.9%, from \$102.0 million for the nine months ended September 30, 2009. At a constant exchange rate, net sales in LAAP increased 0.9% due primarily to increased sales to our Latin American distributor, primarily due to their inventory stocking needs in connection with their opening of a new warehouse, partially offset by decreased sales in Japan due to (i) a temporary backorder situation that occurred in one of our main ostomy production facilities during 2010, (ii) fewer product sales to the Japanese market in the first quarter of 2010 due to increased product orders and shipments during December of 2009 in advance of our planned implementation of a new SAP information technology system and (iii) a decline in regulated reimbursement rates on Wound Therapeutics products in Japan that became effective April 2010.

Unomedical

Net sales in Unomedical for the nine months ended September 30, 2010 were \$278.5 million, an increase of \$10.4 million, or approximately 3.9%, from \$268.1 million for the nine months ended September 30, 2009. At a constant exchange rate, net sales in Unomedical increased 3.8% due primarily to increased sales by our key customers of insulin infusion devices that contain our proprietary infusion sets. This increase was partially offset by lower sales due to the divestiture of the Unomedical custom procedure pack business in April 2010.

Corporate and other

Net sales in Corporate and Other represent technology-related royalties accrued to the Company. Sales in Corporate and Other remained consistent at \$1.0 million for the nine months ended September 30, 2010 and \$1.0 million for the nine months ended September 30, 2009.

Costs and expenses

The following is a summary of costs and expenses.

(in millions of \$)	Nine months ended September 30,			
	2009	2010	Percentage of net sales	
			2009	2010
Operating costs and expenses:				
Cost of goods sold.....	528.5	528.1	47.7%	47.3%
Marketing and selling.....	261.9	279.2	23.6%	25.0%
General and administrative.....	203.7	161.1	18.4%	14.4%
Selling, general and administrative.....	465.6	440.3	42.0%	39.4%
Research and development.....	44.4	37.9	4.0%	3.4%
Total operating costs and expenses.....	1,038.5	1,006.3	93.7%	90.1%
Other costs and net expenses:				
Interest expense, net.....	373.6	372.2	—	—
Foreign exchange (gain).....	(10.1)	(7.3)	—	—
Other (income) expense, net.....	(0.8)	0.4	—	—
(Benefit) provision for income taxes.....	(9.7)	52.7	—	—

Operating costs and expenses

Cost of goods sold

Cost of goods sold are primarily comprised of manufacturing and production costs, including raw materials, labor, overhead and processing costs and any freight costs borne by us in the transport of goods to us from suppliers. Cost of goods sold for the nine months ended September 30, 2010 was \$528.1 million, a decrease of \$0.4 million, or approximately 0.1%, from \$528.5 million for the nine months ended September 30, 2009. As a percentage of net sales, cost of goods sold decreased slightly from 47.7% for the nine months ended September 30, 2010 to 47.3% for the nine months ended September 30, 2009. The decrease was primarily due to savings initiatives and cost optimization efforts executed within our global manufacturing and supply chain operations. These initiatives included implementing lower cost labor alternatives for more labor intensive products, plant rationalization and Lean Sigma projects implemented across the organization, which resulted in cost efficiencies. Also contributing to a reduction in cost was the divestiture of the Unomedical custom procedure pack business in April 2010. This decrease was partially offset by higher costs primarily attributable to inflation effects, increased sales volumes and increased costs incurred within our Engenex negative pressure wound therapy operation, including incremental minimum royalty expenses.

Marketing and selling

Marketing and selling expenses consist of advertising, promotion, marketing, sales force, and distribution costs. Marketing and selling expenses for the nine months ended September 30, 2010 were \$279.2 million, an increase of \$17.3 million, or approximately 6.6%, from \$261.9 million for the nine months ended September 30, 2009. As a percentage of net sales, marketing and selling expenses were 25.0% for the nine months ended September 30, 2010, compared to 23.6% for the nine months ended September 30, 2009. The increase in marketing and selling expenses was primarily a result of (i) higher sales force costs related to growth initiatives in emerging markets, (ii) higher distribution/shipping costs primarily as a result of additional air freight and more frequent shipments related to back order recovery plans executed in 2010 and structural changes in our supply chain network, including the opening of new distribution centers, and (iii) increased advertising expenses in North America associated with sample costs of products launched during 2010, including AQUACEL Ag SURGICAL cover dressings and Flexi-Seal Signal FMS and the accelerated timing of certain marketing campaigns.

General and administrative expenses

General and administrative expenses consist of executive management, human resources, finance, information management, legal, facilities and other costs. General and administrative expenses for the nine months ended September 30, 2010 were \$161.1 million, a decrease of \$42.6 million, or approximately 20.9%, from \$203.7 million for the nine months ended September 30, 2009. As a percentage of net sales, general and administrative expenses were 14.4% for the nine months ended September 30, 2010, compared to 18.4% for the nine months ended September 30, 2009.

The decrease in general and administrative expenses in 2010 as compared to 2009 was primarily a result of incremental costs we incurred in 2009 related to non-recurring activities related to the separation of ConvaTec from BMS as well as integration efforts in connection with the Unomedical Acquisition. The expenditures incurred in 2009 included (i) costs to implement a new information technology platform and align other related initiatives, (ii) duplication of costs for certain functions, such as information technology, due to our establishment of such functions as a separate, independent company while simultaneously incurring related costs pursuant to our transition services agreement with BMS, (iii) professional fees, primarily to provide transaction-related services and new business model structuring, (iv) restructuring-related initiatives, including consolidation efforts and termination costs to reorganize our operations and support functions, (v) costs to comply with legal and regulatory requirements in statutory jurisdictions, (vi) costs to start up our stand-alone legal capitalization structure and (vii) other non-recurring expenses. We also incurred higher expenses in 2009 attributable to the duplication of costs for certain functions, such as information technology, due to our establishment of such functions as a separate, independent company while simultaneously incurring related costs pursuant to our transition services agreement with BMS. The decrease in general and administrative expenses was partially offset by a settlement executed in 2010 related to a product recall. See “Our business—Legal proceedings—Medtronic recall of certain Unomedical-produced infusion device sets” for more information about this product recall.

Research and development expenses

R&D expenses consist of product development and enhancement costs incurred within a centralized R&D function within supporting operations. Our R&D expenses for the nine months ended September 30, 2010 were \$37.9 million, a decrease of \$6.5 million, or approximately 14.6%, from \$44.4 million for the nine months ended September 30, 2009. As a percentage of net sales, research and development expenses were 3.4% for the nine months ended September 30, 2010, compared to 4.0% for the nine months ended September 30, 2009.

The reduction in R&D expenses was partly due to the consolidation and integration of Unomedical’s R&D function from Birkerød, Denmark into our existing Deeside, U.K. facility during 2010, which resulted in cost efficiencies. R&D spending in 2010 was more targeted on the life cycle management of our existing technologies and products to maximize the value of strategic brands such as the Hydrofiber platform, ConvaTec Moldable Technology and FlexiSeal FMS. Additionally, during 2010 we focused more on supplementing our internal development efforts with in-sourcing initiatives for innovative products in the relevant areas of our business, which resulted in reduced spending while offering a collaborative approach to enable accelerated opportunities for future growth.

Other costs and net expenses

Interest expense

Interest expense is primarily comprised of interest related to our Senior Facilities and the Mezzanine Facilities and the amortization of debt issuance costs related to these facilities. The interest on our Mezzanine Facilities includes a paid-in-kind margin of 5.00% per annum that accrues on a compounding basis but is not payable until maturity. Interest expense also includes dividends on the PECs, which have accrued on a compounded basis and are mandatorily redeemable in 2057 or

become payable upon liquidation of the Company. Certain terms of the PECs, including date of maturity, will be amended in connection with the Refinancing. See “Certain relationships and related party transactions—Mandatorily redeemable preferred equity certificates.” Our interest expense for the nine months ended September 30, 2010 was \$372.2 million, a decrease of \$1.4 million from \$373.6 million for the nine months ended September 30, 2009. The increase in interest expense resulting from compounded interest on the Mezzanine Facilities and the PECs was offset by reduced interest due to debt repayments and the impact of foreign exchange rates on our euro denominated debt.

Foreign exchange gain

Foreign exchange gain is comprised of net gains and/or losses resulting from the re-measurement or settlement of transactions that are denominated in a currency that is not the functional currency of a transacting company subsidiary. For the nine months ended September 30, 2010, the foreign exchange gain amounted to \$7.3 million compared to \$10.1 million for the nine months ended September 30, 2009.

Other expense (income), net

Other expense (income), net is primarily comprised of (gains)/losses on sales of businesses. Our other expense for the nine months ended September 30, 2010 was \$0.4 million, compared with other income of \$0.8 million for the nine months ended September 30, 2009.

Provision (benefit) for income taxes

Income taxes for the nine months ended September 30, 2010 were an expense of \$52.7 million, an increase of \$62.4 million from a tax benefit of \$9.7 million for the nine months ended September 30, 2009. Our effective tax rate for each of the nine months ended September 30, 2010 and 2009 was (20.7)% and 3.3%, respectively. The change in the effective tax rate for the nine months in 2010 as compared with the nine months in 2009 was primarily due to a non-cash charge of \$100.8 million during the nine months of 2010 to record a valuation allowance against certain deferred tax assets. In accordance with accounting guidance related to income taxes, we must periodically assess whether certain deferred tax assets are “more likely than not” to be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary differences become deductible. We consider projected future taxable income and tax planning strategies in making this assessment. At present, we do not have a sufficient history of income to conclude that the recognition threshold has been met and that we will be able to realize all of our tax benefits in the near future. Accordingly, we recorded a valuation allowance against deferred tax assets in Luxembourg and in the United States. The difference in the effective tax rates in 2010 and 2009 is also attributed to permanent adjustments including uncertain tax positions and differences in foreign income tax rates from U.S. rates.

Net loss

As a result of the above, net loss increased \$24.7 million from a net loss of \$282.7 million for the nine months ended September 30, 2009 to a net loss of \$307.4 million for the nine months ended September 30, 2010.

Comparison of net sales for the year ended December 31, 2009 and the combined year ended December 31, 2008

Net sales

The following tables set forth our historical net sales by franchise and by managed segment for the year ended December 31, 2009 and the combined year ended December 31, 2008. The combined information for 2008 was derived from the audited consolidated financial statements of the Predecessor for the seven months ended July 31, 2008 and the audited consolidated financial statements of the Successor for the five months ended December 31, 2008. Such information should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this Offering Memorandum.

The combined net sales for 2008 are being presented solely to assist with comparisons with 2009. The Predecessor financial statements were prepared on a “carve-out” basis, which include allocations from BMS, prior to the ConvaTec Acquisition. The Successor period financial statements include the effects of purchase accounting adjustments related to the ConvaTec Acquisition. Although the Predecessor’s consolidated financial statements and the Successor’s consolidated financial statements are not comparable, we believe that net sales would not be materially impacted by such differences in the basis of presentation and combining such amounts for comparative purposes is reasonable. The combined information is a non-GAAP

financial measure and is unaudited. Furthermore, the combined information should not be used in isolation or as substitution for the Predecessor or Successor results. Combined results of operations are being presented for informational purposes only and do not purport to represent or be indicative of the results that actually would have been obtained had the ConvaTec Acquisition occurred on January 1, 2008, or that may be obtained for any future period.

The tables also present the percentage change on a reported and constant exchange rate basis. Net sales on a constant exchange rate basis is a non-GAAP financial measure and should not be viewed as a replacement of GAAP results. Such measure is presented because we believe it enables us to focus on the actual performance-related changes in the results of operations from period to period without the effects of exchange rates.

Unlike net sales, cost of goods sold and other operating expenses were significantly impacted in the periods following the ConvaTec Acquisition and the Unomedical Acquisition due to the effects of purchase accounting and other non-recurring costs associated with our separation from BMS. Because of the differences in the basis of presentation of the financial statements between the Predecessor and Successor periods as well as purchase accounting adjustments and other non-recurring costs impacting the Successor financial statements for the five months ended December 31, 2008, we believe it would be inappropriate to discuss cost of goods sold and other operating expenses on a combined basis for 2008, as compared to 2009. Therefore, the discussion of our results of operations for the year ended December 31, 2009 as compared to the combined year ended December 31, 2008 is limited to net sales. See the footnotes to the tabular presentation above under “—Results of operations” for a more detailed description of the nature and amounts of items that impact comparability of our results of operations across the periods presented.

Net sales by franchise⁽¹⁾

The following table sets forth certain of our historical net sales for the combined year ended December 31, 2008 and the year ended December 31, 2009.

(in millions of \$)	Combined year ended December 31, 2008	Year ended December 31, 2009	Percentage change	
			As reported	At constant exchange rate
Net sales by franchise				
Ostomy Care	611.5	569.2	(6.9)%	(1.7)%
Wound Therapeutics	522.4	488.7	(6.5)%	(1.7)%
Continence & Critical Care.....	166.3	270.3	62.5%	83.4%
Infusion Devices/Industrial Sales	58.6	199.1	239.8%	207.0%
Total net sales	1,358.8	1,527.3	12.4%	17.7%

(1) On September 2, 2008 we completed the acquisition of Unomedical which generated net sales for Continence & Critical Care and Infusion Devices/Industrial Sales of \$70.1 million and \$58.6 million, respectively, during the period between the acquisition date and December 31, 2008 and \$174.5 million and \$199.2 million, respectively, during the year ended December 31, 2009.

Ostomy Care net sales

Net sales in our Ostomy Care franchise for the year ended December 31, 2009 were \$569.2 million, a decrease of \$42.3 million, or approximately 6.9%, from \$611.5 million for the combined year ended December 31, 2008. At a constant exchange rate, Ostomy Care net sales decreased 1.7% due primarily to (i) the impact of governmental cost containment/reimbursement measures in certain European countries, including Germany, which had the greatest negative impact of all European countries, (ii) changes in inventory management practices by some of our larger U.S. customers, in response to tighter credit conditions, whereby they carried lower inventory levels, (iii) a market shift from two-piece offerings to one-piece where there was increased competition and (iv) a decline in sales in Latin America due to a change to a distributor model to serve Latin American customers at the time of the ConvaTec Acquisition. In connection with the distributor model change, our products were sold to a sole distributor at discounted prices; however this allowed us to eliminate our internal sales and distribution infrastructure and related costs, thereby resulting in reduced sales with offsetting reductions in costs. Also in connection with the ConvaTec Acquisition and related business model change, we sold the net assets of the Latin American operations to a distributor in 2008, which included a bulk of inventory which was then used by the distributor to service the Latin American market through the first quarter of 2009, thereby resulting in reduced sales from us to the distributor during 2009.

The decrease in Ostomy Care net sales was partially offset by expansion in Russia and into other emerging markets within the Central and Eastern European region and an increase in sales in Japan in 2009. The increased sales in Japan were due to (i) overall price increases in Ostomy Care products, effective April 2009, and (ii) increased product orders and shipments during the third and fourth quarters of 2009, in advance of our planned implementation of a new SAP information technology system.

Wound Therapeutics net sales

Net sales in our Wound Therapeutics franchise for the year ended December 31, 2009 were \$488.7 million, a decrease of \$33.7 million, or approximately 6.5%, from \$522.4 million for the combined year ended December 31, 2008. At a constant exchange rate, Wound Therapeutics net sales decreased 1.7% due primarily to volume sales declines, particularly in legacy ConvaTec products within the U.S. market, caused by (i) changes in inventory management practices by some of our larger U.S. customers, in response to tighter credit conditions, whereby they carried lower inventory levels, (ii) the loss of a distribution agreement pursuant to a change of control provision that was exercised in connection with the ConvaTec Acquisition, and (iii) increased competition resulting from a market shift to the broader use of foam-based wound dressings. Net sales also decreased due to governmental/reimbursement cost containment measures in Germany. This decrease was partially offset by sales growth of our Hydrofiber Technology products in the EMEA region due to increased marketing efforts and effective campaigns, and increased sales due to the launch of our Engenex negative pressure wound therapy product in the United States during 2009.

Continence & Critical Care net sales

Net sales in our Continence & Critical Care franchise for the year ended December 31, 2009 were \$270.3 million, an increase of \$104.0 million from \$166.3 million for the combined year ended December 31, 2008. At a constant exchange rate, Continence & Critical Care net sales increased \$138.7 million due primarily to our acquisition of Unomedical in September 2008, which contributed \$137.4 million of incremental sales, substantially due to an additional eight months of sales in 2009. This increase is partially offset by lower sales volume and pricing of our Flexi-Seal products in the U.S. due to competitive pricing conditions in the AFI market.

Infusion Devices/Industrial Sales net sales

Net sales in our Infusion Devices/Industrial Sales franchise for the year ended December 31, 2009 were \$199.1 million, an increase of \$140.5 million from \$58.6 million for the combined year ended December 31, 2008. At a constant exchange rate, Infusion Devices/Industrial Sales net sales increased \$121.3 million due to our acquisition of Unomedical in September 2008, which contributed an incremental eight months of sales in 2009.

Net sales by managed segment⁽¹⁾

The table below sets forth our net sales by managed segment for the combined year ended December 31, 2008 and the year ended December 31, 2009.

(in millions of \$)	Combined year ended December 31, 2008	Year ended December 31, 2009	Percentage change	
			As reported	At constant exchange rate
Legacy ConvaTec				
North America	448.3	418.2	(6.7)%	(6.1)%
EMEA	637.1	589.2	(7.5)%	1.7%
LAAP	143.0	145.1	1.4%	(0.6)%
Unomedical	128.7	373.6	190.4%	201.1%
Corporate and Other	1.7	1.2	(28.0)%	(27.7)%
Total net sales	1,358.8	1,527.3	12.3%	17.7%

(1) We analyze our net sales by franchise as well as geographic segment, however our operations are managed at a geographic region level for the legacy ConvaTec business (North America, EMEA and LAAP) and for Unomedical as a whole. Management evaluates performance on this basis, including making resource allocation and investment decisions. Global support operations and corporate expenses are managed on a departmental basis.

North America

Net sales in North America for the year ended December 31, 2009 were \$418.2 million, a decrease of \$30.1 million, or approximately 6.7%, from \$448.3 million for the combined year ended December 31, 2008. At a constant exchange rate, net sales in North America decreased 6.1% due primarily to a decline in U.S. sales attributable to (i) changes in inventory management practices by some of our larger U.S. customers, in response to tighter credit conditions, whereby they carried lower inventory levels, (ii) the loss of a distribution agreement pursuant to a change of control provision that was exercised in connection with the ConvaTec Acquisition, and (iii) new competitor product launches in the Wound Therapeutics and CCC franchises, which temporarily affected sales from 2008 to 2009. The decrease was partially offset by higher sales due to the launch of our Engenex negative pressure wound therapy product in the United States during 2009.

EMEA

Net sales in EMEA for the year ended December 31, 2009 were \$589.2 million, a decrease of \$47.9 million, or approximately 7.5%, from \$637.1 million for the combined year ended December 31, 2008, due primarily to fluctuations in exchange rates, particularly the British pound sterling and the euro. At a constant exchange rate, net sales in EMEA increased 1.7% due primarily due to (i) expansion of Ostomy Care products in Russia and into other emerging markets within the Central and Eastern European regions, and (ii) improved sales of our Hydrofiber Technology products in the EMEA region due to increased marketing efforts and effective campaigns. The increase was partially offset by the impact of governmental cost containment/reimbursement measures in certain European countries, including Germany, which had the greatest negative impact of all European countries.

LAAP

Net sales in LAAP for the year ended December 31, 2009 were \$145.1 million, an increase of \$2.1 million, or approximately 1.4%, from \$143.0 million for the combined year ended December 31, 2008. At a constant exchange rate, net sales in LAAP decreased 0.6% due primarily to our implementation of a new distribution model in Latin America that was effectuated at the time of the ConvaTec Acquisition. Net sales were reduced due to the sale of our Ostomy Care products to our Latin American distributor at discounted rates as compared to direct sales to customers; however, this allowed us to eliminate our internal sales and distribution infrastructure and related costs, thereby resulting in reduced sales and offsetting reductions in costs. Also in connection with the ConvaTec Acquisition and related business model change, we sold the net assets of the Latin American operations to a distributor in 2008, which included a bulk of inventory which was then used by the distributor to service the Latin American market through the first quarter of 2009, thereby resulting in reduced sales from us to the distributor during 2009.

The decrease was partially offset by increased sales in Japan due to (i) overall price increases in Ostomy Care products, effective April 2009 and (ii) increased product orders and shipments to the Japanese market during the third and fourth quarters of 2009, in advance of our planned implementation of a new SAP information technology system.

Unomedical

Net sales in Unomedical for the year ended December 31, 2009 were \$373.6 million, an increase of \$244.9 million from \$128.7 million for the combined year ended December 31, 2008. At a constant exchange rate, net sales in Unomedical increased \$258.7 million due primarily to our acquisition of Unomedical in September 2008, which contributed \$235 million of incremental sales, substantially due to an additional eight months of sales in 2009.

Corporate and other

Net sales in Corporate and Other represent technology-related royalties accrued to the Company. Sales in Corporate and Other were \$1.2 million for the year ended December 31, 2009 as compared to \$1.7 million for the combined year ended December 31, 2008.

Liquidity and capital resources

The ConvaTec Acquisition and the Unomedical Acquisition were financed through a combination of equity and debt. The equity was provided by our Sponsors via a note payable convertible to common equity and PECs totaling €1,289.7 million (\$2,026.7 million). The debt financing was provided by a syndicate of lenders and consisted of senior secured debt as well as \$220.0 million and €448.2 million of subordinated mezzanine debt. The senior debt to finance the acquisitions consisted of

\$700 million and €758 million of funded term loans, a revolving credit facility (the “**Existing Revolving Credit Facility**”) as well as a capital expenditure facility (the “**Existing Capex Credit Facility**”). See “Description of certain financing arrangements” for further description of our existing debt facilities. See “Certain relationships and related party transactions—Mandatorily redeemable preferred equity certificates” for further information regarding the PECs.

Historically, the non-elective nature of our product offerings has resulted in significant recurring cash inflows for us. Since our separation from BMS, a principal use of our operating cash has been to make interest payments on our long term debt associated with the ConvaTec Acquisition and the Unomedical Acquisition. In addition, we have incurred significant non-recurring cash outflows relating to our separation from BMS, the integration of Unomedical and other restructuring initiatives undertaken to establish and align our stand-alone infrastructure. Such expenditures primarily consisted of (i) costs to implement a new information technology platform and align other IT-related initiatives, (ii) professional fees to provide transaction-related services and new business model structuring, (iii) costs to start up our stand-alone legal capitalization structure, (iv) costs to comply with legal and regulatory requirements in statutory jurisdictions, (v) restructuring-related initiatives, including consolidation efforts and termination costs to reorganize the Company’s operations and support functions and (vi) other non-recurring expenses. These initiatives have been substantially completed and we anticipate that a substantial portion of our cash will no longer be required to fund these separation and integration-related expenses.

For the nine months ended September 30, 2010, we generated \$39.7 million in net cash flows from operating activities. For the nine months ended September 30, 2009, we used \$2.4 million in net cash flows from operating activities. Total interest payments were \$133.3 million and \$123.6 million for the nine months ended September 30, 2010 and 2009, respectively. In addition, total costs relating to our separation from BMS and integration of Unomedical were \$44.7 million and \$94.4 million for the nine months ended September 30, 2010 and 2009, respectively.

Our cash balance as of September 30, 2010 was \$98.3 million. Additionally, we had \$48.1 million of availability under the Existing Revolving Credit Facility and \$14.1 million of availability under our Existing Capex Credit Facility, in each case as of September 30, 2010. We believe that our existing cash on hand, combined with our strong operating cash flow and available borrowings under our New Credit Facilities will provide sufficient liquidity to fund current obligations, working capital and capital expenditure requirements for a period that includes the next 12 months. We believe that our business has strong cash flow generation characteristics. Our strengths including our diverse product offering and geographic footprint, strong market share positions and leading brands, and the recurring, non-discretionary nature of our products. If existing cash and cash generated from operations and borrowings under the New Credit Facilities are insufficient to satisfy our liquidity requirements, we may seek to obtain additional debt or equity financing. See “Risk factors—Risks related to the Group’s financial profile—We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise.”

After the consummation of the Refinancing, we will continue to be highly leveraged. As of September 30, 2010, on a pro forma basis, after giving effect to the Refinancing, we would have had outstanding \$2,765.2 million in total financial debt (exclusive of PECs), with \$250 million of borrowing capacity available under the revolving portion of the New Credit Facilities (not giving effect to \$9.4 million of outstanding letters of credit, which reduces the amount available under our New Credit Facilities, and any funding used for foreign currency effects at closing). Our liquidity requirements will be significant, primarily due to debt service requirements in connection with the Refinancing. On a pro forma basis, after giving effect to the Refinancing, our cash interest expense for the twelve months ended September 30, 2010 would have been \$224.6 million.

Existing Credit Facilities

As previously mentioned, our debt facilities consist of both senior secured bank debt (the “**Senior Facilities**”) as well as subordinated debt (the “**Mezzanine Facilities**”) and together with the Senior Facilities, the “**Existing Credit Facilities**”). The Senior Facilities consist of (i) various tranches of term loans (the “**Existing Term Loan Facilities**”), (ii) the Existing Capex Credit Facility and (iii) the Existing Revolving Credit Facility. The Senior Facilities also allow for a lender to commit to future funding under an Acquisition Facility (the “**Acquisition Facility**”). There is currently no Acquisition Facility in place.

The Term Loan Facilities consist of Tranche A, B and C loans and are denominated in both U.S. dollars and euros. The Term Loan Facilities have an escalating amortisation with the Tranche A, B and C loans maturing in 2014, 2015 and 2016, respectively. The balance outstanding as of September 30, 2010 and December 31, 2009 was \$639.1 million and €728.4 million (\$993.0 million), and \$674.0 million and €744.1 million (\$1,071.5 million), respectively. The balance outstanding under the Existing Revolving Credit Facility was \$54.9 million and zero as of September 30, 2010 and December 31, 2009, respectively. The balance outstanding under the Existing Capex Credit Facility was €55.3 million (\$75.4 million) and €51.4 million (\$74.0 million) as of September 30, 2010 and December 31, 2009, respectively.

The balances outstanding under the Mezzanine Facilities including capitalized paid-in-kind accrued interest, denominated in U.S. dollars and euros were \$244.4 million and €500.1 million (\$681.9 million) as of September 30, 2010 and \$235.3 million and €481.6 million (\$693.4 million) as of December 31, 2009. The Mezzanine Facilities are payable in 2017. Amounts outstanding under the Mezzanine Facilities bear interest at either EURIBOR (for euro denominated Mezzanine Facilities) and LIBOR (for U.S. dollar denominated Mezzanine Facilities) plus an interest margin of 4.5%, is payable in cash. Additionally, the Mezzanine Facilities also include a 5.0% payment-in-kind (“PIK”) margin. PIK interest is calculated on a compounding basis and is payable upon maturity of the Mezzanine Facilities.

Both the Senior Facilities as well as the Mezzanine Facilities are subject to certain financial and non-financial covenants. The Company has always been in compliance with all of its covenant obligations since inception and up through its last reporting period of September 30, 2010. All of the Senior Facilities and the Mezzanine Facilities will be repaid with proceeds from this Refinancing.

Cash flow

As discussed under the caption “Presentation of financial and other information,” our historical financial statements are separated into Predecessor and Successor periods. The Predecessor financial statements were prepared on a “carve-out” basis, which include allocations from BMS, prior to the ConvaTec Acquisition. These allocations may not be reflective of the actual level of costs or debt which would have been incurred had the Predecessor operated as a separate entity apart from BMS. The Successor period financial statements include the effects of the ConvaTec Acquisition, effective August 1, 2008 and the Unomedical Acquisition, effective September 2, 2008, including cash flows related to our initial capitalization and purchase accounting adjustments. For the reasons just described, there is a lack of comparability of the Predecessor and Successor periods. As such, the discussion of our cash flows is primarily focused on the nine month period ended September 30, 2010 as compared to the nine month period ended September 30, 2009.

The following table sets forth consolidated cash flow data for the seven months ended July 31, 2008, the five months ended December 31, 2008, the year ended December 31, 2009 and the nine months ended September 30, 2009 and September 30, 2010.

	Predecessor	CHB			
	Seven months ended July 31, 2008	Five months ended December 31, 2008	Year ended December 31, 2009	For the nine months ended September 30, 2009 2010	
(in millions of \$)					
Net cash (used in) provided by operating activities.....	114.4	(32.2)	15.9	(2.4)	39.7
Net cash used in investing activities.....	(37.2)	(2,505.3)	(59.6)	(30.0)	(27.9)
Net cash provided by (used in) financing activities.....	(30.9)	2,697.0	(32.5)	(19.8)	(4.3)
Effect of exchange rate changes on cash and cash equivalents.....					
equivalents.....	(6.5)	(28.4)	7.8	11.3	(11.7)
Net change in cash and cash equivalents.....	39.8	131.1	(68.4)	(40.9)	(4.2)
Cash and cash equivalents at beginning of period.....	—	39.8	170.9	170.9	102.5
Cash and cash equivalents at end of period.....	39.8	170.9	102.5	130.0	98.3
Supplemental cash flow information					
Income taxes paid.....	70.4	19.5	49.8	39.5	(0.5)
Interest paid.....	15.0	86.3	172.9	123.6	133.3
Accrued capital expenditures included in accounts payable .	6.4	—	3.1	0.0	0.3
Conversion of note payable to Parent ⁽¹⁾	—	—	140.7	140.7	0.0
Non-cash debt borrowings in connection with ConvaTec and Unomedical acquisitions ⁽²⁾	—	2,211.8	—	—	—

(1) See Note 15 to the 2009 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

(2) See Note 3 to the 2009 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Cash flow from operating activities

Net cash provided by (used by) operating activities was \$39.7 million and \$(2.4) million for the nine months ended September 30, 2010 and 2009, respectively. In 2009, we incurred incremental cash outflows for outside services, professional and legal fees and other costs directly associated with the separation of ConvaTec from BMS and integration efforts in connection with the Unomedical Acquisition. In addition to the separation costs, we incurred duplicate costs for certain areas, such as information technology and administrative functions, while simultaneously paying the required fees pursuant to our transition services agreement with BMS. Such costs were necessary to establish and align our stand-alone infrastructure but have decreased over time and the separation and integration efforts are substantially completed. These increases in cash provided by operating activities coupled with less income taxes paid in 2010 due to the establishment of a Principal Company (as defined below) in Schaffhausen, Switzerland during the fourth quarter of 2009 contributed to the overall increase in cash provided by operating activities.

Cash used in investing activities

For the nine months ended September 30, 2010 and 2009, net cash used in investing activities was \$27.9 million and \$30.0 million, respectively.

Spending on property, plant and equipment for the nine months ended September 30, 2010 and September 30, 2009 was \$34.8 million and \$53.7 million, respectively. During the first nine months of 2009, certain planned infrastructure initiatives were undertaken, including investments for the implementation of our information technology platform, as necessitated by the separation from BMS and the integration of Unomedical. This use of cash was primarily offset by \$26.1 million of cash proceeds received in 2009 in connection with the sales of the Unomedical wound care and ophthalmic business and the ConvaTec Latin American operations.

Cash flow from financing activities

Net cash used in financing activities was \$4.3 million and \$19.8 million for the nine months ended September 30, 2010 and 2009, respectively. During the nine months ended September 30, 2010 we had incremental debt borrowings of \$56.6 million as compared with the nine months ended September 30, 2009, partially offset by higher repayments of \$31.3 million and an additional \$10.0 million payment associated with the Unomedical Acquisition. We borrowed \$75.4 million during the nine months ended September 30, 2010, which was comprised of \$70.2 million of borrowings on the Existing Revolving Credit Facility and \$5.2 million on the Existing Capex Credit Facility. Repayments made during the nine month period ended September 30, 2010 totaled \$69.7 million, which comprised of \$54.5 million of repayments to the Existing Term Loan Facilities and \$15.2 million of repayments to the Existing Revolving Credit Facility. Included within the \$54.4 million of repayments for the Existing Term Loan Facilities was an excess cash flow payment of \$25.4 million, which was made in accordance with the terms set forth in the agreement governing the Senior Facilities. We borrowed \$18.8 million during the nine months ended September 30, 2009 from the Existing Capex Credit Facility. Repayments made during the nine months ended September 30, 2009 totaled \$38.3 million, which resulted in \$21.9 million of repayments to the Existing Term Loan Facilities, \$16.2 million of repayments to the Existing Revolving Credit Facility, and \$0.2 million of repayments to the Existing Capex Credit Facility. During the nine months ended September 30, 2009, \$9.7 million of the total repayments were mandatory prepayments to our Senior Facilities, as a direct result of the cash received for the divestiture of the Unomedical wound care and ophthalmic business. The repayments were made in accordance with the terms set forth in the agreement governing the Senior Facilities.

Contingent liabilities

We have been involved in certain lawsuits, claims, proceedings and investigations that are currently pending or have been concluded in the last three years. In accordance with the accounting guidance related to contingencies, we record accruals for such contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. These matters involve intellectual property, commercial, or environmental, health and safety matters.

There can be no assurance that there will not be an increase in the scope of the pending matters or that any future lawsuits, claims, proceedings, or investigations will not be material. Management continues to believe that during the next few years, the aggregate impact, beyond current reserves, of these and other legal matters affecting us is not likely to be material to our results of operations and cash flows, or our financial condition and liquidity. See “Our business—Legal proceedings.”

We are also a party to proceedings and other matters under various national, state and local environmental laws, and from time to time we incur the costs of investigating and/or remediating contamination resulting from past industrial activity at current or former company sites, or at waste disposal or reprocessing facilities operated by third parties.

With respect to environmental matters for which we are responsible under various national, state and local laws, we typically estimate potential costs based on information obtained from the U.S. Environmental Protection Agency, or counterpart state agencies, other national environmental agencies and/or studies prepared by independent consultants, including total estimated costs for the site and the expected cost-sharing, if any, with other “potentially responsible parties,” and we accrue liabilities when they are probable and reasonably estimable. As of September 30, 2010, we do not expect to incur, and there have been no material costs for investigation and remediation for any sites for which we may be responsible, including liabilities under the U.S. Comprehensive Environmental Response, Compensation and Liability Act and for other remedial obligations. See “Our business—Environmental matters.”

New Credit Facilities

In connection with the Refinancing, we will enter into term loans under the New Credit Facilities. The New Credit Facilities provide for term borrowings of \$500.0 million, \$749.6 million euro equivalent borrowings (as of the Issue Date) and revolving borrowings of up to \$250.0 million (not giving effect to \$9.4 million of outstanding letters of credit, which reduces the amount available, and any funding used for foreign currency effects at closing). See “Description of certain financing arrangements—New Credit Facilities.”

Contractual obligations

The following unaudited table sets forth, as of December 31, 2009, our contractual obligations and commercial commitments, based upon the period in which payments are due. Note that the tabular presentation below does not include obligations related to the Series 1, 2 and 3 PECs we issued to our Sponsors in conjunction with the ConvaTec Acquisition and the Unomedical Acquisition and related transactions for an aggregate amount of €1,289.7 million (\$2,026.7 million). The PECs are mandatorily redeemable by us in 2057 or upon a liquidation event of the Company. The PECs are included within total liabilities within our audited consolidated financial statements included elsewhere in this Offering Memorandum. Certain terms of the PECs, including the maturity date, will be amended in connection with the Refinancing. See “Certain relationships and related party transactions—Mandatorily redeemable preferred equity certificates” for further discussion of the PECs.

(in millions of \$)	Total	Less than 1 year	1-3 years	3-5 years	Thereafter
Existing long-term debt (including current portion) ⁽¹⁾	2,748.8	87.2	256.8	425.2	1,979.6
Operating lease obligations.....	65.0	19.7	26.6	11.7	7.0
Purchase commitments ⁽²⁾	168.1	52.8	86.7	28.3	0.3
Total	2,982.1	159.7	370.2	465.3	1,986.9

(1) Represents principal payments of our long-term debt which is primarily comprised of amounts payable under the Senior Facilities and the Mezzanine Facilities. Borrowing under the Senior Facilities bear interest at either a euro (EURIBOR) or U.S. dollar (LIBOR) base rate, consistent with the denomination of the borrowings, plus an applicable margin ranging from 3.00% to 4.25%, subject to reductions upon achievement of a certain leverage ratio. Borrowings under the Mezzanine Facilities bear interest at either a euro (EURIBOR) or U.S. dollar (LIBOR) base rate, consistent with the denomination of the borrowings, plus 4.5%. Interest accrues on a compounding basis on borrowings equal to a paid-in-kind margin of 5.00% per annum, payable upon maturity. Consolidated interest expense associated with our outstanding debt obligations during the nine months ended September 30, 2010 and September 30, 2009, was \$372.2 million and \$373.6 million, respectively, of which \$235.1 million and \$218.1 million, respectively, was non-cash.

(2) Subsequent to December 31, 2009, we extended certain contractual arrangements with our suppliers for services for an additional commitment amount of \$30 million over the course of the next four years. Accordingly, such contractual amounts are not reflected in these purchase commitment amounts.

We will use the net proceeds from the Offering of the Notes, together with cash on hand and borrowings under the New Credit Facilities, to directly or indirectly through the use of intercompany loans or distributions (i) repay all amounts outstanding under the Senior Facilities, (ii) repay all amounts outstanding under the Mezzanine Facilities, including prepayment premium, (iii) pay amounts due as a result of early termination of certain of our existing hedging arrangements and (iv) pay related fees and expenses. The following sets forth our obligations under the New Credit Facilities and the Notes offered hereby, based upon the period in which payments are due.

The following is a summary of the long-term debt component of our contractual obligations and commitments (as of the Issue Date), after giving pro forma effect to the Refinancing.

(in millions of \$)	Total	Less than 1 year	1-3 years	3-5 years	Thereafter
New Credit Facilities ⁽¹⁾	1,249.6	8.5	17.0	17.0	1,207.1
Secured Notes offered hereby ⁽²⁾	398.2	—	—	—	398.2
Senior Notes offered hereby ⁽³⁾	1,076.8	—	—	—	1,076.8
Total ⁽⁴⁾	2,724.6	8.5	17.0	17.0	2,682.1

(1) Represents principal payments of the New Credit Facilities. See “Description of certain financing arrangements.”

(2) Represents principal payments of the Secured Notes. See “Description of the Secured Notes.”

(3) Represents principal payments of the Senior Notes. See “Description of the Senior Notes.”

(4) Does not include amounts related to our operating lease obligations and purchase commitments, presented in the tabular presentation above, which will remain in place following the Refinancing.

Establishment of principal company

In June 2009, we established a principal company (the “**Principal Company**”) in Schaffhausen, Switzerland, which commenced operations in the fourth quarter of 2009. The Principal Company’s purpose was to consolidate in Switzerland certain functions, including but not limited to, global supply chain, distribution and customer service, which was previously diversified in our operations and performed in many countries around the world. Accordingly, the Principal Company assumed certain operational risks including obsolescence, foreign exchange and accounts receivable collection previously borne at an individual market level. The Principal Company currently employs more than 70 people and is home to ConvaTec’s EMEA headquarters.

As a result of setting up the Principal Company in Schaffhausen, the Principal Company received a favorable tax ruling exempting certain income from taxation for a period of up to 10 years. The resulting tax benefit is expected to exceed \$10 million per annum.

Capital expenditures

Our capital expenditures, which include non-cash purchases of property, plant and equipment, were \$34.8 million for the nine months ended September 30, 2010. We estimate our capital expenditures for the fourth quarter of 2010 to be approximately \$12.0 million, primarily for enhancements to our existing manufacturing equipment and facilities.

For the twelve month period ended December 31, 2011, we estimate our capital expenditures to be approximately \$39.0 million, which primarily relate to capacity expansion for our new product lines, productivity enhancements and new in-house production of certain product components in order to increase cost savings and improve our product margins. The remaining expenditures will include routine plant and facility enhancements.

Critical accounting policies

Critical accounting policies are those that require application of management’s subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Please see Note 2, Accounting Policies, to our audited consolidated financial statements, included elsewhere in this Offering Memorandum, for the critical accounting policies that we believe requires subjective and/or complex judgments and that may have an impact on the financial statements, including the periods reported herein. Such critical accounting policies include revenue recognition, sales rebates, chargebacks and returns, inventory valuation, goodwill and other indefinite-lived intangible assets, impairment of long-lives assets, income taxes, financial instruments and loss contingencies. As of the date of this Offering Memorandum, there have been no significant changes to the accounting policies disclosed in the 2009 Audited Consolidated Financial Statements nor has there been any change to our assessment of which accounting policies would be considered critical accounting policies.

Quantitative and qualitative disclosure about market risk

We are, in the normal course of business, exposed to a variety of market risk, including foreign exchange rate risk and interest rate risk. Our risk management strategy aims to minimize the adverse effects of these risks on our financial performance. Accordingly, we use selected derivative financial instruments to hedge our financial risk exposure on interest rate fluctuations related to debt payments and we generally attempt to use natural hedges within our foreign currency activities to minimize foreign exchange risk. We have not entered into any transactions in derivative financial instruments for trading purposes.

Foreign currency risk

We manufacture and sell our products in various countries around the world. As a result of the global nature of our operations, we are exposed to market risk due to changes in currency exchange rates. Our primary net foreign currency translation exposures are the euro, Japanese yen, British pound sterling, Danish krone and Canadian dollar. We generally attempt to use “natural” hedges within our foreign currency activities, including the matching of revenues and costs and strategically denominating our debt in certain functional currencies in order to match with the projected functional currency exposures within our operations and thereby minimizing foreign currency risk. As a result, the impact of the fluctuations in the market values of assets and liabilities and the settlement of foreign currency transactions is reduced. Although we currently do not utilize foreign currency forward contracts to reduce our foreign currency risk where “natural” hedges are not in place, we continue to evaluate our foreign currency exposures in light of the current volatility in the foreign currency markets.

Interest rate risk

We currently use derivatives such as interest rate swaps hedges to mitigate the possible adverse effects of interest rate fluctuations on transactions. We are exposed to interest rate risk affecting cash flows, particularly on our debt carrying variable interest rates. As of September 30, 2010, all of our debt was floating rate debt, however, due to interest rate swaps, 68% of our debt had a fixed interest rate and the balance of 32% of our debt remained floating rate. Under the terms of the Existing Credit Facilities, we were required to hedge a minimum of 50% of our debt for a period of 3 years from the date of the ConvaTec Acquisition, to minimize our exposure to interest rate variability. We will not have any interest rate exposure due to rate changes on our Notes, as they will bear interest at a fixed rate. However, we will have cash flow exposure on our New Credit Facilities due to variations in the floating rate indices (LIBOR and EURIBOR).

As mentioned above, we hedged a portion of our interest exposure by entering into both U.S. dollar (the U.S. **Dollar Interest Rate Swap**) and euro (the **Euro Interest Rate Swap**) floating-to-fixed interest rate swap agreements with various bank counterparties.

In August 2008, we entered into the Euro Interest Rate Swap, whereby we pay our counterparties fixed interest at a weighted average interest rate of 5.10% on a notional amount of €800.0 million through 2011. In exchange, we receive a floating interest rate of 3-month EURIBOR on an equivalent notional amount. Additionally, in September 2008, we entered into the U.S. Dollar Interest Rate Swap, with various bank counterparties whereby we pay our counterparties a weighted average fixed interest rate of 3.31% on a notional amount of \$400.0 million through 2011. In exchange, we receive a floating interest rate of 3-month U.S. dollar LIBOR on an equivalent notional amount.

The Euro Interest Rate Swap contains an option to extend the termination date (the **Euro Swaption**) whereby we would pay our counterparties at a weighted average fixed interest rate of 5.10% on an aggregate notional amount of €600.0 million from 2011 through 2012. In exchange we would receive a floating interest rate of 3-month EURIBOR on an equivalent notional amount. In February 2009, we amended the Euro Interest Rate Swap and the U.S. Dollar Interest Rate Swap to include one-month intervals on the interest reset dates. Based on the amended terms, we pay our counterparties a weighted average fixed interest rate of 4.95% on the Euro Interest Rate Swap and a weighted average interest rate of 3.21% on the U.S. Dollar Interest Rate Swap. The Euro Interest Rate Swaption rates were amended in conjunction with the Euro Interest Rate Swap. All other terms remained unchanged.

In September 2009, we entered into additional interest rate swaps to hedge an incremental amount of both our U.S. dollar and euro denominated debt (the **Incremental Interest Rate Swaps**). On the incremental U.S. dollar swap we pay our counterparties a fixed interest rate of 1.34% on a notional amount of \$225.0 million through January 1, 2012. On the incremental euro swap we pay our counterparties a fixed interest rate of 1.39% on a notional amount of €150.0 million through January 1, 2012. In exchange, we receive a floating interest rate of 1-month LIBOR and EURIBOR on an equivalent notional amount of the U.S. dollar and euro swaps, respectively.

If the overall fair value of the financial instruments were determined to be in an asset position, we would be exposed to credit-related losses in the event of nonperformance by the counterparties that issued the Euro Interest Rate Swap, the U.S. Dollar Interest Rate Swap, and the Euro Swaption. We do not expect that these counterparties will fail to meet their obligations, given their high credit ratings. We generally do not require collateral on derivative instruments due to the credit rating of our counterparties.

In connection with the Refinancing, we expect to terminate and settle all existing hedging arrangements. Due to current interest rate levels being below the fixed rate on the interest rate swaps, our hedges were in a liability position of \$70.2 million as of September 30, 2010. The amount of this liability position at the time of the Refinancing will depend on a number of factors including interest rates and time to maturity.

The following table provides the fair value and balance sheet location of the Company's derivative instruments as of September 30, 2010 and December 31, 2009:

Derivatives designated as hedging instruments:	Balance sheet location	Asset derivatives		Liability derivatives	
		Fair value as of:		Fair value as of:	
		September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
Interest Rate Swaps.....	Other assets and other liabilities	\$—	\$0.7	\$70.2	\$92.7

The following table provides the gains and losses reported in AOCI within Equity for the nine months ended September 30, 2010 and 2009:

Derivatives in cash flow hedging relationships:	Amount of gain or (loss) recognized in aoci on derivatives and other financial instruments (Effective portion)	
	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Interest Rate Swaps.....	\$7.6	\$(6.8)

In the nine months ended September 30, 2010 and 2009, no gains or losses were reclassified from AOCI into income.

The following table provides the gains and losses reported in the Condensed Consolidated Statements of Earnings for the nine months ended September 30, 2010 and 2009:

Derivatives not designated as hedging instruments:	Amount of gain or (loss) recognized in income on derivatives		Location of gain or (loss) recognized in income on derivatives
	Nine months ended September 30, 2010	Nine months ended September 30, 2009	
Interest Rate Swaps.....	\$8.6	\$(7.6)	Interest Expense

Industry and market data

Certain information set forth in this section have been derived from external sources including GHX Market Intelligence and iDATA, among others. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that these industry publications, surveys and forecasts are reliable, we have not independently verified them and cannot guarantee their accuracy or completeness. Certain information in this section has also been based on internal management analysis, in some cases combined with the aforementioned external sources. See "Presentation of industry and market data."

The market projections and other forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See “Risk factors” and “Forward-looking statements.”

Ostomy Care market

Overview

The global ostomy market is estimated to be \$2 billion with an expected growth rate of 2-3% over the next 5 years, driven by an increase in patient volumes, a favorable shift in product mix and a slight decrease in prices. The volume growth is underpinned by an aging population with longer life expectancies and the increased availability of ostomy procedures around the world, counteracted somewhat by factors such as pricing pressures, improved diagnoses and less invasive therapies. As of December 31, 2009, there were approximately 1.8 million ostomy patients in developed markets globally. Ostomates tend to be loyal customers in that they do not often switch between products and they use ostomy products over extended periods, providing a predictable source of revenue for manufacturers.

An ostomy procedure is the creation of a surgical opening through the abdominal wall in patients with dysfunction in the colon or bladder. Patients with an underlying cancer (e.g., colorectal/bladder cancer) or inflammatory bowel disease (including ulcerative colitis and Crohn’s Disease) comprise the vast majority of patients undergoing an ostomy procedure. The ostomate population typically skews toward patients over 65 years of age. Average life expectancy for an ostomate varies by underlying condition and type of ostomy procedure, averaging 16 years for colostomates, 30 years for ileostomates and eight years for urostomates.

The ostomy procedure entails a bypass of damaged/non-functional intestinal tissue by raising a shortened intestine to the abdominal surface where the stoma will be created. The stoma protrudes slightly from the abdomen (a “**stoma**”) and lacks both sensation and sphincter control, hence preventing the patient from controlling the intestinal effluent. Ostomy pouches or bags are then used to collect the passing feces or urine.

Ostomies may either be temporary or permanent depending on the health of the intestinal region. Some temporary ostomy procedures may last weeks, months or years until the subsequent intestinal region has healed, at which time a restorative procedure may reverse the surgical process. Permanent ostomy procedures are typically performed when the intestinal region has become diseased or another underlying condition has permanently impacted its function. Various forms of ostomy procedures are dependent on the region of the intestine selected for the creation of the stoma. Due to the emergence of new technologies that facilitate greater intestinal health and recovery times, the incidence of permanent ostomy procedures is on the decline in the United States and EMEA, however life expectancy is increasing and an increasing number of ostomy procedures are being performed in emerging markets. Whereas the mix of procedures prior to 2003 was nearly evenly split between permanent and temporary ostomies, such mix has since shifted in favor of temporary ostomies. Overall, permanent patients represent a significant majority of the total number of ostomy pouch users as of October 2010.

Products

Ostomy pouching systems are available in one or two-piece systems. Both varieties include a skin barrier (also called a wafer or flange) and a collection pouch. The pouch is used to collect the diverted output, and is attachable to the abdomen via the skin barrier, which is fitted over and around the stoma. The barrier is designed to protect the skin from the toxic effluent and is optimized to be as neutral to the skin as possible. A skin-friendly adhesive which maintains a proper seal and prevents skin irritation is a key determinant of successful system function and may dictate brand loyalty of the patient and caregiver.

One-piece systems consist of an integrated skin barrier and pouch, while two-piece systems consist of separate units. Closed or drainable systems are available depending on the nature of the feces and ostomy procedure. Pouching systems come in a variety of styles including flat or convex and rigid or flexible barriers that are available with or without adhesive backing.

Key purchasing criteria

Ostomy care products are administered in hospitals in the acute setting, but after the patient is discharged the patient purchases the products directly from retailers or distributors. The key purchasing criteria for ostomy patients are convenience and reliability, including pouch security (protection against leaks), frequency of skin irritation, wear time of pouch, comfort and reimbursement considerations. Reimbursement varies globally in terms of allowed products, number of pouches that can be used per month, and pricing per unit. For the payors, price is a key purchasing criteria and is driven by the local

reimbursement profile. For example, the private healthcare system in the United States has driven patients to use reusable (drainable) pouches, since insured patients generally have a co-payment, which makes using closed pouches more expensive. Nurses are a key link in influencing patient product choice and usually are responsible for setting up contracts between patients as well as retailers and distributors. Nurses' product choices are, in turn, heavily influenced by sponsorship arrangements in certain geographic markets and by channel and/or business models in other markets. For example, in the United Kingdom, ostomy pouch providers sponsor approximately 70% of nurses (pay for their salary and training) as of December 31, 2009. In Spain, ostomy pouch providers sponsor not-for-profit organizations who, in turn, employ nurses.

Market trends

As many ostomy pouch systems are similar in design, sales and marketing has remained a critical driver of revenue growth. In certain markets, ostomy players have largely focused on Wound, Ostomy, Continence (“**WOC**”) nurses to drive new patient capture in the acute setting in order to maximize sales in the post-acute setting. Sales are also impacted by a variety of additional factors that both accentuate and limit overall growth. Key drivers of patient volume are the increasing incidence of underlying diseases due to an aging population and lifestyle and growth of emerging economies leading to a greater number of patients with access to ostomy procedures and longer life expectancies. This increase is partly offset by a decline in the frequency of radical procedures in mature markets due to earlier detection of cancers, improved medication, and a gradual shift away from permanent ostomies to temporary ostomies. Key factors affecting ostomy product usage and product mix are increased pouch and accessory use per patient and patient upgrades in the type and value of pouches used. Negative price pressures are driven by reimbursement reforms, competition and increased use of group buying and tender bid processes.

The majority of ostomy surgeries performed historically have resulted in permanent ostomies. This has resulted in the formation of an installed base of ostomy patients (approximately 1.8 million as of December 31, 2009) for whom ostomy pouches are non-discretionary purchases. Patients tend to be somewhat loyal to their first brand of pouches, and the 30% of the patients that do switch product or brand do so during the first six months. A total market growth of 2-3% annually driven by a 2% annual growth rate in ostomy patients is expected primarily due to an increase in the incidence of cancers, which was slightly offset by both a slight decline in the frequency of operations due to earlier detection of cancer and improved medication. It is also anticipated that 1-2% market growth will occur as a result of a favorable product mix shift driven by a slight upgrade of pouches to more expensive products, which was partially offset by a downward pricing pressure of 1%.

Wound Therapeutics market

Overview

As of June 30, 2010, the global advanced wound therapeutics market (as we define it, to consist of moist wound healing and negative pressure wound therapy) was a \$3.7 billion industry with an expected compound annual growth rate of approximately 4% per year for the next five years.

Wound care products are used to treat a variety of different medical conditions that can be grouped into two types: chronic wounds (such as diabetic and venous ulcers) and acute wounds (such as trauma, surgical and burns). The chronic wounds category, including wounds such as diabetic and venous leg ulcers, provides an important contribution to overall industry growth due to an increase in both the number of wounds and the value per wound managed (the “value of the wound”). The value of the wound for chronic wounds tends to be higher than for most acute wounds due to their duration and complexity. Though the acute wounds category is large, the majority of such wounds are simple traumas to the skin that do not require advanced treatments. However, certain types of acute wounds, such as incisions after orthopedic and cardiothoracic surgery as well as partial thickness burns (superficial second degree burns) have increasingly required the use of advanced product offerings and provide an opportunity for market expansion.

The wound care market is highly fragmented, featuring a wide variety of product types and the participation of multiple manufacturers. Distribution depends, in part, on conditions and factors in specific geographic markets, though products are predominantly sold to specialized distributors or hospitals, with the retail channel representing a small proportion of industry sales. Demand for specific products is typically influenced by the preferences of healthcare providers as well as by changes in the protocols and standards of care in individual settings and countries. Further, the use of different types of products depends in part on the specific nature of the wound and its progression as well as other market factors.

Products

There is a wide range of products and solutions available for managing and treating acute and chronic wounds. Generally, the products can be divided into the following broad categories:

- **Traditional wound care:** Traditional wound care generally involves products that provide “dry” healing or are supplementary to a primary moist wound healing product. Examples include dry dressings, such as gauze.
- **Advanced wound care:** As we define this category, advanced wound care includes moist wound healing, which is comprised of advanced dressings that keep the wound moist while allowing it to breathe and other non-dressing segments such as negative pressure wound therapy.

A more detailed description of the various advanced wound care product segments and estimated global segment sales is provided below:

Advanced wound care products

Segment	Market size as of June 30, 2010 (in billions of \$)
Moist wound healing	2.2
Dressings that provide a moist environment to promote healing. This segment includes the following categories: foams, films, hydrocolloids and alginates/Hydrofiber Technology, antimicrobial dressings and skin care.	
Negative pressure wound therapy	1.5
The controlled application of negative pressure (i.e., suction) to a wound, using a therapy unit to intermittently or continuously convey negative pressure to a specialized wound dressing to help promote wound healing.	

Growth in the moist wound care market is fueled by growth in the number of addressable chronic wounds of approximately 4-5% annually. An increase in the use of advanced wound dressings versus the traditional wound care products will drive 1% growth; and advantageous product mix change with the use of the more complex advanced products (which have a correspondingly higher unit cost) is forecasted to increase the value of the wound by approximately 1% per year, net of estimated price declines of 2-3%. In addition, substitution by negative pressure wound therapy is also expected to affect the moist wound dressings segment.

The \$2.2 billion moist wound healing segment (which includes the antimicrobial category) consists of the following primary sub-categories with the following estimated market sizes:

- **Hydrocolloids** (\$300 million as of June 30, 2010, estimated to be declining 5% annually): Dressings containing a polymeric material, derived from a natural source, which dissolves, gels or swells (or exhibits some combination of these actions) upon its interaction with water. The dressing forms a gel while absorbing exudate to support healing in a moist environment. These occlusive dressings are intended for wounds with light to moderate exudate, and the gelling action allows for easy removal.
- **Silver Antimicrobials** (\$550 million as of June 30, 2010, estimated to be increasing 8% annually): Advanced wound dressings that incorporate silver for the treatment and prevention of infection and to promote healing.
- **Alginates/Hydrofiber Technology** (\$200 million as of June 30, 2010, estimated to be increasing 5% annually): Dressings made of non-woven fibers, which are derived from algae (in the case of alginates). The alginate/Hydrofiber Technology dressing absorbs exudate and creates a moist environment to support wound healing. These dressings are intended for wounds with moderate to heavy exudates.
- **Foams** (\$760 million as of June 30, 2010, estimated to be increasing 9% annually): Dressings with foam-like feel, typically based on polyurethane. Products come in a variety of thickness levels, with different absorption rates. Foam dressings are used for wounds with moderate to heavy exudate.

- **Skin care** (\$385 million as of March 31, 2009, estimated to be increasing 3% annually in U.S. market): The use of topical treatments on the skin surface (e.g., ointments and medicated lotions) to protect and to help minimize skin breakdown that can lead to wounds. These products are often complementary to advanced wound management products.

Key purchasing criteria

The key purchasing criteria for wound care products are driven by wound type, health care professional recommendations and the reimbursement environment. Accordingly, sales and marketing tends to be highly customized to both the place of treatment and the geographic market. Dressings are chosen depending on type of wound (including level of exudate, size and depth), as well as the origin of the wound. Other decision factors include minimizing pain and avoiding damage to granulating wound tissue during dressing changes.

In the United States, in hospitals, out-patient clinics and physician offices, dressings are not separately reimbursed. Reimbursement to the provider is assumed to be included in the lump sum payment for the procedure. However, when wound dressings are provided directly to a patient, they are typically supplied through medical retail suppliers and reimbursed on a fee schedule basis, typically with a co-payment by the patient. In Europe, out-patient care is highly fragmented. In some regions, the choice of product is decided by each practitioner, while in other regions, general purchasing programs are in place. Lastly, quality-based reimbursement is becoming more common; therefore, demonstrating superior clinical value and cost-effectiveness has become an increasingly important factor for the market.

Market trends

One of the most significant trends in treatment of chronic wounds has been the shift from using traditional wound care products to advanced wound care offerings, in their many forms. This shift has been driven by the increased awareness and acceptance of the benefits of moist wound healing (compared to traditional wet-to-dry/gauze protocols of care). These benefits include enhanced patient quality of life and overall cost effectiveness when considering the full range of direct and indirect costs associated with wound healing. As healthcare providers and policy makers have become more familiar with, and aware of, the relative benefits of advanced wound therapies, protocols of care have evolved in their favor.

Total sales of advanced wound care products are expected to increase approximately 4% per year over the next five years. In general, growth is being driven by an increase in the number of wounds treated, as the elderly represent a larger share of the global population, and an increase in the value of the wound. The value of the wound is rising due in part to the shift toward advanced wound care products (which have higher unit costs) to treat and manage wounds, in both acute and chronic circumstances, at the expense of traditional products. This shift helps to explain why traditional care segments, such as gauze, are not expected to grow, while most advanced care segments, led by silver antimicrobial products and foam, are forecasted to demonstrate meaningful growth.

Key drivers of the growth in the number of addressable chronic and acute wounds are the following:

- an aging population with increased number of years with chronic diseases;
- increased incidence of diabetes; and
- an increase in surgical procedures where infection is potentially devastating, such as orthopedic arthroplasty and cardiothoracic surgery.

Key drivers in the shift from traditional products to advanced therapies are the following:

- the scarcity of qualified healthcare personnel, which increases the need for solutions with faster healing times and low staff intervention requirements;
- heightened vigilance in combating preventable infections;
- technological advances; and
- improved education and training on wound treatment or the relative merits of advanced wound care.

While the above factors are expected to contribute to market growth for the advanced wound care market, pricing has come under pressure from new trends in reimbursement and increased competition. Reimbursement trends reflect a continued focus on the part of payors and policy makers to contain healthcare costs. Competitive pressures reflect the proliferation of new products and technologies as well as the relative commoditization of certain product segments. The scrutiny on costs impacts reimbursement of specific technologies as well as the ease with which they can be brought to market and commercialized. To the extent a manufacturer can demonstrate a product's clinical and/or economic effectiveness, it can benefit from this trend.

Continence & Critical Care market

Acute Fecal Incontinence

Overview

The global AFI market is estimated to be \$120 million for 2010. We believe that the market will increase 5% over the next five years. Acute Fecal Incontinence is a serious healthcare problem for patients in the critical care setting. AFI is most prevalent in intensive care units ("ICUs"), burn units, hospices and long-term care facilities, with approximately 10-25% of patients in the ICU suitable for FMS.

The nursing staff is at the forefront of patient care and handles AFI issues on a daily basis. Management of AFI puts a significant burden on nurses, requiring a substantial amount of their time on any given day. Cleaning a patient requires the involvement of two to three nurses and typically takes up to 20 minutes per incontinence episode. Complications quickly occur when AFI is not adequately managed, including skin breakdown and spread of infections such as *clostridium difficile*. Risk of serious complications, high prevalence and a high burden on caregivers make AFI a serious medical and economic issue.

Products / Key purchasing criteria

The Flexi-Seal FMS brand is primarily targeted to the hospital critical care segment, including other specialty wards (e.g., burns units, liver transplant and haematology/oncology). In the United States, customers have a higher awareness of the challenges associated with fecal incontinence and the "modern" solutions available. In Europe, there is less awareness about the problem and its associated risks. However, a strong initiative, the FIRST project, is currently being implemented to help raise awareness and thereby enable expansion into European hospitals.

Traditional methods of handling AFI include bed pads, diapers, fecal pouches or rectal tubes/catheters. Innovative bowel management systems have attributes that make them preferable to traditional methods of handling AFI. The key advantages are as follows:

- **Minimized skin breakdown and infection risk.** Immunocompromised patients have extremely fragile skin which can easily break down once it comes into contact with fecal matter and lead to significant complications including pressure ulcers and infections. These complications have significant cost implications as they prolong the hospital stay and increase the risk of hospital re-admission. Furthermore, infections can be easily spread to other patients and even healthcare professionals.
- **Ease of use.** Easy-to-use systems are convenient for patients and reduce demand on nursing time compared to the traditional AFI management methods (e.g., diapers, pads, and rectal bags).
- **Less intrusive components.** Less intrusive soft catheter compared to traditional rectal tubes (catheters that are often constructed of hard components and have the potential to cause rectal mucosa damage if not used properly).
- **Cost-effectiveness.** Reduced nurse time, minimized skin breakdown, lower infection risk and avoidance of a longer hospital stay combine to make innovative systems more cost-effective.

Market trends

We estimate that for 2010, the United States will make up more than half the total potential market due to a larger number of ICU beds and more extensive use of antibiotics, which increases the risk of AFI. The global fecal incontinence market has grown to an estimated \$120 million in 2010 since its inception in 2004, and it is forecasted that this growth will continue at a compound annual growth rate of approximately 5%. Growth in the AFI market is primarily driven by the need for more

innovative bowel management systems. This need, in turn, arises from the large burden placed on ICU nurses to manage AFI, the severity of complications including skin breakdown and spread of infections when AFI is mismanaged, and the relatively low-technology nature of traditional products as compared to innovative bowel management systems. As market penetration continues, the resulting reduced costs, decreased nurse time and reduced costs per patient is anticipated to drive further market growth. In addition, there is potential for the market to expand to include broader hospital uses beyond the ICU as well as hospice and elderly care facilities.

Hospital Care

Overview

The total hospital care market, which is comprised of the urological drainage, ICU/anesthesia, OR and electrodes segments has an estimated total market of \$2.5 billion for 2010.

Products

The hospital care market includes a broad range of products across four sectors in the hospital supply market: urology, ICU, OR and electrodes. The table below summarizes the products and lists the key products for each sector.

Segment	Urological	Intensive care units (ICU)/anesthesia	Operating room (OR)	Electrodes
Products	Contingence care and urology monitoring equipment, including: <ul style="list-style-type: none"> • Catheters • Urine meters • Urine bags 	Airway management and oxygen/aerosol therapy products, including: <ul style="list-style-type: none"> • Open suction • Tracheostomy tubes • Endotracheal tubes • Nebulizers 	Disposable medical devices for use in surgery, including: <ul style="list-style-type: none"> • Intra & postoperative • Wound drainage • Gastroenterology • Securement devices 	Electrodes used in anesthesia, ICU and CCU as well as in NICU/PICU, including: <ul style="list-style-type: none"> • ECG monitoring • Diagnostic ECG • Electro-surgery
Key customers	<ul style="list-style-type: none"> • Device manufacturers • Hospitals • Home healthcare 	<ul style="list-style-type: none"> • Hospitals 	<ul style="list-style-type: none"> • Hospitals 	<ul style="list-style-type: none"> • Hospitals

Hospital supply products are seen as volume products, where the products must meet set quality standards and requirements (e.g., to avoid infections) and are subject to continuous and extensive use. Manufacturers therefore distinguish themselves from the competition through their reliability and track record as a general supplier. Given that frequent use and the speed of consumption place a strong importance on reliability, stock availability has heightened importance.

Key purchasing criteria

Most products within the hospital supplies market are not perceived to offer unique features; rather, customers' habits are based more on supplier habits and familiarity with the products. Customers focus on the quality and reliability of the products, especially given the need for sterilization to avoid infection and a supplier's ability to deliver in quantity and on time. The choice of product is a joint decision between caregivers and procurement. The purchasers have overall responsibility for supplier specifications and purchasing criteria, including price targets, and award frame agreements or tenders. Care staff members communicate their preferences for product purchases and are involved in product evaluation. However, purchasers tend to avoid conflict with staff preferences in order to avoid subsequent problems with compliance, giving greater importance to the perception care staff have of the reliability of a manufacturer in terms of both product and supply and the ability of products to help prevent infection in the hospital environment. Direct relationship with hospitals and strength of sales force are therefore important to manufacturers.

Key decision makers in hospitals for OR products are mainly (head) nurses in the operating room and the surgery ward, anesthesiologists, and intensivists for airway management. Important decision makers for electrodes are throughout the hospital, but mainly in the ICU and/or cardiology areas. More than two-thirds of the market potential for urological drainage products is in the home healthcare market where products are reimbursed. Decision makers are specialty urology/contingence nurses in hospital and community. Urine meters, suction and oxygen products are within the domain of ICU nurses, who are the main decision makers.

Market trends

The markets for hospital care products are expected to increase at a compound annual growth rate of approximately 6% over the next five years.

Urological drainage. The urology segment of the market is estimated to be more than \$1.8 billion for 2010, having a historic compound annual growth rate of approximately 7%. A key component of the urology market is the intermittent self-catheterization catheters (“ISC”) market. Industry experts believe that the ISC market will experience growth in the next few years, primarily driven by the home healthcare segment, which is estimated to be a significant portion of market value for 2010. The United States ISC market is also expected to experience substantial growth due to a new rule enabling single-use reimbursement of ISCs, which is expected to drive significant growth in the next three to five years. Urology market growth will also be supported by an increase in general care consumption, an increase of non-invasive surgical methods and the growth of home healthcare.

ICU/Anesthesia. The ICU/Anesthesia segment is estimated to be approximately \$600 million globally for 2010 with an expected compound annual growth rate of approximately 2-3% over the next five years, driven by increased general care consumption, changes in treatment regimes (i.e., new devices) and an aging population.

OR. The OR segment of the market is estimated to be approximately \$800 million globally for 2010 with an expected compound annual growth rate of approximately 2-3% over the next five years, driven by growth in the securement devices segment, increased general care consumption and an aging population.

Electrodes. The electrodes segment of the market is estimated to be approximately \$350 million globally for 2010 with an expected compound annual growth rate of approximately 1-2% over the next five years, mainly driven by cardiology ECG diagnostic and resting electrodes targeting an aging population.

Infusion devices market

Overview

The global market for insulin pumps is estimated to be approximately \$1.7 billion for 2010 and is expected to continue increasing at approximately 8-10% per year until 2015. We estimate that there are 3.8 million type 1 diabetes patients in the United States and Europe, and an additional approximately 10 million type 1 diabetes patients in the rest of the world.

Type 1 diabetes patients, who are usually diagnosed during childhood or adolescence, lack insulin production capability and are therefore sensitive to external insulin. They are the primary target for insulin pumps as they are insulin dependent to control their blood glucose levels. Type 2 diabetes, by contrast, is most often associated with an unhealthy diet, lack of exercise and old age. These patients are usually insulin resistant and represent a growing target group for insulin pumps in the case of severe patients for whom diet and other lifestyle changes have not been effective.

Insulin pumps are sold to an installed base of approximately 660,000 type 1 diabetes patients to whom such devices represent regular and non-elective purchases. Approximately two-thirds of these pump users are located in the United States. End-users of insulin infusion devices tend to be loyal, with most of patients planning to stay on pump therapy, according to our key insulin pump manufacturer customers.

Products

Insulin pump products are classified in three main categories, as described in the chart below.

Insulin pump product overview

	Description
1. Insulin pump & infusion set	<p>Insulin pump connected to infusion set to deliver insulin to patient</p> <ul style="list-style-type: none">• Insulin pump<ul style="list-style-type: none">• Computer controlled external device containing insulin• Installed base with 3-4 year durability• Infusion set<ul style="list-style-type: none">• Disposable part, connected via tubing to pump, injected into patient's body• Infusion sets are replaced every 1-3 days• Most common pump type at present
2. Patch pump	<p>Patch pumps are user friendly</p> <ul style="list-style-type: none">• Disposable pump is attached to patient's skin and is replaced daily• Offers greater flexibility (e.g., infusion set with less tubing and is waterproof)• Limited availability at present
3. Closed-loop system	<p>Closed-loop systems provide automatic, real time control of blood glucose levels</p> <ul style="list-style-type: none">• Pump and sensor connected, insulin delivery based on feedback of blood glucose levels (similar to an artificial pancreas)• Closed-loop systems are currently in development and represent a significant enhancement to current marketed systems

Insulin pumps are recognized as an established technology for treatment of many type 1 and certain type 2 patients and compete against alternative treatments, such as insulin syringes and insulin pens. The prevalence of pumps is increasing as they offer a more flexible solution and a more regulated control of insulin levels for diabetes patients.

Key purchasing criteria

We sell infusion sets to OEMs, which in turn distributes to end-users. Key purchasing criteria for our customers include:

- consistently high-quality products;
- strong project management and relationship capabilities; and
- product innovation.

Market trends

The prevalence of diabetes is expected to increase, as is strong further penetration of pump usage. There is also untapped potential in the type 2 diabetes segment and in other parts of the diabetes treatment market.

In the United States, the insulin pump market is expected to grow by 8% per year until 2013, and in Europe the insulin pump market is expected to grow by approximately 10% per year until 2013, in each case driven by growth in the number of type 1 diabetes patients and by increased penetration of insulin pumps versus other types of diabetes treatments. Current penetration in the United States is approximately 27% as of June 30, 2010, with lower penetration rates in Europe. Penetration is growing in Europe due to increased support from both payers and practitioners and more favorable expected reimbursement practices. In addition, the market for infusion pumps and infusion sets is expanding to non-diabetes applications such as pain management, Parkinson's and dehydration.

Our business

Overview

We are a leading developer, manufacturer and marketer of innovative medical technologies, in particular products for ostomy management, advanced chronic and acute wound care, continence care, sterile single-use medical devices for hospitals, and infusion sets used in diabetes treatment infusion devices. We have a track-record of developing innovative, clinically-proven and reliable products for patients, as demonstrated by our global leadership positions in our four franchises. For the last twelve months ended September 30, 2010, we recorded net sales of \$1.54 billion and Adjusted EBITDA of \$434.6 million.

Our operations are spread across a wide range of countries, franchises and products. We employed 7,980 people worldwide as of September 30, 2010, approximately 88% of whom are outside the United States. As of the date of this Offering Memorandum, we have physical operations in over 35 countries and market our products in more than 100 countries. Our EMEA segment represents the largest share of our net sales, accounting for 51.3% of our 2009 net sales, while the United States represented 33.4%, and the LAAP segment represented the remainder. We have a broad base of customers. Our largest customer across all franchises represents 7% of our total net sales for the year ended December 31, 2009.

We operate through four franchises: Ostomy Care, Wound Therapeutics, Continence & Critical Care and Infusion Devices/Industrial Sales. Our history of innovation began in 1978 with the creation of our hydrocolloid ostomy skin adhesive (Stomahesive Skin Barrier Wafer) and, subsequently, the world's first two-piece disposable ostomy pouching system (now called SUR-FIT Natura ostomy system). By the mid-1980s, we had become an industry leader in ostomy care. In 1982, we leveraged these innovations to create a similar adhesive for wound care and pioneered the concept of moist wound healing with the introduction of DuoDERM Hydroactive wound dressing based on hydrocolloid technology. Our expertise in ostomy allowed us to expand into the adjacent incontinence care business, and in 2003 we launched our Flexi-Seal FMS incontinence care system. With our 2008 acquisition of Unomedical, we expanded into the Hospital Care and Infusion Devices businesses, taking advantage of our broad customer base and our global manufacturing and distribution capabilities.

Ostomy Care

Our Ostomy Care franchise includes a comprehensive portfolio of one- and two-piece systems and ostomy care supplies including skin care/accessory products, such as adhesive remover wipes, paste, powder, strips, seals and other products. We have approximately 29% market share in ostomy as of June 30, 2010. For the twelve months ended September 30, 2010, our Ostomy Care franchise recorded \$563.4 million in net sales, which represented 36.7% of our net sales.

Our key products in this range include our unique, "skin friendly" Stomahesive and Durahesive skin barriers and our SUR-FIT Natura pouch system.

Wound Therapeutics

Our Wound Therapeutics franchise comprises a comprehensive portfolio of moist wound dressings, particularly hydrocolloid, Hydrofiber and antimicrobial wound dressings, and related products for the advanced treatment of chronic wounds and acute wounds as well as professional skin care products. We have strong leadership positions in these product categories, with approximately 21% market share in the moist wound healing and antimicrobial market as of June 30, 2010. We are also a key player in the antimicrobial, hydrocolloids and alginates/Hydrofibers sub-groups (with 34%, 45% and 54% market shares, respectively, as of December 31, 2009). In the broader advanced wound care market, we have a 14% market share as of June 30, 2010. For the twelve months ended September 30, 2010, our Wound Therapeutics franchise recorded \$491.5 million in net sales, which represented 32.0% of our net sales.

Our key products in this range include our AQUACEL family of wound dressings that use our absorbent Hydrofiber Technology which transforms into an easily-removed gel, Hydrofiber combined with silver ions to kill a broad range of pathogens, durable hydrocolloid products that promote wound healing such as our DuoDERM family of moisture retentive dressings using Durahesive, and skincare products to prevent skin damage and promote healing.

Continence & Critical Care

Our CCC franchise comprises two businesses: Acute Fecal Incontinence and Hospital Care. We are the global market leader in the AFI market with an estimated 80% market share as of December 31, 2009. In addition, we have a broad range of product offerings in the European healthcare market. For the twelve months ended September 30, 2010, our CCC franchise recorded \$268.2 million in net sales, which represented 17.5% of our net sales.

Our Flexi-Seal fecal management system is an innovative temporary containment device that was launched in 2004 and has since emerged as the market leader in the AFI franchise. Our Hospital Care franchise provides a broad range of high volume and high quality disposable medical devices for volume procedures across the ICU and OR settings. Key products include urine drainage systems, airway management systems, OR devices, ICU devices and electrodes.

Infusion Devices/Industrial Sales

Our Infusion Devices/Industrial Sales franchise comprises two businesses: Infusion Devices and Industrial Sales. Our Infusion Devices business, which makes up a significant portion of the Infusion Devices/Industrial Sales franchise, develops and sells disposable infusion sets to leading pump manufacturers for use with insulin pumps in the treatment of diabetes. We are currently a leading supplier of infusion sets with a significant global market share within the pump market as of December 31, 2009. Our infusion sets are designed to enhance the personal freedom of the end users with safe and user-friendly products. Our latest innovative concepts, inset and inset 30, particularly address the need for flexibility and the active lifestyles of users. Our Industrial Sales business sells the same products we manufacture and sell in the Hospital Care business of our CCC franchise, but the Industrial Sales business is a part of the Infusion Devices/Industrial Sales franchise since its business-to-business model of selling products to a few large industrial customers is closely aligned with our Infusion Devices business. In Industrial Sales, we use our European and North American manufacturing capacities to provide our customers with high volume, uniform and high-quality products. For the twelve months ended September 30, 2010, our Infusion Devices/Industrial Sales franchise recorded \$212.3 million in net sales, which represented 13.8% of our net sales.

Our strengths

Diverse geographic platform, end markets and customers

We are well diversified across countries, end markets, product lines and customers. During the year ended December 31, 2009, we recorded sales in more than 100 countries, with EMEA contributing 51.3% of our net sales, the United States 33.4% of our net sales, and the remainder contributed by LAAP. We are also well diversified by end markets as our four franchises are active in markets with differing market dynamics. While in our Ostomy Care and Infusion Devices/Industrial Sales franchises sales are driven by the recurring and non-discretionary purchase of consumable products by an installed base of customers, sales in our Wound Therapeutics franchise are supported by advanced wound care products and growth in the underlying causes of chronic wounds. Our AFI and Hospital Care businesses further diversify our end-market exposure, providing advanced solutions for the AFI and urological drainage markets, which are driven by favorable demographic trends. Moreover, we have a broad customer base with no single customer representing more than 7% of net sales for the year ended December 31, 2009.

Predictable, non-cyclical markets with significant growth opportunities

Due to the nature of our products being required for necessary and non-elective medical care, we have a significant resistance to changes in economic conditions and have predictable cash flows. In particular, our Ostomy Care and Infusion Devices/Industrial Sales franchises are characterized by an established and growing customer base. For example, many ostomy procedures result in permanent stomas, and patients are loyal to their first brand of pouches, with very few patients switching brands after the first year of use. Our Hospital Care business also demonstrates stable and recurring revenues due to the continuous demand for high volume, high quality, single use and sterile medical devices by hospitals. In addition, we believe there are significant growth opportunities in several of our markets. For example, the increased prevalence of diabetes and obesity combined with an aging population and increased life expectancies provide significant growth opportunities in our Wound Therapeutics and Infusion Devices/Industrial Sales franchises. The scarcity of qualified healthcare professionals and heightened focus on combating infections require more efficient and advanced wound care solutions such as our innovative range of advanced products. Furthermore, we believe there are significant opportunities for greater use of our products in the incontinence care market as innovative solutions take the place of traditional, costly and labor-intensive AFI management.

Leading market position in our core businesses with strong portfolio of products and brands

We have a leading market position in each of the ostomy care, wound care, continence and critical care and infusion devices markets, benefitting from a strong portfolio of products and widely-recognized brands within the industry. We have the largest market share in Ostomy Care in both North America and LAAP and we are a global market leader with a 29% market share as of 2010. Our Wound Therapeutics franchise holds the largest market position in the silver, alginates/Hydrofiber and hydrocolloid segments and we currently own three of the top six brands by market share in the advanced wound dressing market segment. We are also a global market leader in the production of fecal incontinence management systems with an approximate 80% market share as of December 31, 2009. We are the leader in the infusion devices market, and our competitive cost/quality position and development capabilities make it difficult for new participants to enter this market and effectively compete with us.

Record of innovation with strong research and development platform

Our research and development capabilities have been integral to our success in continuing to develop innovative products, and have gained us a reputation as a leading innovator. We have a history of successful innovation and product development, and have consistently introduced medical product breakthroughs, first in ostomy care, then in wound care, and most recently in adjacent areas such as fecal incontinence care. Our record of innovation includes a variety of leading technologies and commercialized products, often applicable across our franchises. For example, our hydrocolloid adhesive technology, which established us as a pioneer in both ostomy care and wound care, serves as the technology platform for a number of our products, including our DuoDERM wound dressings and our SUR-FIT Natura/S92, Esteem and Esteem *synergy* ostomy systems. Our Hydrofiber technology is the basis for a number of our fast-growing products, including the recently introduced AQUACEL SURGICAL/AQUACEL Ag SURGICAL, AQUACEL Ag and Versiva XC. Our ConvaTec Moldable Technology, our Phoenix pouching systems and our Vitala pouchless ostomy device are examples of our innovations in ostomy care.

Global footprint, with efficient global manufacturing capabilities and distribution resources and extensive marketing/sales expertise

We have an efficient network of 12 manufacturing facilities in nine countries which meets the production expectations of our customers. This assists us in maintaining a high-level of product quality, preserving sufficient operational flexibility, and improving productivity and overall profitability. In addition, our global sales and marketing efforts have been effective at sustaining and extending our product leadership positions. Through a combination of dedicated sales specialists, innovative customer interaction initiatives, targeted promotional campaigns and extensive channel management activities, we have successfully targeted and cultivated relationships with key decision makers, including specialized nurses. We have also been a leader in educating decision makers and consumers about advanced technologies and care protocols, helping us acquire and retain new customers. Our broad distribution network, with 27 distribution centers and distribution partners in more than 35 additional countries, provides an important complement to our manufacturing, sales and marketing capabilities.

Experienced senior management team supported by highly committed sponsors

Our senior management team is experienced and highly regarded in the industry, with an average of approximately 27 years of relevant industry experience and a seven year average tenure with the Company. The management team has successfully enhanced our competitiveness, operational excellence and attractive financial profile. Moreover, our focus on developing a performance culture has helped in bringing in significant new talent while building new functions and capabilities. We also benefit from our Sponsors' strong expertise in the healthcare sector. Nordic Capital has made a significant number of investments in the healthcare sector, including leveraged buyouts of companies in healthcare services, pharmaceuticals and medical devices. Avista Capital Partners has similar expertise in the healthcare sector, with several healthcare companies in its current portfolio.

Strong cash flow generation

Our business has strong cash flow generation characteristics and has historically generated significant cash. In the period since our acquisition by the Sponsors, we have used this cash to fund our separation and consolidation initiatives, including the cost of implementing our new information technology platform, of transitioning to a standalone company and of consolidating our operations. These initiatives have been substantially completed and we anticipate that a substantial portion of our cash will no longer be required to fund these separation and integration related expenses. Based on the strengths described above including strong market share positions and the recurring non-discretionary nature of our products, coupled with the relatively low level of capital expenditure required to maintain our underlying businesses, we have the capability to generate significant free cash flow.

Our business's Adjusted EBITDA less capital expenditure for the twelve months ended September 30, 2010 was \$378.8 million.

Our strategy

Our goal is to be a leader in the businesses we compete in by developing and marketing differentiated technologies supported by strong marketing and clinical evidence. Through our global infrastructure and extensive geographic reach we aim to drive sustained revenue and EBITDA growth by leveraging the strengths of our four franchises:

Re-establish ConvaTec as the market leader in Ostomy Care through innovation and strengthened nurse and patient relationships

Our strategy is focused on increasing new patient capture through establishing ourselves as the innovation leader and by improving access to patients through channel strategies and improving our service model. A key product initiative is to globally roll out the Phoenix pouch system, recently introduced in Japan, which responds to nurse preferences by offering a pouch system with significantly improved aesthetics. We intend to follow this offering with the global roll out of our Vitala ostomy system, a pouchless system that provides temporary fecal continence for end colostomates. We will continue to focus on our differentiated adhesive technology platform, including ConvaTec Moldable Technology, and drive ongoing growth through consistent patient-driven life cycle management of our ostomy portfolio. To leverage our product innovation, we intend to improve access to new patients by strengthening our relationships with stoma care nurses through improved front line capabilities, educational programs and global advisory boards as well as through innovative channel strategies.

Become the market share growth leader in Wound Therapeutics by capturing a greater share of addressable wounds

We plan to strengthen our leadership position in advanced wound care products through three primary tactics. First we intend to leverage and expand the Hydrofiber Technology platform by continuing to build the AQUACEL brand in new and existing markets allowing for a broad product offering. This will include offerings in the surgical, burn and fast growing foam dressing markets. We also plan to continue to develop anti-infective technologies to sustain our leadership position. We will use AQUACEL Ag as the platform from which to grow and expand in the anti-infectives market, with products like AQUACEL Ag Foam dressings, and to employ aggressive life cycle management to address care issues that impede wound healing. And lastly, we will capitalize on our exclusive licensing agreement to penetrate the NPWT market as part of our comprehensive Wound Therapeutics portfolio. We aim to target key opinion leaders and continue to develop clinical evidence of the effectiveness of NPWT and intend to develop competitive business models in the United States and then expand into additional geographic markets.

Continue market leadership in AFI and leverage our AFI leadership to increase CCC sales to ICU and other key customers

We aim to drive AFI sales growth globally by continuing to innovate, increasing our advertising presence, driving growth of our products and strengthening our leadership position. We intend to use Flexi-Seal SIGNAL to preserve pricing by offering additional product features, and we plan to introduce innovative product upgrades to further drive market growth and enhance product differentiation. We intend to target regions in which we do not yet have a strong presence and high potential accounts, and we will continue to focus on accelerating growth in European markets through our pan European First Marketing program. We also intend to leverage our Flexi-Seal market position in AFI to increase sales of our other products to ICU customers. We plan to drive geographic expansion for a focused set of hospital products such as UnoMeter and Abdo-Pressure and will continue to evaluate additional offerings for the ICU. For our Hospital Care products, we also plan to improve profitability by focusing on key products and through selective utilization of direct sales force and distributors. In addition, we intend to evaluate the opportunity to enter into the fast-growing uncoated ISC market in the United States.

Use Infusion Devices market position to expand into next generation technologies and expand Industrial Sales business by targeting key customers

We plan to maintain our leadership position in the market for infusion devices used in the treatment of type 1 diabetes market by further developing our relationships with the key insulin pump manufacturers. We also intend to engage in product development projects to expand into components for patch pumps, an innovative new technology in this segment. In addition, we aim to leverage our leading position in the market to expand into the treatment of type 2 diabetes. We also plan to use our knowledge base and manufacturing platform to build a position within subcutaneous infusion as a therapy in areas other than diabetes, such as Parkinson's disease, thalassaemia and primary immunodeficiency. In the Industrial Sales business-to-business operation, we aim to increase sales by leveraging our capabilities to manufacture uniform high-quality products in large volumes and our key account capabilities with major healthcare companies. We aim to gain new business and increase our profitability by becoming a broader portfolio supplier to the most important global surgery custom procedure pack companies and by continuing to serve market leaders in the urology segment.

In addition to the above franchise-specific strategies, the following strategic initiatives support our business across our franchises:

Expand our presence in emerging markets

We plan to enter into or increase our presence in emerging markets, particularly in China and Korea, organically and through selective acquisitions of new businesses. We believe the new regional distribution center in Singapore together with our exclusive distributor's regional distribution center in Latin America will enable us to achieve organic growth in our Latin America & Asia Pacific markets by strengthening our supply chain capability. Moreover, we intend to accelerate sales force growth and launch strategic products developed specifically for the emerging markets. We have increased sales force head count in both China and Korea, including adding a new clinical business team in Korea and a new business development director in China for our Hospital Care business. In addition, we have established partnerships to access the retail channel and have developed single-item packaging for ostomy products for direct patient purchase.

Enhance operational efficiency

We intend to make cost-efficient and strategic use of our global manufacturing and distribution network through selective closure of sub-optimal facilities and relocation of product lines from high-cost to low-cost labor markets. We also intend to reduce our total number of distribution centers with strategic opening of two new regional distribution centers to serve Latin America and emerging markets in Asia. We will also continue to focus on productivity improvements, cost reduction programs, procurement optimization, SKU rationalization and capacity expansion where appropriate.

Selectively pursue complementary acquisitions

We plan to make strategic acquisitions, including in emerging markets, to expand our global reach and complement our existing technologies and product portfolio. In addition, given the fragmented nature of the medical device industry and the opportunity this presents, we plan to selectively pursue complementary acquisitions which would allow us to expand our scope and scale to further enhance our offering to our customers and improve our economics.

Our franchises

We target patients, healthcare practitioners, purchasing and material managers, healthcare facility operating officers and others involved in the four franchises in which we operate. Our franchises employ a variety of sales specialists around the world to deliver our innovative products to healthcare centers and to the retail setting. All our sales and marketing teams are franchise specific, with the exception of the sales and marketing team in France.

The following table provides an overview of our key products across our four franchises:

Franchise	Ostomy Care	Wound Therapeutics	CCC	Infusion Devices/ Industrial Sales
Key product	SUR-FIT Natura/S92 innovative pouch and skin barrier features "skin friendly" Stomahesive and Durahesive	AQUACEL wound dressing with Hydrofiber Technology absorbs and transforms into a gel for easy removal. The related AQUACEL Ag includes silver ions to kill a broad range of pathogens	Flexi-Seal FMS easy-to-use system provides an excellent alternative to traditional methods of managing fecal incontinence	Quick-set insulin pump infusion set with a 90-degree insertion angle, has been developed to give the user maximum freedom and comfort when living with diabetes
Key customers	Hospitals and ostomy patients	Hospitals, home healthcare	Hospitals, home healthcare, and device manufacturers	Insulin pump manufacturers

Ostomy Care

Products

Our Ostomy Care portfolio includes a comprehensive portfolio of both one- and two-piece pouch systems as well as a new pouchless system for temporary use. One-piece systems consist of an integrated skin barrier and pouch, while two-piece systems consist of separate units, consisting of the skin barrier surrounding the stoma, and the pouch collecting the effluent. Our new pouchless system consists of a disc worn over the stoma, which temporarily contains fecal matter within the body until such time as the patient attaches a pouch to collect output. Our portfolio also includes ostomy care supplies including skin care/accessory products, such as adhesive remover wipes, paste, powder, strips, seals and other products.

Our key product differentiation primarily focuses on the unique, “skin friendly” Stomahesive and Durahesive skin barriers. Skin barriers are the component of the ostomy system that adhere to the skin, and because different formulations can cause rashes, skin irritations and leaks leading to skin breakdown, a “skin friendly” formulation is preferable. Therefore, nurses are motivated to recommend ostomy systems containing the Stomahesive and Durahesive formulations because they are confident that they provide the best option for the patient. ConvaTec Moldable Technology, including the flat moldable offering on the SUR-FIT Natura line, further solidifies our strength in this area and plans are underway to extend this technology to additional ostomy brands. We intend to further differentiate our ostomy products through strong relationships with patients and ostomy nurses that carry on through the patient’s surgery, discharge, and ongoing relationship with ostomy solutions.

Adhesives/skin barriers. Our Stomahesive skin adhesion paste helps secure an appropriate seal between the skin barrier and the ostomy system and lasts two to four days. We also provide Durahesive technology for longer-term wear of five to seven days owing to increased tack, cohesiveness and flexibility.

Pouch systems. We offer a variety of effluent collection pouches in either closed-end, drainable, or urostomy offerings depending on the form of the effluent. Closed-end pouches collect fecal output and are typically used as one-time disposable pouches for patients with formed to semi-formed stool. Drainable pouches possess an opening at the bottom of the pouch allowing for more frequent draining of liquid stool. Drainable pouches are closed with either a clip or a Velcro-like integrated closure called InvisiClose. Urostomy pouches collect urine only and possess a special valve or spout which adapts to either a leg bag or night drain tube for overnight urine collection. We also offer options for pouches, including a clear pouch film (ideal for post-operative) or opaque film (more discreet), and pouch filters to deodorize captured gas while allowing for controlled release.

Our two-piece systems (SUR-FIT Natura/System 92) and Advanced Coupling System (Esteem *synergy*) have separate skin barriers and pouches, while our one-piece systems (ActiveLife/Colodress and Esteem) have permanently assembled units. Benefits of the one-piece systems include a lower profile (under clothing) and flexibility due to a single moving part vs. two, and hence fewer opportunities for leaks. Two-piece systems, however, offer versatility for the user and involve less skin irritation—the user may preserve the skin barrier through multiple pouch uses. The major difference between our two-piece systems (SUR-FIT Natura and Esteem *synergy* systems) is the manner of pouch-barrier attachment. The SUR-FIT Natura system has a pressure fit snap ring allowing the patient the comfort of hearing the sound of proper sealing due to audible clicks, while the Esteem *synergy* system uses the flat “landing zone” attachment of Adhesive Coupling Technology. The Esteem *synergy* system provides the ease of switching pouches with a skin-friendly barrier, similar to a two-piece system, while also providing low-profile design for comfort and flexibility akin to the one-piece products. We are also preparing to globally launch a new version of Esteem and Esteem *synergy* in 2011.

Our SUR-FIT Natura line remains our largest product line, with continued stable sales given its longevity (launched in 1978) and loyal base of ostomy customers. To continue our history of innovation in ostomy care, we have developed newer products such as the Esteem and Esteem *synergy* product lines to complement the stable sales generated by SUR-FIT Natura. In addition, in response to aesthetic market preferences and in an effort to streamline manufacturing processes and capture production efficiencies, we have developed the new Phoenix line of pouches. The Phoenix line includes one- and two-piece pouching systems as well as all new post-operative and pediatric sets. With Phoenix, our objective is to upgrade and standardize our core brand pouches to best in class as well as create a flexible manufacturing platform for future flexible, efficient life cycle management. We believe that the new Natura pouch range (the Phoenix line) will help reestablish us as an innovator in ostomy care and maximize near-term growth while setting the stage for our differentiated ostomy care system, Vitala.

Vitala. Our newest innovation in the ostomy care market is our Vitala non-invasive, pouchless ostomy device that provides temporary fecal continence for people with a colostomy. This non-invasive disc fits over the stoma and is compatible with our existing SUR-FIT Natura ostomy solution. Patients can wear Vitala™ for a limited amount of time without the worry or lack of control associated with a pouch system. Fecal output is collected later, when the patient attaches a pouch. We believe this innovation will help us respond to downward pricing pressure from GPOs because it is different from other ostomy systems and can motivate a higher reimbursement price. Just days after the FDA granted 510(k) clearance to market Vitala, this innovative product was awarded a prestigious Medical Design Excellence Award for 2010.

Ostomy accessory products. Our ostomy accessories are complementary to the ostomy systems and account for a small portion of our Ostomy Care net sales. Ostomy accessories increase the value of each ostomate and serve as an avenue for converting patients to our ostomy systems in both the acute and aftermarket settings. Our ostomy accessory products include pastes, powders and seals for around the skin barrier as well as wipes to remove adhesives and shield skin from irritants.

Sales and marketing

Our Ostomy Care customers consist of approximately 600,000 end users who in general are receiving product from DMEs, distributors or directly from the public health care providers. In the Ostomy Care franchise, we seek to attract patients at the outset of their ostomy experience and to maintain that relationship for as long as the ostomy is in place, which for permanent ostomies averages 15 years. In the hospital, ostomy patients typically receive starter kits containing accessories vital to the routine use of ostomy products as well as an application video. The kits also include a patient form and consent that enable us to collect patient data and helps us form a long-term relationship. We offer these patients initial free samples of ostomy products, product-related services and notification of new product offerings. Patients' product choice is also largely driven by the nurses and we have intensified our commercial focus on these relationships.

Post-surgery, and once patients gain comfort with their ostomy systems after transitioning home, it becomes increasingly difficult to encourage switching to a new ostomy system. As the nature of the product may lend itself to embarrassing social consequences if the system were to leak or emit an odor, patients are more inclined to stay with a system with which they have had a positive functional experience, rather than change to a newer technology with which they are less familiar. Consequently, it is critical for our ostomy sales force to focus their efforts on the post-surgical period. In order to capture new ostomy patients during their initial stay in the hospital, the sales force targets the hospital-based decision makers (generally, the WOC nurses).

After gaining a new patient, the marketing focus shifts to patient retention for the duration of the ostomy (in cases of a temporary ostomy) or for the life of the patient (in cases of a permanent ostomy). We strive to maintain brand loyalty from patients through product upgrades, customer service and trouble-shooting via the customer call centers, as well as direct mailing campaigns and other communications. We have implemented various programs to maintain customer loyalty through superior support and service, including comprehensive web-based educational resources for consumers on our website, through patient journals and through call center services. We also utilize global medical symposia to communicate new technologies and advancements to caregivers and patients, and have a significant presence at relevant conferences. Additionally, we have joined with the Crohn's and Colitis Foundation of America to implement the Great Comebacks Awards Program to inspire and to provide a community for patients living with inflammatory bowel disease, colorectal cancer or an ostomy.

Ostomy Care sales channels in our largest markets are dominated by wholesalers. The main driver in obtaining contracts is lowered pricing. The vast majority of our ostomy sales in the U.S. and France are to wholesalers, which also accounts for a majority of our sales in Spain, the United Kingdom and Japan. A significant portion of sales also goes to hospitals, especially in Italy and Japan. Other distribution channels for ostomy products include bandagists and pharmacies, homecare companies, and direct sales to end users.

Competition

We compete in the \$2.0 billion global ostomy franchise with 29% share in 2009. Other key industry participants are Coloplast and Hollister/Dansac. The remainder of global sales are generated by smaller, regional providers of ostomy and ostomy-related products, including B. Braun (Biotrol) in France/Germany, Salts in the United Kingdom, Eakin-Pelican in Ireland/United Kingdom, Welland in the United Kingdom, Alcare in Japan, Nu-Hope in the United States and Omnigon in Australia.

Wound Therapeutics

Products

Our Wound Therapeutics franchise sells products in the advanced wound dressings (which includes antimicrobial) and skin care franchises. While we do not sell traditional wound care products, such as gauze, we compete with manufacturers of such products. Driving "gauze conversion," which is the shift from using traditional gauze to advanced wound care products, is an important strategic priority. Historically, our efforts were concentrated on chronic wounds with the wound specialty nurse as our main customer. In recent years, however, we have increased sales in the acute wound area and the physician channel. Our Wound Therapeutics product portfolio comprises a complimentary balance of relatively new, high-growth products such as the AQUACEL Ag silver anti-microbial family of products which utilizes our proprietary Hydrofiber Technology and mature, market-leading brands such as DuoDERM.

Our advanced wound dressings consist of the following primary product categories:

- **DuoDERM:** The DuoDERM family of moisture retentive dressings uses an adhesive hydrocolloid matrix, which gel at different rates, thus allowing the dressing to absorb exudate. DuoDERM, CGF, DuoDERM Signal and DuoDERM Extra Thin all help to seal in moisture and seal out contaminants. Intended for wounds with light to moderate exudate.
- **AQUACEL:** Advanced dressings made of non-woven fibers. The alginate absorbs exudate and creates a moist environment to support wound healing for wounds with moderate to heavy exudates. AQUACEL uses our Hydrofiber Technology, which absorbs and retains exudate by transforming into a gel. AQUACEL also absorbs harmful components, such as bacteria, directly into its fibers. The gelling action of Hydrofiber Technology reduces wound pain and avoids damage to tender, granulating wound tissue during dressing changes. Our newest product in this range, AQUACEL SURGICAL, is specifically for acute surgical wounds to reduce infection and costs from complications such as blistering. Other new products built on the AQUACEL platform include AQUACEL Burn for acute partial thickness burns, which significantly reduces the number of painful dressing changes, and our AQUACEL Ribbon, which provides longer wear time than gauze for deep wounds. All the new products also come in a silver version (see below).
- **AQUACEL Ag:** Advanced wound dressings that incorporate silver ions for treatment and prevention of infection. The AQUACEL Ag product combines Hydrofiber Technology with silver ions. Silver ions kill a broad spectrum of pathogens within 30 minutes of exposure and the moist environment created by the Hydrofiber Technology reduces pain and avoids damaging newly formed tissue during dressing changes. AQUACEL Ag SURGICAL, AQUACEL Ag Burn and AQUACEL Ag Ribbon are the corresponding silver versions of our new products based on the AQUACEL platform (see above).
- **Versiva XC:** Versiva XC is the world's first "gelling foam," combining the benefits of Hydrofiber Technology with foam cushioning for maximum exudate absorption, wound protection and comfort. We are also leveraging our AQUACEL Ag silver antimicrobial technology to develop AQUACEL Ag Foam, which we believe will compete effectively with several competitors' versions of foam dressing with silver.
- **Aloe Vesta, Sensi-Care and Septi-Soft:** Topical treatments on the skin surface (e.g., ointments, medicated lotions) protect and to help minimize skin breakdown that can lead to wounds. These products are often complementary to advanced wound management products. Our skincare products provide effective skin management to prevent skin damage and promote healing. Our main brand is the Aloe Vesta family of skin care products which is complemented by the Sensi-Care and Septi-Soft brands. Aloe-Vesta products are primarily sold into the professional hospital and home care setting. All product lines are designed to work together to provide a total solution approach to skin care, similar to our strategy in wound dressings. Currently, nearly all of skin care sales come from the United States.
- **Engenex and Bio-Dome:** A therapy used to promote healing in acute or chronic wounds through the use of a vacuum pump to create sub-atmospheric pressure in the local wound environment. We in-licensed technology from Boehringer Technologies, LP to develop and market Engenex NPWT and Bio-Dome, which we believe is a superior wound interface for this therapy. While our marketing of the Boehringer Engenex system is currently the subject of patent infringement litigation, we believe we have a solid platform in this developing technology and are poised to enjoy moderate growth in this market. For more information on the patent infringement litigation, see "—Legal proceedings."

We continually use our core brands to develop new, differentiated products for various wound care applications, and are particularly expanding into the acute wound care arena. In March 2010, we announced the launch of AQUACEL Ag SURGICAL cover dressings in the United States for the post-operative care of surgical incisions. Featuring our patented Hydrofiber Technology combined with skin-friendly hydrocolloid technology, the unique construction of AQUACEL Ag SURGICAL cover dressings provides a waterproof, viral and bacterial barrier that allows for flexibility and extensibility during body movement. The performance of AQUACEL Ag SURGICAL cover dressings is powered by unique gelling action of our advanced Hydrofiber Technology dressings, which absorb and lock in fluid, including harmful bacteria.

We continue to be dedicated to improving patient quality of life by delivering innovative technologies. We also strive to create products and services to make clinicians' daily jobs easier. As part of this, in 2010, we announced the launch of our newest addition to our Hydrofiber Technology dressings, the narrow size of AQUACEL Ag Ribbon Dressing with Strengthening Fiber. Benefits include the ability to kill a wide range of pathogens. The dressing may be left in place for up to seven days and helps to reduce pain on dressing removal. The dressing is particularly designed for the treatment of deep cavity wounds, such as fistulas and abscesses.

Sales and marketing

Our Wound Therapeutics franchise customers primarily consist of specialist nurses and physicians. Historically, our sales and marketing efforts in the Wound Therapeutics franchise have been focused on chronic wounds, which are typically more complex and difficult to manage than acute wounds. In many countries, the specialist wound nurse has been the primary sales target. More recently, we have expanded beyond the specialist nurse to target the physician population and acute care settings, where surgical sites, burns and complex acute wounds present a high value market opportunity.

Our sales teams target both the acute- and post-acute care settings, with a focus on wound care clinics, multiple departments within hospitals and long-term care settings. Our sales representatives do not typically target individual physician offices.

We target clinicians involved in the prevention and management of wounds, as well as the purchasers/payors who oversee wound care budgets. We employ a portfolio-based, solution-focused sales approach, which we believe best showcases our product offerings. Our selling efforts are complemented by strategic functional support, materials and programs, while our education and customer engagement efforts include medical symposia, advisory panels and the development of protocols of care. Having global brand platforms and campaigns ensures consistent messaging across our geographic markets.

Wound care distribution is managed by wholesalers. In the United States, for example, the wound care business is heavily contracted with GPOs and distributors, and lower pricing is increasingly necessary to obtain these contracts. Most of our wound care sales are to small wholesalers, followed by hospital buying groups, big wholesalers and others.

Competition

Wound care is a highly fragmented industry. Most of the larger players operate in multiple franchises, while there are also numerous smaller players with a narrower focus. Historically, we have competed with Smith & Nephew, Systagenix (formerly Johnson & Johnson), Coloplast and Mölnlycke in advanced wound dressings. Kinetic Concepts, Inc. is a relatively new competitor and has expanded overall advanced wound care sales with its negative pressure wound therapy offering. We also compete with other local medical products companies offering wound care products such as Medline (in the United States only) and Urgo in EMEA.

Acquisition and licensing activities have been increasing, as players seek to bolster their portfolios and capabilities. We, for example, have made a number of key acquisitions, including the purchase of Acordis Speciality Fibres, through which we secured the Hydrofiber Technology and an exclusive license agreement for a proprietary negative pressure wound therapy system. In addition, Smith & Nephew recently acquired Blue Sky, which gave it an entry point into the negative pressure wound therapy franchise, and continues to license in other types of wound care technologies, having recently launched its Durafiber product in the U.K. as a competitor to our AQUACEL products.

We have a strong overall position and are a leader across multiple advanced wound care product categories. Our position in the foam franchise has been modest to date, and we have been particularly challenged by Molnlycke and Smith & Nephew foam products while we lacked a competitive product. However, we believe our Versiva XC dressing product, which combines the benefits of foam with our proprietary Hydrofiber Technology, and our AQUACEL Ag Foam, which will add silver anti-microbial features, will improve our position in this category in the coming years. With our Engenex brand of NPWT, we expand our overall portfolio position to provide customers with a comprehensive wound therapeutics solution. In addition, we are a leader in the United States professional skin care franchise. We believe our strong competitive position in the Wound Therapeutics franchise can be attributed to a number of factors, including our reputation as an industry leader and innovator, our portfolio of highly differentiated products that compare favorably to competing solutions in efficacy, quality, reliability and cost, and our broad portfolio of trusted brands, as many buyers prefer vendors who can deliver full solutions to address their wound care needs.

Continence & Critical Care

Our CCC franchise comprises two businesses: Acute Fecal Incontinence and Hospital Care.

Acute Fecal Incontinence

AFI is a serious healthcare problem for patients in the critical care setting, including intensive care units, burn units, hospices and long-term care facilities, where approximately 10-25% of patients in the ICU suffer from acute fecal incontinence. We manufacture innovative bowel management systems to divert fecal matter and protect patients from skin breakdown and infections. The soft silicone catheter is inserted into the rectum and diverts feces into a collection bag.

Traditional methods of handling AFI include bed pads, diapers, fecal pouches or rectal tubes/catheters. The traditional methods for managing AFI place a very large burden on ICU nurses' time and resources as well as resulting in larger wage and linen bills for hospitals. Further, when AFI is not managed properly, complications can quickly develop, leading to skin breakdown and the spread of infections in hospitals, together resulting in additional costs and medical consequences.

Flexi-Seal FMS. AFI can be addressed by innovative bowel management systems such as our Flexi-Seal FMS. Flexi-Seal FMS is a temporary containment device for bedridden or immobilized, incontinent patients with liquid or semi-liquid stool. It was designed to safely and effectively divert fecal matter, protect patients' wounds from fecal contaminant and reduce both the risk of skin breakdown and the spread of infection.

Flexi-Seal FMS consists of a silicone catheter, syringe, and collection bag. At one end, the soft silicone catheter has an inflatable retention balloon that is inserted into the rectum. At the opposite end, the catheter has a connector for attaching the collection bag. The catheter diverts fecal waste away from a patient and facilitates the flow of stool into the collection bag. The disposable, closed-end collection bag with non-return valve and integrated cap, which further helps to minimize the risk of spreading infection while also providing effective odor control, completes this closed system.

Flexi-Seal FMS offers greater convenience for patients and also reduces the amount of time nurses spend cleaning patients and changing beds. This results in reduced costs per patient for supplies and less washing of linen.

Our newest offerings in the Flexi-Seal FMS family include Flexi-Seal FMS with Advanced Odor Control and Flexi-Seal Signal. Flexi-Seal Signal is the only product of its kind that offers a "signal indicator," which is designed to ensure an appropriate fill volume, thus minimizing potential risk of tissue damage and leakage from over inflation. We launched Flexi-Seal Signal during the first quarter of 2010, and our customers have responded positively to the ability to monitor pressure and volume provided by Flexi-Seal FMS Signal. We intend to leverage this product enhancement to preserve pricing levels in the face of increased competition and pricing pressures in the AFI market.

Hospital Care

Our Hospital Care business provides high volume, high quality, single use medical devices to hospitals for use in high volume procedures in the urology, ICU, OR and electrode products. Customers require manufacturers to be able to deliver products in large volumes at competitive prices, while maintaining high qualities and guaranteeing security of supply. Providing products for the ICU and OR setting also involves an additional focus on reducing the risk of hospital acquired infections being passed on. Due to its ability to provide to customers demands and its extensive clinical expertise, our Hospital Care business has developed long-term relationships with customers. Our Hospital Care business goes hand-in-hand with our AFI business as we are able to leverage Flexi-Seal FMS to increase sales to ICU customers who can benefit from our range of urology, airway management, and oxygen therapy products. In turn, our provision of Hospital Care products to ICUs provides additional opportunities to cross-sell our Flexi-Seal FMS.

Urology products. Our urology products include urine drainage systems for hospital and home healthcare use.

- **Continence care—Careline:** Within the area of continence care, Hospital Care offers the Careline family of products, a wide range of fully compatible urinary catheters, urine collecting bags and various accessories for both hospital and home healthcare settings. All our Careline products meet the individual needs of day- and night-time users.
- **Urology monitoring—UnoMeter:** Monitoring of the urine production and output (i.e., hourly diuresis) and the intra abdominal pressure in critically ill patients are important indicators of patient status and medical condition. Both of these parameters may change significantly by the hour and changes may create a requirement of medical treatment to secure patient's survival.

Our key Urology products include intermittent self-catheterization catheters, urinometers, standard leg bags, standard bed bags and closed system bags.

Intensive Care Unit products. We offer a wide range of products for ICU and anesthesia covering a broad range of applications in airway management and oxygen and aerosol therapy, designed to provide advanced solutions accommodating the requirements of medical professionals worldwide.

- **Airway Management:** Within the area of airway management, we have a wide system of different airways available for short- to long-term mechanical ventilation, as well as solutions for intubation and airway-clearance. One of our newest innovations in this area is our endotracheal tube with sub-glottic suction.
- **Oxygen/ Aerosol Therapy:** We provide an extensive assortment of products covering almost any requirement in oxygen- and aerosol therapy from low-flow oxygen treatment to high performance medication nebulization. Our products are processed using high quality materials with the maximum possible accuracy enabling us to meet high levels of safety, functionality and reliability.

Our key ICU products include open suction products, oxygen therapy, ET tubes and sample collection products.

Operating Room products. Our OR product portfolio includes a range of disposable medical devices for use in surgeries. Patient safety and efficiency in the operating room are critical to a surgical practice. Our surgical devices help surgeons and nurses complete everyday procedures safely and efficiently. To help the surgical team meet these challenges, while providing the highest-quality care, our OR products range includes an innovative portfolio of disposable medical devices designed to ensure quality, safety and efficiency improvements. Our products help reduce the risk of surgical site infection, help minimize errors in handling and trauma to the patient, and offer ergonomic advantages to give surgeons greater control and comfort. Key OR products include OP suction, wound drainage, gastro-enterology and securement devices.

Electrodes. We also sell electrodes used in anesthesia, ICU, CCU and neonatal settings. Key electrode products include ECG resting, ECG short-term monitoring, and electrosurgery.

Sales and marketing

Our CCC business is targeted at ICUs, leading with our Flexi-Seal FMS product. We have established the AFI therapeutic area over the past five years and Flexi-Seal FMS has transformed fecal management in the clinical setting. Our primary customers in the AFI sub-group of our CCC franchise are acute care hospitals. Our other Continence & Critical Care products that support this call point enable us to leverage our sales and marketing efforts to ICUs. Current market share for the Flexi-Seal FMS product range is approximately 80% in the U.S. market. Recent cost pressures and census levels in all U.S. healthcare systems have had a negative impact on consumption. Development and use of a health economics tool to demonstrate the total cost benefit of this technology, coupled with the ability to effectively contain infectious waste and reduce the chance of cross-infection in the hospital setting, leads us to believe this area of focus will continue to be a growth opportunity for our company. Furthermore, we believe that the current work to develop a next generation device, offering further differentiation should continue to keep ConvaTec as the strong market leader in the United States.

Our Hospital Care products cover a wide range of applications and are used primarily in airway management and incontinence care, with other advanced products for various therapeutic areas. Our broad product portfolio enables us to have a strong position with hospital purchasers and material managers. For direct sales, we focus on creating and maintaining strong relationships with customers and key healthcare decision makers. For distributor sales we target strong independent distributors with similar call point focus for regions without critical sales mass. Our primary customers in the Hospital Care sub-group of our CCC franchise are acute care hospitals, in particular, operating rooms and intensive care departments.

Competition

We are the global market leader in the production of fecal incontinence management systems market with an estimated approximately 80% market share in 2009. Our Flexi-Seal FMS product, launched in 2004, is significantly larger by sales than the products marketed by Bard and Hollister, our primary competitors. Currently Flexi-Seal FMS and the products marketed by Bard and Hollister are the only advanced solutions on the market for AFI.

The competitive landscape in the Hospital Care sub-group includes both large medical technology companies, as well as smaller niche players. The global, large and diversified players, such as 3M, Bard, B. Braun and Teleflex, have strong positions in most franchises and markets, whereas the smaller niche players, such as Pennine Healthcare (OR) and Leonhard Lang (electrodes), tend to provide product ranges with a specific focus on certain franchises and product sub-groups. Low cost providers from Asia are entering the European market, but currently have a very limited share of the market and often have a limited product offering.

Infusion Devices/Industrial Sales

Our Infusion Devices/Industrial Sales franchise comprises two businesses: Infusion Devices and Industrial Sales.

Infusion Devices products

We sell disposable infusion sets for the treatment of diabetes to leading insulin pump manufacturers. An insulin pump is an external, computer-controlled device allowing diabetes patients to get continuous delivery of insulin to the body. Infusion sets are the disposable part connected to the pump via tubing and injected into the patient's body, allowing the insulin to be delivered subcutaneously.

Insulin pumps are sold to an installed base of approximately 660,000 type 1 diabetes patients to whom the purchase of such devices represents a regular and non-elective spend. End-users tend to be loyal and pump manufacturers themselves have long-term relationships with their suppliers.

We supply infusion sets to insulin pump manufacturers, who then sell the infusion sets together with the pumps to the diabetes patients. Greater than 95% of our net sales in the Infusion Devices franchise are centered on the four leading global insulin pump manufacturers, who collectively represent most of the insulin pump market. Our Infusion Devices franchise is focused on the most common type of insulin pump system, which is comprised of an external, electronic pump containing insulin connected to a disposable infusion set injected into the patient's body. Pumps need to be replaced every four to five years, while infusion sets are disposable and changed every three days, thus generating strong recurring revenues. We are also involved in development of projects in adjacent areas to traditional pump systems, including patch pumps, which are disposable pumps attached to the body and replaced daily, and closed loop continuous glucose monitoring systems currently under development to control blood glucose levels automatically through a connected pump and sensor system.

Insulin pumps are a well established and recognized technology for treatment of many type 1 and severe type 2 diabetes patients and compete against alternative treatments. The main advantages of insulin pump therapy, compared to other products such as insulin syringes and insulin pens, are that it offers better control of diabetes and provides greater flexibility for patients.

Our key Infusion Devices brands include Quick-set, comfort, and the inset range of products, each of which is manufactured for certain types of patients to address their specific needs.

Industrial Sales products

Our Industrial Sales products consist of the same products we manufacture and sell in the Hospital Care business of our CCC franchise, but the Industrial Sales business is a part of the Infusion Devices/Industrial Sales franchise since its business-to-business model of selling products to a few large industrial customers is closely aligned with our Infusion Devices business. We use our European and North American manufacturing capacities to provide our Industrial Sales customers with high volume, uniform and high-quality products. Our broad range of products provides one-stop shopping for many of our customers, plus we provide innovative solutions such as products made from PVC-free materials and new composites. One of our main customers, Coloplast, who is also our competitor in the CCC franchise, recently decided to in-source catheters we had been supplying. As a result, we will target new markets and customers to compensate for this loss of base business and also pursue other opportunities such as ISCs in the U.S. market. We are also pursuing private label arrangements with several major industry players.

Sales and marketing

The Infusion Devices/Industrial Sales franchise has a concentrated customer base, primarily consisting of insulin pump manufacturers, with greater than 70% of franchise sales attributable to the four leading global insulin pump manufacturers, Medtronic, Animas, Roche and Smith's, who collectively represent most of the insulin pump market. Infusion Devices/Industrial Sales also has long standing customer relations with these four manufacturers, with one dating back to 1986 and contracts with a long duration (termination notice of two years) and agreed minimum purchases.

Our sales force manages the relationships with these four leading global insulin pump manufacturers and other smaller customers. Our Infusion Devices franchise has long-term contractual relationships with these manufacturers. These relationships are strategic partnerships involving joint product development and specialized manufacturing capabilities. So far, attempts by these customers to in-source production have not been successful given their higher cost position due to lack

of scale and know-how. Furthermore, we believe that as a result of the high margin on reselling infusion sets, pump manufacturers are highly incentivized to buy at low cost from an efficient and reliable supplier such as us. As a result of Infusion Devices/Industrial Sales' strong relationship with these four key customers, all contracts have been extended to expire in 2013.

Most of our industrial sales are Urology products, which help to provide economies of scale and growth in the home healthcare sector where industrial customers have established sales force networks. Direct sales to hospitals are an important means to build relationships with both purchasers and care personnel and also reduces margin capture by distributors. Industrial sales are an attractive franchise where we have a strong position with the main European customers. The majority of our industrial sales are based on two customer relationships, giving us a preferable contractual and competitive position due to a notice period of one to two years and customer relationships of approximately five to seven years.

Competition

The infusion pump market consists of a small number of key players, and we are the market leader with a significant market share as of December 31, 2009. We believe we are the leader in value, quality and cost, resulting in established positions with the key pump manufacturers. Our competition in the infusion devices market mainly consists of contract manufacturers.

Several of our infusion pump customers have previously attempted to establish their own in-house production of infusion sets, but all attempts to date have been unsuccessful, as unit costs have been too high. Recently, several clients have further outsourced their production to us following a recognition that we could more efficiently manufacture infusion sets in terms of cost and reliability.

Distribution channels

United States

In the United States, we have three separate sales groups for three franchises: Ostomy Care, Wound Therapeutics, which includes acute and alternate site care facilities and a specialist team focused on negative pressure wound therapy, and CCC, specializing in selling the Flexi-Seal brand. All sales groups are supported by the Wound Therapeutics/CCC or Ostomy Care marketing teams, the Customer Interaction Center ("CIC"), the corporate account group and the professional education group.

Predominantly, we sell our products to distributors rather than directly to healthcare providers or consumers. We record purchases of our products by customers from these channel partners as redistributed sales, which serves as the primary gauge of product demand.

To ensure consistent product availability for GPOs and other channel partners making purchase decisions, we employ a corporate accounts group. The group's sole purpose is to develop strong relationships with GPOs and manage the order process so as to maximize the volume and pricing of our product purchases. The corporate accounts group facilitates sales by solidifying existing relationships and establishing new contractual agreements at the institutional level. In addition, our sales force develops relationships with physicians and nurses who have significant influence on the product selection process while patients are in the hospital. One of our key objectives is to help hospital executives avoid paying penalties under Medicare, such as penalties associated with patient readmittance to the hospital for the same diagnosis or preventable infections.

A key component of our U.S. sales effort is the CIC. The CIC serves as a resource for healthcare providers and consumers to ask product-related questions, receive assistance in solving problems, facilitate product sampling and serve as a network to hear and respond to customer experiences. Importantly, the CIC also serves as an outbound launch point to enhance new patient capture efforts, with ostomates' names collected via the "Starter Kit" program that is initiated in the post-surgical hospital setting. In the Wound Therapeutics franchise, the CIC also aids in extending the reach of our sales teams into various healthcare centers. We are currently trying to capitalize on more venues in the hospital setting, such as ICU and OR, to increase the use of our product portfolio throughout the institutions.

United Kingdom

We sell products in the United Kingdom primarily through distributors/wholesalers, directly to hospitals and directly to consumers through our home delivery service (AmCare). Our 135 sales team members target physicians, nurses and healthcare centers to generate in-market demand. A specialized sales force serves in both the primary and secondary care

markets with unique teams dedicated to the wound care and ostomy care franchises. We also have a dedicated team in the United Kingdom to target ICUs, Burn Units and orthopedic surgeons for the detailing of Flexi-Seal FMS, AQUACEL Ag and AQUACEL Ag SURGICAL. The United Kingdom is our largest sales territory outside the United States.

Germany

In Germany, we sell through wholesalers, directly to pharmacists (known as bandagists) and hospitals and through third-party home delivery services to provide products directly to consumers. Our German sales team consists of 87 people. This specialized sales force serves both the primary and secondary care markets, with a separate infrastructure for Ostomy Care, Wound Therapeutics and CCC. Most of our sales in Germany are to bandagists, followed by pharmaceutical wholesalers, home care providers and the remainder through hospital or bandagist wholesalers.

Italy

We sell products in Italy through distributors/wholesalers and directly to hospitals, bandagists, general contractors and nursing homes. Our Italian sales team consists of 67 salespeople with a separate infrastructure for Ostomy Care and Wound Therapeutics.

France, Japan and Spain

Across France, Spain and Japan we have a total of over 200 sales representatives. All our sales representatives in France and Spain as well as certain representatives in Japan are responsible for selling our entire product portfolio.

Distribution centers

Over the past 2 years, we have reduced the number of distribution centers we use to distribute products worldwide by 5%. We currently distribute our products through 27 distribution centers, which are generally owned by third parties. We also employ a network of other external distributors for approximately 35 smaller countries. In addition, we own AmCare, which is a United Kingdom dispensing appliance contractor that allows us to distribute products directly to ostomates in the United Kingdom. We have recently invested in a Singapore regional distribution center to serve Asia/Pacific customers and a regional distribution center to support Middle East & Africa.

We also have a facility in Schaffhausen, Switzerland which was established in June 2009 and commenced operations in October 2009. Functions in Schaffhausen include EMEA regional management, EMEA logistics and distribution management and global supply chain central planning as well as all supporting functions such as human resources, quality, finance, marketing and customer service for some of the European markets. The distribution operation manages and owns inventory in regional distribution centers located in Germany, Poland, France, Italy, Spain, Sweden and Singapore.

Suppliers

We rely on more than 2,000 suppliers for the components and materials required for the production of our products, amounting to an annual spend of approximately \$630 million. Out of this total, we spend more than \$100,000 with each of 189 suppliers, which represents 64% of the total spend. We directly manage procurement of all key materials for our franchises. Wherever possible, we attempt to source materials from multiple suppliers. However, some key components and raw materials are from a single source. For products that are currently sourced from a single supplier, we are actively identifying and qualifying alternative sources. Historically, we have not been impacted by major supply disruptions.

Manufacturing

Over the past three years, our global manufacturing and supply chain network strategy has focused on four core elements. These include:

- Driving a global network (leveraging low cost locations; optimizing overhead, tax, distribution equation; and outsourcing non-core processes);
- Process technology & capacity investment (invest in growth; process consolidation);
- Strategic sourcing (category management; supply network optimization; design for procurement); and

- Lean/Sigma (embedding a sustainable culture of Lean/Sigma into the manufacturing network).

Our global manufacturing and supply chain functions have been designed to support the requirements of our business. We have a global network of 12 manufacturing facilities across nine countries, each with its own specialized capabilities reflecting the unique attributes of each of our franchises and diverse product portfolio. This core manufacturing capability is supported by third-party contract manufacturers and linked to a reliable supply chain and broad distribution network. The overall system configuration is relatively simple and has enabled us to meet the production expectations of our customers, while maintaining a high level of product quality, preserving sufficient operational flexibility, and improving productivity and overall profitability.

We have manufacturing and warehouse facilities located in Deeside (U.K.), Rhymney (U.K.), Greensboro (U.S.), Haina (Dominican Republic), Stonehouse (U.K.), Minsk (Belarus), Michalovce (Slovakia), Herlev (Denmark), Sungai Petani (Malaysia), Osted (Denmark) and two plants in Reynosa (Mexico). Our plants are generally aligned to franchises as follows:

Manufacturing facility	Ostomy Care	Wound Therapeutics	CCC	Infusion Devices
Haina (Dominican Republic)	X			
Greensboro (U.S.)	X	X		
Deeside (Wales, U.K.)	X	X	X	
Rhymney (England, U.K.)		X		
Osted (Denmark)				X
Reynosa ID (Mexico)				X
Sungai Petani (Malaysia)			X	
Minsk (Belarus)			X	
Michalovce (Slovakia)			X	
Reynosa HC (Mexico)			X	
Herlev (Denmark)			X	
Stonehouse (England, U.K.)			X	

Our Rhymney (U.K.) and Herlev (Denmark) facilities have more specialized capabilities and make intermediates which are then used in our other manufacturing facilities. For example, our AQUACEL Ag fabric is produced in Rhymney, which specializes in the production of Hydrofiber Technology, and then is sent to Deeside for the manufacturing and packaging of finished dressings. In general, capacity in our manufacturing facilities supporting Infusion Devices and Ostomy Care is generally fully utilized and focus is on adding capacity to support growth. Excess capacity is available for some products within Wound Therapeutics. In our facilities supporting CCC, we have available capacity to support further growth (mainly due to our customer Coloplast’s recent decision to in-source production of catheters).

In addition to the manufacturing facilities we operate, we rely on approximately 26 third-party contract manufacturers, which enable us to extend our manufacturing capacity beyond our core production assets in a cost efficient manner, while also leveraging outside expertise in specialized areas and functions. We select third-party manufacturers based on their capabilities, quality, and cost effectiveness through our strategic sourcing process. All suppliers must pass quality and environment, health, and safety audits. Contracts are typically for three years and may or may not contain fixed or indexed pricing.

Virtually all production of skin care products is outsourced to two key contractors, as we do not have internal capability to produce liquids, creams and ointments. The production of Flexi-Seal FMS catheters is outsourced to two third party manufacturers while the associated pouches are produced at Haina. In addition to the production of these discrete franchises, third-party contractors are relied upon for the production of certain ostomy products, stitch-bonding of wound therapeutics products and for manufacture of negative pressure devices. We also use third-party manufacturers for the production of subcomponents for our Infusion Devices, Ostomy Care and CCC products. Third-party contract manufacturers accounted for approximately 10% of our annual cost of goods sold budget for 2010.

Research & development

Our Global Research & Development (“**GR&D**”) department is organized under our Global Science & Innovation (“**GS&I**”) division. GS&I also encompasses medical affairs, regulatory affairs, quality management, environmental health and safety, occupational health and operations.

GR&D's capability has been important to our historical success and our reputation as a leader in product innovation. Since our formation, GR&D has consistently introduced medical product advances, first in ostomy, then in wound care and most recently in AFI. We pioneered hydrocolloid adhesives technology, which improved ostomy care in the late 1970s. Our SURFIT Natura, System 92S and Esteem ostomy system brands continue to account for significant sales. Wound dressings such as DuoDERM, based on similar hydrocolloid technology, were then important in establishing and developing advanced moist wound care products in the early 1980s. We co-developed Hydrofiber Technology with an industry partner in 1995. Hydrofiber Technology is the basis of AQUACEL, which we launched in 1996. AQUACEL Ag, a silver ion containing version of the product launched in 2002, is currently a leading antimicrobial wound dressing. We also developed Flexi-Seal FMS, which is currently our fastest growing new product. Additionally, our R&D group has developed and launched ConvaTec Moldable Technology for ostomy care and Versiva XC, the world's first "gelling foam" wound dressing.

Our recent innovations include the launch in 2010 of Vitala, a non-invasive, pouchless ostomy device that provides temporary continence to people with a colostomy. Just days after the FDA granted 510(k) clearance to market Vitala, this innovative product was awarded a prestigious Medical Design Excellence Award for 2010. In March 2010, we announced the launch of AQUACEL Ag SURGICAL cover dressings in the United States for the post-operative care of surgical incisions. Featuring our patented Hydrofiber Technology combined with skin-friendly hydrocolloid technology, the unique construction of AQUACEL Ag SURGICAL cover dressings provides a waterproof, viral and bacterial barrier that allows for flexibility and extensibility during body movement with Hydrofiber Technology to absorb and lock in fluid and harmful bacteria.

We continue to be dedicated to improving patient quality of life by delivering innovative technologies. We also strive to create products and services to make clinicians' daily jobs easier. As part of this, in 2010, we announced the launch of our newest addition to our Hydrofiber Technology dressings, the narrow size of AQUACEL Ag Ribbon Dressing with Strengthening Fiber. Benefits include the ability to kill a wide range of pathogens. The dressing may be left in place for up to seven days and helps to reduce pain on dressing removal. The dressing is particularly designed for the treatment of deep cavity wounds, such as fistulas and abscesses. Lastly, we began the launch of Phoenix, a new portfolio of pouches, in 2010. Our objectives with Phoenix are to upgrade and standardize our core brand pouches to best in class as well as create a flexible manufacturing platform for future flexible, efficient life cycle management.

In addition to new product development, our GS&I division strives to optimize the life cycles of innovative products in our existing portfolio by enhancing features and leveraging technologies across our franchises. In particular, we are focusing on technologies in the areas of infection prevention, diagnosis and therapy, new generation adhesives, and flexible balloon catheter technology.

GR&D's activities are primarily conducted at our facilities in Skillman (New Jersey), Deeside (United Kingdom) and in Denmark for the Infusion Devices and Hospital Care franchises. We have approximately 104 dedicated R&D professionals. The R&D facilities in Skillman are largely focused on Ostomy Care and certain other innovative technologies, such as our CCC franchise. The Skillman facility has a dedicated R&D team with competencies in adhesive science and engineering, polymer science and engineering, injection molding and mechanical engineering. The Global Development Center in Deeside is largely focused on the Wound Therapeutics franchise. This unit in particular has developed a strong reputation among key opinion leaders as one of the leading wound care research institutes worldwide for the advancement of patient care through scientific understanding. This facility also has a pilot plant and clean room capabilities for the production scale up and manufacturing of sterile medical products, with full documentation and testing support.

GR&D also works with a network of universities, hospitals and industry partners in Europe, the United States and Asia in both basic and applied research. Our rationale for this collaboration is that the broad technical and scientific base which underpins our franchises will not be entirely served with internal R&D only. Examples of external collaboration include research and development in diverse areas, such as advanced microbiology, polymer chemistry, haemodynamics and new materials for advanced wound care, ostomy and other new medical applications.

Our R&D expense (which includes all GS&I functions) was \$60.2 million and \$37.7 million for the year ended December 31, 2009 and the five months December 31, 2008, respectively, or 3.9% and 6.0% of our net sales for the corresponding periods.

In the last three years, our total R&D expense for the Ostomy Care, Wound Therapeutics and CCC franchises has generally been split equally between the development of product enhancements in support of our existing portfolio of products and development of new strategic pipeline opportunities. The split of our R&D expense by franchise changes over time dependent on the quantity, type and stage of development of projects in the pipeline.

We continue to proactively supplement our internal development efforts with targeted scouting initiatives for innovative products in the relevant areas of our business to accelerate commercial growth.

Intellectual property

We hold an extensive portfolio of patents and trademarks across our key geographies. We aggressively establish and maintain our rights, and assess our risks, with respect to our intellectual property. We file and maintain patents and patent applications in those countries in which we have, or desire to have within the next ten to 15 years, a strong business presence, and in which adequate patent enforcement is projected to be available within that timeframe.

The majority of our patents are related to key technologies, compositions, processes or product features, and many of our key products have patent protection. We also have licenses to issued patents and patent applications that cover certain of our products and technologies. Our proprietary Hydrofiber Technology is protected by a variety of issued patents, the earliest of which does not expire until the end of 2012. We also have issued patents covering many elements of our Ostomy Care products and Infusion Devices product portfolio.

Our commercial success will depend in part on obtaining and maintaining patent protection and trade secret protection of our current and future products and the methods used to manufacture them, as well as successfully defending these patents against third-party challenges. Our ability to stop third parties from making, using, selling, offering to sell or importing our products depends on the extent to which we have rights under valid and enforceable patents or trade secrets that cover these activities. There can be no assurance that our pending patent applications will result in issued patents.

We believe that our patents, the protection of discoveries in connection with our development activities, our proprietary products, technologies, processes and know-how and all of our intellectual property are important to our business. All of our brand products, such as AQUACEL and DuoDERM, are sold under trademarks. We rely on trade secrets, non-patented proprietary know-how and continuing technological innovation, where patent protection is not believed to be appropriate or attainable.

We also rely on confidentiality agreements with our employees, consultants and other parties to protect, among other things, trade secrets and other proprietary technology. There can be no assurance that these agreements will not be breached, that we will have adequate remedies for any breach, that others will not independently develop equivalent proprietary information or that other third parties will not otherwise gain access to our trade secrets and other intellectual property.

We may find it necessary to initiate litigation to enforce our patent rights, to protect our intellectual property or to determine the scope and validity of the proprietary rights of others. If any of our products or technology is covered by third party patents or other intellectual property rights, we could be subject to various legal actions. We cannot assure you that our technology and products do not infringe patents held by others or that they will not in the future. Litigation is costly and time-consuming, and there can be no assurance that our litigation expenses will not be significant in the future or that we will prevail in any such litigation. See “—Legal proceedings” below.

Healthcare reimbursement policies

Overview

Our wound and ostomy portfolios are subject to reimbursement policies in each of the countries in which these products are currently sold. Our Infusion Devices are also subject to reimbursement policies, and currently enjoy the benefits of strong, fixed reimbursement schemes. Increasingly, global healthcare systems have sought ways to limit costs, placing increasing downward pressure on the prices of many of our products as well as pressure on medical device manufacturers to deliver differentiated products with cost-effective benefits to patients. Coverage and reimbursement in international markets vary significantly by country, and by region in some countries, and include both government-sponsored healthcare and private insurance.

Global healthcare reforms are focused on reducing costs and improving efficiency. Third party payors are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement for medical products and services. Cost reduction initiatives include competitive bidding programs, commissioning of products, reorganization of tender processes, new procurement models, capped reimbursement and contracting, prescribing guidelines, and a move towards traditional, less-expensive first-line treatments. New payment models include risk sharing reimbursement models, local provider arrangements, accountable care organizations, gainsharing, payment bundling, episodic payments, and payment-by-results programs. Programs to improve quality and efficiency include quality measures and report cards, heightened scrutiny and penalties for hospital acquired infections or conditions, supplier accreditation, and increased investment in health information technology. Higher evidence thresholds for product effectiveness involve value-based purchasing, comparative randomized controlled trials, patient registries to facilitate outcomes studies, comparative effectiveness research, adaptive study designs, and health technology assessments.

In response to these global reimbursement challenges, we have established a functional expertise in government affairs and reimbursement to sustain and improve patient access to products demonstrated to have socio-economic and clinical benefits. A proactive approach to managing payer issues sustains and enhances both patient access and the value of our portfolio.

United States

In the United States, citizens secure medical insurance through either employer- sponsored private plans or government-sponsored programs. Private plans, covering roughly 65% of individuals in the United States, may either provide coverage under an indemnity plan, covering a fixed percentage of medical costs, or through a managed care plan, utilizing either a broad (PPO) or narrow (HMO) network of contracted healthcare professionals. Government-sponsored programs, such as Medicare and Medicaid, offer coverage for elderly and indigent patients, respectively, financed through payroll taxes, insurance premiums and government borrowing.

Medicare, a federally sponsored health insurance program, currently covers 39 million beneficiaries who are over the age of 65 and another 8 million who are disabled or have end-stage renal disease. Medicare provides insurance coverage for hospital services, outpatient care, home care and physician services. It also provides reimbursement of prescription drugs and durable medical equipment and medical supplies purchased outside of the hospital setting. Beneficiaries subscribe to either the original fee-for-service Medicare program or Medicare Advantage program that utilizes a managed care model.

Medicaid, a joint federal and state program, offers hospital and physician coverage to indigent elderly, blind and disabled, and low income families with dependent children. Medicaid medical services are reimbursed via a fee-for-service or managed care system. The majority of Medicaid beneficiaries today are enrolled in managed care Medicaid programs. Additionally, some patients may qualify for both Medicare and Medicaid (dual eligible) in which case Medicare is the primary payer and Medicaid covers select services not traditionally covered by Medicare. The majority of “dual eligibles” are nursing home residents.

In 2009, there were 49 million people enrolled in Medicaid. Since the start of the U.S. recession in 2008, enrollment has increased significantly and is expected to grow further as coverage mandated by the Patient Protection and Affordable Care Act (“PPACA”) is extended to millions of uninsured individuals. The Medicare and Medicaid programs are at the forefront of health reforms in the United States. The table below describes the reforms we are working on that impact our business.

Recently passed healthcare reform legislation in the United States is accelerating changes in healthcare delivery. This comprehensive legislation passed in early 2010 was designed to expand coverage of the uninsured, improve quality of care, and reduce overall health spending. We believe that rather than a true sea change, the new law primarily represents an acceleration and funding of programs that are already in place, have been proposed or are currently in demonstration projects. Nonetheless, the comprehensive set of reforms encompass a range of new provider payment models, quality measures, and reimbursement requirements, including gainsharing, accountable care organizations, payment bundling, comparative effectiveness research, and the establishment of the Independent Payment Advisory Board (IPAB). The medical device tax contained within the comprehensive health reform law imposes a tax on the sale of taxable medical devices by a manufacturer, producer, or importer equal to 2.3% of the sales price. In addition, a competitive bidding program replaces existing Medicare Part B fee schedule amounts with market-based prices. Under the program, suppliers of DME compete to become Medicare contract suppliers by submitting bids to furnish certain items in competitive bidding areas. Round 1 of the program reduced fees by an average of 32% as compared to the current Medicare fee schedule. These new prices will be effective January 1, 2011 in nine areas of the United States.

In the evidence thresholds arena, CMTP, a Health Technology Assessment company closely aligned with CMS, has created wound technology evidence guidelines that call for significant investment by manufacturers in generating clinical evidence to support coverage and reimbursement of new and existing technologies.

Fiscal pressure on state budgets is forcing legislatures to consider elimination of Medicaid coverage of “optional benefits,” which include ostomy supplies and wound dressings. Caps on annual reimbursed amounts have also been proposed. Approximately 20% of all state Medicaid programs now reimburse ostomy at less than the 85% threshold.

United Kingdom

The United Kingdom has a socialized healthcare system known as the National Health Service (“NHS”), which is financed by taxes and is free to the population. Of the approximately £104 billion allocated to NHS annually, most is deployed regionally and must cover all its expenses. The United Kingdom utilizes both a prescription system for primary care (in the community) and a procurement system in the secondary care (hospital) setting.

Under the primary care system, wound care and ostomy products must be listed as an approved product (meaning the product has attained the CE mark, has been declared cost-effective, and appropriate for prescribing by a general practitioner (“GP”)). Both franchises’ products are categorized with pricing referenced to like products. However, only wound care products are subject to the secondary care reimbursement in the United Kingdom, while ostomy products are provided free of cost to hospitals.

The procurement of wound care products is now more frequently being coordinated by large purchasing consortiums, known as Collaborative Purchasing Hubs (“CPH”). These are regional purchasing organizations, each representing a group of Primary Care Trusts, which were established to accelerate savings through collaborative purchasing for their member trusts. CPHs were introduced as a means to achieve savings for partners trusts, further develop clinical governance and sharpen procurement focus. These hubs are incentivized by a contract agency under the NHS (NHS Supply Chain) to use the NHS network through competitive bidding processes. The goal of the NHS is to effectively prevent widely disparate costs between the primary and secondary markets.

The Conservative/Liberal Democrat coalition government in the UK is expected to make radical changes to the way the NHS is organized and the way NHS funds are spent. In July 2010, the coalition published a white paper titled “Equity and Excellence: Liberating the NHS,” a comprehensive document touching on all aspects of NHS reform, from patient choice to service delivery. Key points included plans to create a patient- and carer-focused organization, achieve world-class quality and outcomes, eliminate unsafe and substandard care, eliminate discrimination and inequalities, transfer greater power to clinicians while allowing for innovation and incentivizing best practices, increase public input in NHS administration, improve interaction between service providers across the UK, increase efficiency, and reduce political interference. In addition, the white paper described plans to abolish primary care trusts and strategic health authorities and the creation of a new NHS Commissioning Board.

Other countries

We are facing a myriad of current healthcare policy issues in EMEA impacting our business and technologies. For example, the European Commission is reviewing the regulatory affairs of devices to ensure that it adequately protects citizens and also considering making a number of changes to the legal framework for medical devices. Reforms in EMEA present both opportunities and challenges for manufacturers. We are actively tracking these issues and working directly with governments and through trade associations to positively impact the outcomes of these reform measures on patient access to our technologies.

Germany has a universal multi-payer system with two main types of health insurance: public health insurance (*Gesetzliche Krankenversicherung*) and private insurance (*Private Krankenversicherung*). Both systems struggle with the increasing cost of medical treatment and the changing demography. Approximately 87% of the population are members of the public Statutory Health Insurance (“SHI”) system, while around 10% are covered by private insurance (as of 2006). Less than 3% of the population is without coverage. All salaried employees must have public health insurance. Only public officers, self-employed people and employees with a large income above approximately €50,000 (adjusted annually) may join the private system. In the public system, the premium is set by the Federal Ministry of Health based on a fixed set of covered services as described in the German Social Law, which limits those services to “economically viable, sufficient, necessary and meaningful services.”

The German system is a “pay as you go” system with no saving for an individual’s higher health costs with rising age or existing conditions. Reimbursement in Germany is characterized by a high degree of decentralization and an extensive framework of government regulations. Spending results mainly from regional or local agreements between healthcare providers and reimbursers with funding provided through insurance premiums paid by employers and employees. Recent elections were a setback to healthcare reform efforts, and federal spending deficits are forcing reductions in healthcare spending and increases in individual income taxes. Ostomy contracts between bandagists and SHI Funds now impact 50% of the ostomy population.

In Spain, a national system guarantees welfare entitlement (both specialized and primary) care through a socialized system. Medical devices are reimbursed in two ways: reimbursement for off-the-shelf medical devices sold through pharmacies and reimbursement for orthoprosthetic devices sold through orthoprosthetic establishments. Healthcare funds come from compulsory “social insurance” and state healthcare transfers. A public purchasing system meets healthcare needs mainly through public tenders. The Spanish government recently enacted austerity measure to reduce the prices of healthcare products by 7.5% for devices obtained by over-the-counter prescription (also known as med-tech aids, which include ostomy products). A new decree (Royal Decree of margins for Medical Devices) also mandates cuts in distribution mark ups. The Spanish government has also moved to implement a national centralized purchasing plan for healthcare products.

Italy has a tax-funded universal healthcare system called National Health Service (*Servizio Sanitario Nazionale*) (the “SSN”). The SSN covers general practice (distinct between adult and pediatric practice), outpatient and inpatient treatments, and the cost of most (but not all) drugs and sanitary wear. The government sets fundamental levels of care (*Livelli essenziali di assistenza*) (“LEA”), which cover all necessary treatments, which the state must guarantee to all for free or for a “ticket,” which covers a share of the costs (but various categories are exempted). The public system has also the duty of prevention at place of work and in the general environment. A private sector also exists, with a minority role in medicine but a principal role in dental health, as most people prefer private dental services.

Italy’s healthcare program covers 60.3 million people. Total healthcare expenditures in 2008 amounted to €135 billion, 80% of which were from public payor sources. Italy recently enacted a law to standardize and centralize purchasing and the creation of a national database of all devices with a set entry price for tenders, which has yet to be launched. Many medical technology sales are through the tender process. In Italy, medical devices of all classes, active implantable medical devices, and procedure packs and kits sold in Italy must be registered in an Italian database (*Repertorio*) administered by the Ministry of Health through its new system, NSIS. This requirement is a national regulation with no relation to the fact that the product might already be CE marked. The database includes a new list of products for reimbursement with a reference price per category, which provides an opportunity for better reimbursement prices for ostomy products, as the prior list and pricing dated from 1992. Wound dressings continue not to be reimbursed.

In France, every citizen is guaranteed healthcare coverage. Those with the lowest levels of income and those with long-term diseases such as diabetes, cancer, and AIDS pay nothing. Private insurance is mandatory for working families and their dependents. Generally, co-payments are required, though co-payments are waived for low-income patients and those suffering from diabetes, cancer, AIDS, and other long-term diseases. Private insurance usually covers the cost of co-payments. Reimbursement for pharmaceuticals and medical devices comes in two ways: “generics” where the pricing is the same for all products in this category, and “brands” which are reimbursed at a price in recognition for their innovation. Wound dressings have recently been assigned new nomenclature effective Sept. 1 2010. Our AQUACEL Ag wound dressing will be de-listed on December 31, 2012 if not renewed as a “branded” product. Ostomy and incontinence products are scheduled to be reviewed and re-evaluated in 2011. The industry submitted proposed categories and specifications June 2010, and the results of the assessment are expected mid-2011. Finally, the Hospitals, Patients, Health & Territories Bill is the first stage of the Hospital 2012 Plan, launched by French President Nicolas Sarkozy, which aims at revamping the French healthcare system. The bill aims to guarantee better and equal access to care for all French people, whatever their geographic location, and reorganizes health authority in France from hospital-centered to regional management. This reorganization may provide opportunities for positive change in post-acute policies for NPWT.

Japan has a nationalized healthcare system with no private insurance in that there are no direct payments from insurance companies to hospitals. Payment is made via three avenues: Workers Insurance (employees, civil workers, etc.), National Health Insurance (for the unemployed and those not covered by Workers Insurance), and Elderly (75+ or 65+ in the instance of certain disabilities).

Services are provided either through regional/national public hospitals or through private hospitals/clinics, and patients have universal access to any facility, though hospitals tend to charge higher for those without a referral. Public health insurance pays the majority of the cost of care and each prescribed drug. Patients are responsible for the remainder. Supplementary private health insurance is available only to cover the co-payments or non-covered costs, and usually makes a fixed payment per days in hospital or per surgery performed, rather than per actual expenditure.

Properties

We operate approximately 1.5 million square feet of manufacturing real estate across nine countries and incur total annual rental expense, across all regions, of \$11 million.

The following table lists our manufacturing facilities as well as our primary office and warehouse spaces as of the date of this Offering Memorandum:

Manufacturing facility	Area (sq ft)	Type	Lease/owned
Haina (Dominican Republic)	191,578	Manufacturing Facility	Leased
Greensboro (United States).....	144,000	Manufacturing Facility	Owned
Deeside (Wales, United Kingdom)	249,801	Manufacturing Facility	Leased/Owned
Rhymney (England, United Kingdom)	60,000	Manufacturing Facility	Leased ⁽¹⁾
Osted (Denmark)	65,000	Manufacturing Facility	Owned
Reynosa ID (Mexico)	59,180	Manufacturing Facility	Owned
Sungai Petani (Malaysia).....	138,842	Manufacturing Facility	Leased
Minsk (Belarus)	46,000	Manufacturing Facility	Owned
Michalovce (Slovakia).....	263,716	Manufacturing Facility	Leased
Reynosa HC (Mexico)	96,926	Manufacturing Facility	Owned
Herlev (Denmark).....	138,481	Manufacturing Facility	Owned
Stonehouse (England, United Kingdom)	37,602	Manufacturing Facility	Owned
Minato-ku (Japan).....	9,769	Office	Leased
Birkerod (Denmark).....	64,530	Office	Leased
Osted (Denmark)	15,311	Office	Owned
Munich (Germany)	16,381	Office	Leased
Rome (Italy).....	11,194	Office	Leased
Schauffhausen (Switzerland)	9,709	Office	Leased
Deeside (Wales, United Kingdom)	43,798	Office	Owned
Ickenham (England, United Kingdom).....	22,055	Office	Leased
Montreal (Canada).....	11,075	Office	Leased
Princeton (United States).....	18,832	Office	Leased
Skillman (United States).....	160,000	Office	Owned
Sunderland (England, United Kingdom)	9,538	Warehouse	Leased
Pallion (England, United Kingdom)	9,805	Warehouse	Leased
Hundested (Denmark).....	321,025	Warehouse	Owned
Reynosa ID (Mexico)	20,000	Warehouse	Leased

(1) We hold a long-term leasehold on this property with a term of 999 years from August 23, 2000.

Legal proceedings

We have been involved in various lawsuits, claims, proceedings and investigations that are currently pending or have been concluded in the last three years. These matters involve intellectual property, commercial, or environmental, health and safety matters. The most significant of these matters are described below. In accordance with the accounting guidance related to contingencies, we record accruals for such contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated.

There can be no assurance that there will not be an increase in the scope of the pending matters or that any future lawsuits, claims, proceedings, or investigations will not be material. We believe that during the next few years, the aggregate impact, beyond current reserves, of these and other legal matters affecting us is not likely to be material to our results of operations and cash flows or our financial condition and liquidity.

Kinetic Concepts, Inc. (KCI), et al. vs. ConvaTec Inc., Boehringer Wound Systems, LLC and Boehringer Technologies, LP

This patent infringement action is pending against us in U.S. Federal District Court for the Middle District of North Carolina and arises from our marketing and sale of the Boehringer Engenex Negative Pressure Wound Therapy System, licensed to us as of December 11, 2008. We are responsible for defense costs in the action under the licensing agreement with Boehringer, subject to provisions of the license agreement regarding the sharing of costs and liability and providing for deductibles and caps upon certain Boehringer liabilities. We and Boehringer take the position that the Engenex device is patentably distinct from the KCI device and, therefore, that it does not infringe KCI patents, and/or that the KCI patents are not valid and enforceable. A claims construction or “Markman” hearing was conducted on June 2 and 3, 2010; disclaimer arguments made by the defendants did not result in case dismissal. We intend to appeal the Markman ruling to the United States Court of

Appeals for the Federal Circuit. Two of the KCI patents in question were recently found invalid in collateral patent litigation between KCI and Smith & Nephew plc on October 19, 2010. The decision has been appealed, and a motion is pending to stay our litigation until the validity issue is settled. We anticipate that trial of the matter, should it be required, will not occur before the third quarter of 2011.

Hollister v. ConvaTec Inc.

This case was filed by Hollister in October 2010 in the Northern District of Illinois and alleges infringement of a Hollister patent issued in May 2010 that is allegedly implicated in our sale and marketing of Flexi-Seal FMS. While the complaint has been filed, we have not been formally served in the case, though we have been approached by Hollister regarding potential licensing discussions. A similar complaint by Hollister against C.R. Bard is proceeding rapidly.

Medtronic recall of certain Unomedical-produced infusion device sets

Unomedical supplies Medtronic MiniMed, Inc. (Medtronic) with Quick-set infusion sets and proprietary connectors for use with Medtronic insulin infusion pumps in diabetes care. On July 7, 2009, Medtronic determined it would recall certain of these products due to potential malfunction. Effective October 22, 2009, Unomedical and Medtronic entered into a letter of understanding constituting an agreement for the allocation between them of costs and expenses incurred by Medtronic as a direct result of the recall and for expenses which Medtronic has incurred or may in the future incur as a result of present or future product liability claims relating to the Quick-set infusion sets. With respect to the Medtronic costs of recall, Unomedical agreed to pay an amount not to exceed \$22.5 million over a period of three years. The letter of understanding is a complete release and discharge of any claims of Medtronic and Unomedical against each other relating to the subject matter of the recall. Unomedical remains responsible for its own costs related to the recall and for its own potential product liability claims. A liability amounting to \$15.6 million as of September 30, 2010 has been established related to the Medtronic recall, which is included in Other Liabilities in our consolidated balance sheets, included elsewhere in this Offering Memorandum. While we may have additional exposure beyond what is covered by the letter of understanding, we would vigorously defend any such claims and, in any event, are confident that any ultimate liability would either be covered by our product liability insurance or would not be material as a financial matter.

Insurance

We maintain insurance policies to cover risks related to physical damage to, and loss of, our equipment and properties, product liability claims and general liabilities which may arise through the course of our normal business operations. We renew most of these policies annually, and most of our insurance expenses are denominated in U.S. dollars.

We also maintain various other insurance policies to cover a number of other risks related to our business, such as director and officer cover, employment practices cover, fiduciary liability cover, and professional liability cover. In addition, we maintain insurance policies to cover various other risks such as automobile liability and physical damage cover, workers' compensation and employers liability cover, marine cargo transit cover, technology liability cover, special risk cover and crime cover, as well as general excess liability policies which reimburse us in certain situations when the limit under the applicable primary liability policy is insufficient to fully satisfy a valid claim. We believe that the types and amounts of insurance coverage we currently maintain are in line with customary practice in our segments of the medical device industry and are adequate for the conduct of our business. We cannot assure you, however, that our insurance coverage will adequately protect us from all risks that may arise or in amounts sufficient to prevent any material loss. See "Risk factors—Risks related to our business—Our business may be harmed as a result of litigation, particularly if the number of product liability claims increases significantly and/or our insurance proves inadequate."

Environmental matters

Our operations are subject to national, state and local environmental laws, regulations and other requirements, including regulations governing the generation, use, manufacture, handling, transport, storage, treatment and disposal of, or exposure to, hazardous materials, discharges to air and water, the clean up of contamination and occupational health and safety matters. For example, our research and development and manufacturing processes involve the use of hazardous and other materials subject to environmental regulation. We believe we are in material compliance with applicable environmental requirements. However, there can be no guarantee that significant costs will not be incurred for environmental matters. See "Risk factors—Risks related to our business—We could incur significant costs complying with environmental and health and safety requirements, or as a result of liability for contamination or other harm caused by hazardous materials that we use." We employ comprehensive and strict environmental, health and safety systems in our manufacturing sites and other facilities throughout the world.

Three of our four manufacturing facilities serving the Wound Therapeutics, Ostomy Care and AFI franchises are certified in Environmental, Health and Safety Management Systems. Our Deeside and Rhymney facilities are ISO 14001 certified and the Greensboro, North Carolina facility is a VPP Star Site. These three sites are periodically assessed to maintain the requirements of these programs.

On June 1, 2007, the European Union's chemical management program known as the Registration, Evaluation, Authorisation and Restriction of Chemicals, or REACH, became effective. REACH requires manufacturers and importers of certain chemicals to take steps to assess the safety of their products. We may incur additional expenses as the registration requirements of REACH are phased in through 2018.

Environmental proceedings

We are a party to proceedings and other matters under various national, state and local environmental laws, and from time to time we incur the costs of investigating and/or remediating contamination resulting from past industrial activity at our current or former sites, or at waste disposal or reprocessing facilities operated by third parties.

With respect to environmental matters for which we are responsible under various national, state and local laws, we typically estimate potential costs based on information obtained from the U.S. Environmental Protection Agency, or counterpart state agencies, other national environmental agencies and/or studies prepared by independent consultants, including total estimated costs for the site and the expected cost-sharing, if any, with other "potentially responsible parties," and we accrue liabilities when they are probable and reasonably estimable. As of September 30, 2010, we do not expect to incur, and there have been no material costs for investigation and remediation for any sites for which we may be responsible, including liabilities under the U.S. Comprehensive Environmental Response, Compensation and Liability Act and for other remedial obligations.

Mona Vale, Australia

Unomedical employed an ethylene oxide ("ETO") sterilization process at its former Mona Vale, Australia manufacturing site for the period November, 2002 through July, 2007. Following a government inspection in November of 2006, a report was rendered in May of 2007 suggesting that the ground level concentrations of ETO exceeded ambient levels. In July of 2007, Unomedical was asked to reduce the amount of sterilization cycles performed on site and then to cease ETO sterilization. It immediately complied and thereafter installed an abatement system designed to prevent any further discharges. Nevertheless, a criminal charge was filed against Unomedical under section 128(2) of the New South Wales Protection of the Environment Operations Act of 1997, contending a "failure to implement all practicable means as may have been necessary to prevent or minimize air pollution." A plea of "Not Guilty" to the charge was entered on December 19, 2008. Hearing of the matter was conducted from June 29, 2009 through July 17, 2009; on October 11, 2010, the judge entered a finding of guilt, rejecting Unomedical's defenses. We do not expect the total costs and fines related to this matter to be material.

Prior to the divestiture of the operation in April 2010, the Unomedical Mona Vale site's ETO sterilization unit operated under a license from the New South Wales Department of Environment, Climate Change, and Water ("DECCW") that required annual stack emissions of ETO monitoring. In February 2010, as part of the normal procedures for conducting this monitoring, we observed higher than expected stack emissions at the site and voluntarily shut down the sterilization unit until we can complete routine preventative maintenance and verify through retesting that stack emissions are within permitted limits. We took immediate action to notify DECCW of these actions and are awaiting their response. As part of the divestiture of the operation, we retained responsibility for environmental liabilities relating to our operations and will therefore be responsible for any potential penalties as a result of these stack emissions.

Employees

As of September 30, 2010, we had 7,980 full-time equivalent employees, of whom approximately 90% work in the manufacturing and sales areas. The majority of our employees are located in the United States, the United Kingdom, the Dominican Republic, Malaysia and Mexico, where we operate our largest manufacturing facilities.

We believe we have satisfactory working relationships with our employees and have not experienced any significant labor disputes or work stoppages in the last ten years. All U.S. employees and all employees at the Wound Therapeutics, Ostomy Care and AFI manufacturing sites are non-unionized. Some of our employees in Europe, Mexico and in the Asia-Pacific segment are covered by collective bargaining agreements that are customary for the industry or are members of labor unions.

We offer pension benefits in most countries in which we operate. Depending on the local situation and local laws, we have implemented several pension plans worldwide. For certain senior management, we also offer individual pension contracts with pension payments depending on the position and years of service. These commitments are fully covered by external funds or pension liability provisions recorded in our financial statements. All our external funding complies with local minimum funding regulations.

Regulatory matters

United States

Both before and after approval or clearance, our products and product candidates are subject to extensive regulation. In the United States, we are regulated by the FDA under the FDCA as well as other regulatory bodies. These regulations govern, among other things, the following activities in which we and our contract manufacturers, contract testing laboratories and suppliers are involved:

- product development;
- product testing;
- product manufacturing;
- product labeling;
- product safety;
- product storage;
- product market clearance or approval;
- product advertising and promotion;
- product import and export;
- product sales and distribution; and
- product performance/effectiveness.

Failure to comply with the FDCA could result in, among other things, warning letters, civil penalties, delays in approving or refusal to approve a product candidate, product recall, product seizure, interruption of production, operating restrictions, suspension or withdrawal of product approval, injunctions or criminal prosecution.

FDA approval or clearance of medical devices

In the United States, medical devices are subject to varying degrees of regulatory control and are classified in one of three classes depending on risk and the extent of controls the FDA determines are necessary to reasonably ensure their safety and efficacy. These classifications generally require the following:

- Class I: general controls, such as labeling and adherence to quality system regulations;
- Class II: general controls, pre-market notification (510(k)) and special controls such as performance standards, patient registries and postmarket surveillance; and
- Class III: general controls and approval of a PMA.

Our new products fall into FDA classifications that require the submission of a Premarket Notification (510(k)) to the FDA. In the 510(k) process, the FDA reviews a pre-market notification and determines whether a proposed device is “substantially equivalent” to a previously cleared 510(k) device or a device that was in commercial distribution before May 28, 1976, for

which the FDA has not yet called for the submission of PMA applications, referred to as a predicate device. In making this determination, the FDA compares the proposed device to a predicate device or devices. If the proposed device is comparable to the predicate device(s) in intended use and safety and effectiveness, the device may be cleared for marketing. 510(k) submissions generally include, among other things, a description of the device and its manufacturing, device labeling, medical devices to which the device is substantially equivalent, safety and biocompatibility information and the results of performance testing. In some cases, a 510(k) submission must include data from human clinical studies. Marketing may commence only when the FDA issues a clearance letter finding the proposed device to be substantially equivalent to the predicate(s). After a device receives 510(k) clearance, any product modification that could significantly affect the safety or effectiveness of the product, or that would constitute a significant change in intended use, requires a new 510(k) clearance or, if the device would no longer be substantially equivalent, would require a PMA. If the FDA determines that the product does not qualify for 510(k) clearance, then the company must submit and the FDA must approve a PMA before marketing can begin or pursue the de novo 510(k) process.

Other devices we may develop and market may be classified as Class III for which the FDA has implemented stringent clinical investigation and PMA requirements. The PMA process would require us to provide clinical and laboratory data that establishes that the new medical device is safe and effective. Information about the device and its components, device design, manufacturing and labeling, among other information, must also be included in the PMA. As part of the PMA review, the FDA will typically inspect the manufacturer's facilities for compliance with the Quality System Regulation, or QSR, which governs testing, control, documentation and other aspects of quality assurance. The FDA will approve the new device for commercial distribution if it determines that the data and information in the PMA constitute valid scientific evidence and that there is reasonable assurance that the device is safe and effective for its intended use(s). The PMA can include post-approval conditions including, among other things, restrictions on labeling, promotion, sale and distribution, or requirements to do additional clinical studies post-approval. Even after approval of a PMA, a new PMA or PMA supplement is required to authorize certain modifications to the device, its labeling or its manufacturing process.

All of our devices marketed in the United States have been listed, cleared or approved by the FDA. Some low-risk medical devices (including most instruments) do not require FDA review and approval or clearance prior to commercial distribution, but are subject to FDA regulations and must be listed with the FDA. The FDA has the authority to: halt the distribution of certain medical devices; detain or seize adulterated or misbranded medical devices; or order the repair, replacement of or refund the costs of such devices. There are also requirements of state and local governments that we must comply with in the manufacture and marketing of our products.

Clinical trials

One or more clinical trials are almost always required to support a PMA application and are sometimes required to support a 510(k) submission. Clinical studies of unapproved or uncleared medical devices or devices being studied for uses for which they are not approved or cleared (investigational devices) must be conducted in compliance with FDA requirements. If an investigational device could pose a significant risk to patients, the sponsor company must submit an application for an investigational device exemption (“**IDE**”), to the FDA prior to initiation of the clinical study. An IDE application must be supported by appropriate data, such as animal and laboratory test results, showing that it is safe to test the device in humans and that the testing protocol is scientifically sound. The IDE will automatically become effective 30 days after receipt by the FDA unless the FDA notifies the company that the investigation may not begin. Clinical studies of investigational devices may not begin until an institutional review board, or IRB, has approved the study.

During the study, the sponsor must comply with the FDA's IDE requirements including, for example, for investigator selection, trial monitoring, adverse event reporting and recordkeeping. The investigators must obtain patient informed consent, rigorously follow the investigational plan and study protocol, control the disposition of investigational devices and comply with reporting and recordkeeping requirements. We, the FDA and the IRB at each institution at which a clinical trial is being conducted may suspend a clinical trial at any time for various reasons, including a belief that the subjects are being exposed to an unacceptable risk. During the approval or clearance process, the FDA typically inspects the records relating to the conduct of one or more studies supporting the application.

Post-market regulation

After a device is cleared or approved for marketing, numerous and pervasive regulatory requirements continue to apply. These include:

- the QSR regulation, which governs, among other things, how manufacturers design, test, manufacture, exercise quality control over and document manufacturing of their products;

- labeling and claims regulations, which prohibit the promotion of products for unapproved or “off-label” uses and impose other restrictions on labeling; and
- the Medical Device Reporting regulation, which requires reporting to the FDA certain adverse experiences associated with use of the product.

We continue to be subject to inspection by the FDA to determine our compliance with regulatory requirements, as do our suppliers, contract manufacturers and contract testing laboratories.

Coverage and reimbursement

Our products and services are generally purchased by healthcare institutions and providers that rely on third party coverage and reimbursement to cover the costs of the products and related patient care, depending on the setting. In the United States, third party payors may include government healthcare programs such as Medicare and Medicaid and private insurers or managed care organizations and may vary depending on where the product is used. For example, for products used in an inpatient setting, such as hospitals, the inpatient facility receives an aggregate payment based on all services and products, whereas for products dispensed for use in the home, suppliers generally receive payment for the product itself based on a fee schedule amount. Levels of reimbursement may decrease in the future, and future legislation, regulation or reimbursement policies of third-party payors may adversely affect the demand for and price levels of our products.

U.S. healthcare reform laws

From time to time, in the United States, the passage of new healthcare laws and other healthcare reform measures have significantly affected the manner in which healthcare services and products are dispensed and reimbursed. Major reform was passed in March 2010, when the President of the United States signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (collectively referred to as the “**Affordable Care Act**” or “**ACA**”). The ACA is a sweeping measure designed to expand access to affordable health insurance, control healthcare spending, and improve healthcare quality. Several provisions of the ACA specifically impact the medical equipment industry, including our business. In addition to changes in Medicare reimbursement for durable medical equipment (“**DME**”), prosthetics, orthotics and supplies (collectively, “**DMEPOS**”) and an expansion of the DMEPOS competitive bidding program, described below, the ACA imposes a new annual federal excise tax on certain medical device manufacturers and importers. Specifically, for sales on or after January 1, 2013, manufacturers, producers, and importers of taxable medical devices must pay as an excise tax 2.3% of the price for which the devices are sold.

The ACA also requires medical supply and device manufacturers to report certain payments made to physicians and other referral sources, effective March 31, 2013. Finally, the ACA establishes new Medicare and Medicaid program integrity provisions, including expanded documentation requirements for Medicare DMEPOS prescriptions written by physicians and more stringent procedures for screening Medicare and Medicaid DMEPOS suppliers responsible for dispensing these products to patients, along with broader expansion of federal fraud and abuse authorities. Although the eventual impact of the health reform provisions of the ACA are still uncertain, it is possible that the new law and implementing regulations and its guidelines will have a material adverse impact on our business.

Similarly, many states have adopted or are considering changes in state healthcare legislative and regulatory policies as a result of state budgetary shortfalls. These changes have included reductions in provider and supplier reimbursement levels under state Medicaid programs, including in some cases reduced reimbursement for DMEPOS items, and/or other Medicaid coverage restrictions. The ACA mandates an expansion of Medicaid programs so that more individuals have access to healthcare insurance, which is expected to have some positive impact on the volume of claims submitted and paid. As states continue to face significant financial pressures, however, it is possible that state health policy changes will adversely affect our profitability.

Beginning January 2011, a new competitive acquisition program for durable medical DMEPOS—commonly referred to as “the Medicare DMEPOS competitive bidding program”—will be implemented to change payments from a fee schedule for the product dispensed, to a payment derived from bid amounts that will be substituted for the fee schedule in the geographic areas impacted. This competitive bidding program was established under Section 303 of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (“**MMA**”) and requires the total amounts paid under competitive bidding to be less than the total amounts otherwise payable under existing payment formulas. The current DMEPOS fee schedule payment amounts will continue to apply to beneficiaries who do not reside in the competitive bidding areas, which are based on metropolitan statistical areas, and to items that are not subject to the DMEPOS competitive bidding program.

The first round (“**Round 1**”) of the Medicare DMEPOS competitive bidding program affected 10 jurisdictions for 10 DMEPOS product categories (including NPWT pumps and related supplies and accessories) and awarded over 329 contracts to qualified suppliers beginning on July 1, 2008. On July 15, 2008, Congress passed the Medicare Improvements for Patients and Providers Act of 2008 (“**MIPPA**”), which terminated the Round 1 supplier contracts and temporarily delayed the program. MIPPA required the Centers for Medicare & Medicaid Services (“**CMS**”) to conduct a competition for the “Round 1 Rebid” in 2009, and delayed competition for Round 2 in 70 additional metropolitan statistical areas (“**MSAs**”) until 2011 and in additional areas of the country until after 2011. MIPPA also mandated other changes to the program, such as exclusion of certain DMEPOS items (including NPWT pumps and related supplies and accessories) and areas from competitive bidding. The ACA expanded the number of Round 2 MSAs from 70 to 91 and mandated that all areas of the country are subject to either DMEPOS competitive bidding or payment rate adjustments using competitively-bid rates by 2016.

Round 2 of competitive bidding is expected to be effective in January 2013. Future inclusion of our NPWT products (or any other product) in the Medicare competitive bidding program could result in increased competition and reduced reimbursement.

U.S. fraud and abuse laws

We are subject to healthcare fraud and abuse regulation and enforcement by both the federal government and the states in which we conduct our business. These healthcare laws and regulations include, for example:

- the federal Anti-Kickback Law, which prohibits, among other things, persons or entities from soliciting, receiving, offering or providing remuneration, directly or indirectly, in return for or to induce either the referral of an individual for, or the purchase order or recommendation of, any item or services for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs;
- federal false claims laws which, prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent, and which may apply to entities like us to the extent that our interactions with customers may affect their billing or coding practices;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which established new federal crimes for knowingly and willfully executing a scheme to defraud any healthcare benefit program or making false statements in connection with the delivery of or payment for healthcare benefits, items or services; and
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws, which may apply to items or services reimbursed by any third-party payor, including commercial insurers.

If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs, and the curtailment or restructuring of our operations. Any penalties, damages, fines, exclusions, curtailment or restructuring of our operations could adversely affect our ability to operate our business and our financial results. The risk of our being found in violation of these laws is increased by the fact that many of these laws are broad and their provisions are open to a variety of interpretations. Further, the ACA, among other things, amends the intent requirement of the federal anti-kickback and criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the government may assert that a claim including items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the false claims statutes. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management’s attention from the operation of our business.

Other U.S. healthcare laws

In the United States, we may be subject to the Health Insurance Portability and Accountability Act of 1996 (“**HIPAA**”), and its implementing regulations, which established uniform standards for certain “covered entities” (healthcare providers, health plans and healthcare clearinghouses) governing the conduct of certain electronic healthcare transactions and protecting the security and privacy of protected health information. The American Recovery and Reinvestment Act of 2009, commonly referred to as the economic stimulus package, included sweeping expansion of HIPAA’s privacy and security standards. The legislation included the Health Information Technology for Economic and Clinical Health Act (“**HITECH**”), which became

effective on February 17, 2010. Among other things, the new law makes HIPAA's privacy and security standards directly applicable to "business associates"—independent contractors of covered entities that receive or obtain protected health information in connection with providing a service on their behalf. HITECH also increased the civil and criminal penalties that may be imposed and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney fees and costs associated with pursuing federal civil actions.

In addition to federal regulations issued under HIPAA and HITECH, some states have enacted privacy and security statutes or regulations that, in some cases, are more stringent than those issued under HIPAA. In those cases, it may be necessary to modify our planned operations and procedures to comply with the more stringent state laws. If we fail to comply with applicable state laws and regulations, we could be subject to additional sanctions.

European economic area

The regulation of our products in Europe falls primarily within the EEA, which consists of the twenty-seven Member States of the European Union plus Iceland, Liechtenstein and Norway, and has approximately 500 million inhabitants.

In the EEA, our devices are required to comply with the essential requirements of the EU Medical Devices Directive (Council Directive 93/42/EEC of 14 June 1993 concerning medical devices, as amended). Compliance with these requirements entitles us to affix the CE conformity mark to our medical devices, without which they cannot be commercialized in the EEA. The European standards bodies, mainly the European Committee for Standardization (CEN), have adopted numerous harmonized standards covering a wide range of devices or specific devices or device categories. Compliance with the relevant harmonized standards applicable to a given medical device provides a presumption of conformity with the essential requirements. The European Commission has adopted various guidelines, consensus statements and interpretative documents aimed at ensuring the uniform application of the provisions of the Medical Devices Directive. In order to demonstrate compliance with the essential requirements and obtain the right to affix the CE conformity mark we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low-risk medical devices (Class I non-sterile, non-measuring devices), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the Medical Devices Directive, a conformity assessment procedure requires the intervention of an independent and neutral institution appointed by a Member State of the EEA to conduct the conformity assessment (a "**Notified Body**"). Typically, the Notified Body, during the course of reviewing our product application (Design Dossier), confirms that our Quality System certifications are being upheld through ongoing assessments which are conducted separately and must be in evidence to complete the conformity assessment. Based on the same Quality System certifications, we can draw up an EC Declaration of Conformity which allows us to affix the CE mark to our products.

Further, the advertising and promotion of our products is subject to EEA Member States' laws implementing Directive 93/42/EEC concerning Medical Devices, or the EU Medical Devices Directive, Directive 2006/114/EC concerning misleading and comparative advertising, and Directive 2005/29/EC on unfair commercial practices, as well as other EEA Member State legislation governing the advertising and promotion of medical devices. These laws may limit or restrict the advertising and promotion of our products to the general public and may impose limitations on our promotional activities with healthcare professionals.

We are also subject to healthcare fraud and abuse regulation and enforcement by the countries in which we conduct our business. These healthcare laws and regulations vary significantly from country to country.

If our operations are found to be in violation of any of these healthcare laws and regulations, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from the reimbursement programs, and the curtailment or restructuring of our operations. Any penalties, damages, fines, exclusions, curtailment or restructuring of our operations could adversely affect our ability to operate our business and our financial results. The risk of our being found in violation of these laws and regulations is increased by the fact that many of these laws and regulations are broad and their provisions are open to a variety of interpretations. Any action against us for violation of these laws and regulations, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

Management

Board of directors

The persons set forth below are the current members of our Board of Directors. The address for each of the directors is 5, Rue Guillaume Kroll, L-1882 Luxembourg. The address for each of the executive officers is 200 Headquarters Park Drive, Skillman, NJ 08558, United States.

Name	Age	Position
Toni Weitzberg	60	Chairman
David I. Johnson	52	Director
David Burgstahler	42	Director
Thompson Dean.....	52	Director
Kristoffer Melinder.....	39	Director

Toni Weitzberg Toni Weitzberg is a Partner at Nordic Capital, Chairman of the ConvaTec Board of Directors and a member of our Compensation Committee. Mr. Weitzberg joined Nordic Capital in 2000 from the Pharmacia group, where he held various positions including Senior Vice President of Europe at the Pharmacia & Upjohn Group. He earned a Master of Business Administration from the University of Wisconsin and a Bachelor of Science degree in Economics and Business Administration from the University of Uppsala. Mr. Weitzberg is a member of several additional Boards of Directors, including Permobil, Nycomed (Chairman), Atos Medical (Chairman), and Synphora AB.

David I. Johnson See below under “—Senior management—executive committee.”

David Burgstahler David F. Burgstahler is a Director and member of our Audit Committee, serving on the board since August 1, 2008. He is a founding partner of Avista in 2005 and since 2009, has been President of Avista. Prior to forming Avista, he was a partner of DLJ Merchant Banking Partners. He was at DLJ Investment Banking from 1995 to 1997 and at DLJ Merchant Banking Partners from 1997 through 2005. Prior to that, he worked at Andersen Consulting (now known as Accenture) and McDonnell Douglas (now known as Boeing). He holds a Bachelor of Science in Aerospace Engineering from the University of Kansas and a Master of Business Administration from Harvard Business School. He currently serves as a Director of Armored AutoGroup, BioReliance Holdings, Inc., INC Research, Inc., Lantheus Medical Imaging, Navilyst Medical, Inc., Visant Corporation and WideOpenWest, LLC. He previously served as a Director of Warner Chilcott plc.

Thompson Dean Thompson Dean is Co-Managing Partner and Co-CEO at Avista Capital Partners and a member of our Compensation Committee. Mr. Dean was a co-founder of Avista Capital Partners in 2005. Prior to that, he led DLJ Merchant Banking Partners for 10 years as Co-Managing Partner and was Chairman of several DLJ Investment Committees. He holds a Master of Business Administration with high distinction from Harvard Business School where he was a Baker Scholar and a Bachelor of Arts from the University of Virginia where he was an Echols Scholar. Mr. Dean is currently a member of several additional Boards including IWCO, Nycomed and VWR.

Kristoffer Melinder Kristoffer Melinder, a Partner at Nordic Capital, is a Director and member of our Audit Committee. Mr. Melinder joined Nordic Capital in 1998 from JP Morgan in London. During his tenure at JP Morgan, Mr. Melinder worked in the Leveraged Finance and Advisory group. He earned a Master of Science degree in Economics from the Stockholm School of Economics and the University of Cologne. Mr. Melinder attended the Swedish Army Language School and spent one year in Bosnia as a UN-officer. Mr. Melinder is also a member of the Board of Directors for Nycomed and Atos Medical.

Senior management—executive committee

We have established an Executive Committee, which has a purely advisory role, but is not authorized to take any formal decision. It is composed of our executive board members and our senior managers. The Executive Committee’s principal functions are to assist the Board of Directors in our strategic development, assist in the creation and execution of annual operating plans and to issue recommendations to the Board of Directors on a variety of topics. Executive Committee meetings are generally held every two weeks.

The following table sets forth the members of our Executive Committee.

Name	Age	Position
David I. Johnson	52	CEO
George A. Kegler Jr.	54	CFO
Brad Barton.....	50	President, U.S. Business
John M. Lindskog	52	President, Infusion Devices
Nino Pionati	53	President, Global Marketing and Business Development
Paul Moraviec.....	52	President, EMEA
Cheryl Capps		Senior Vice President, Global Manufacturing and Supply Chain
Lucia Luce Quinn	49	Senior Vice President, Human Resources and Corporate Affairs
Marcus Schabacker	57	Senior Vice President, Science and Innovation
Anthony Tinari.....	47	Senior Vice President and General Counsel
	58	

David I. Johnson David I. Johnson is a Director and Chief Executive Officer of ConvaTec. Since joining ConvaTec in 2000, he served as Vice President, Americas; Sr. Vice President for Global Commercial Operations; and most recently, before his appointment to CEO, as President of ConvaTec. Prior to joining ConvaTec, Mr. Johnson was Vice President of the Zimmer division of the Bristol-Myers Squibb Company in Canada and Europe. In addition to his commitments to ConvaTec, Mr. Johnson lends his expertise to other organizations and charities. Currently, he sits on the Board of Directors for AdvaMed, and is also on the Board of Directors for CanTour. Mr. Johnson graduated from the Northern Institute of Technology, University of Alberta (Canada) and is a Wharton Business School Fellow.

George A. Kegler Jr. George A. Kegler, Jr. is Chief Financial Officer. In his role as CFO, Mr. Kegler maintains responsibility for our global Finance and Information Management functions. He joined ConvaTec in 2008 as Chief Financial Officer from Bristol-Myers Squibb Company where he was Vice President of Finance for the ConvaTec division prior to the sale of ConvaTec to private equity investors, Nordic Capital and Avista Capital Partners. Mr. Kegler earned a Master of Business Administration degree in Finance from Saint Louis University and a Bachelor of Science/Bachelor of Arts degree in Accounting from the University of Missouri—Columbia. He successfully completed the C.P.A. exam and is a member of the Missouri Society of Public Accountants.

Brad Barton Brad Barton is President, U.S. Business. Mr. Barton is responsible for the U.S. marketing and sales strategy of the Ostomy Care, Wound Therapeutics, and Continence & Critical Care franchises. Mr. Barton has more than 28 years of experience in sales and marketing, holding several positions throughout the company. Most recently, Mr. Barton was Vice President of the Americas where he was responsible for Wound Therapeutics in U.S., Canada and Puerto Rico. He has also served in many different marketing and distribution roles throughout the company. He joined ConvaTec in 1996 from Calgon Vestal Laboratories. Mr. Barton holds a Master of Business Administration degree from University of Phoenix and earned a Bachelor of Science in Biology from University of North Carolina.

John M. Lindskog John Lindskog is President of Infusion Devices. Based in Osted, Denmark, Mr. Lindskog develops and drives strategy for our global Infusion Devices Business Unit. He began as Product Manager at Pharma-Plast. Mr. Lindskog progressed through roles of increasing responsibility within Pharma-Plast, including Sales and Marketing Manager for Infusion Devices. His role later expanded to General Manager of the business unit, where Mr. Lindskog led a major effort to become more cost-effective by establishing an off-shore manufacturing facility in Reynosa, Mexico. When Maersk divested Unomedical, Mr. Lindskog continued in his role as General Manager, and, in 2008, was part of the team responsible for the integration of Unomedical into ConvaTec. Prior to Pharma-Plast, Mr. Lindskog held positions of increasing responsibility in marketing and account management at a number of companies in Europe. Mr. Lindskog has served as a mentor on leadership and organizational issues for the Chief Physician at Copenhagen University Hospital and participates in a number of business executive groups and networks in Denmark. Mr. Lindskog holds a Bachelors degree in Business Administration through the internal academy at the East Asiatic Company in Denmark, a Graduate certificate in Business Administration from Copenhagen Business School, and completed INSEAD’s CEDEP General Management Program in Fontainebleau, France.

Nino Pionati Nino Pionati is President, Global Marketing and Business Development. Mr. Pionati is responsible for the global marketing and business development strategy of the Ostomy Care, Wound Therapeutics, and Continence & Critical Care franchises, in addition to government affairs, and marketing operations and services. Mr. Pionati is also responsible for our Latin America and Asia Pacific segment and leads the emerging markets strategy team. Mr. Pionati has over 27 years of experience in the medical device industry. He joined ConvaTec in 1998 and served in a variety of roles of increasing responsibility, including his previous position as Senior Vice President, Global Marketing and Business Development. Prior

to joining ConvaTec, Mr. Pionati spent 15 years with Johnson & Johnson where he held numerous positions, including Vice President Services, Solutions and Professional Marketing at Johnson & Johnson Independence Technology & Vice President Marketing for Johnson & Johnson Hospital Services, along with other positions in both Johnson & Johnson US as well as Johnson and Johnson Canada. Before joining Johnson & Johnson, Mr. Pionati's other positions included Vice President, Provider Marketing at American Express and Business Director of Wound Care division at Scott Health Care. Mr. Pionati holds a Bachelor of Commerce degree in Marketing from Concordia University and a Master of Business Administration from the Joseph M. Katz Graduate School of Business at the University of Pittsburgh. Mr. Pionati serves on the Board of Advisors of the ASU Center for Services Leadership.

Paul Moraviec Paul Moraviec is President of EMEA, the company's largest geographic segment. He joined ConvaTec in 2009 from Prosurgics Limited where he was CEO from 2007 to 2009. Prior to joining Prosurgics, Mr. Moraviec held the position of Vice President, International Commercial Operations at Abbott Laboratories Diabetes Care Division. He also held positions of CEO of IIT, a U.K. medical devices start-up company, and Vice President, International Sales and Marketing at Codman, part of Johnson & Johnson's Medical Devices and Diagnostics Group. Mr. Moraviec holds a Masters degree in Marketing from Kingston University Business School in the U.K.

Cheryl Capps Cheryl Capps is Senior Vice President, Global Manufacturing and Supply Chain. Ms. Capps is responsible for 13 operations in 10 countries, as well as Global Sourcing, Supply Chain Planning, Logistics, Distribution, Customer Service Operations, Packaging, and Contract Manufacturing. Ms. Capps has more than 26 years of experience in manufacturing, supply chain, R&D, quality, finance, strategy, marketing, and general management. She joined ConvaTec in 2006 from Bristol-Myers Squibb Company and held multiple roles in sourcing and supply chain, including Vice President, Supply Chain Planning and Optimization for the Pharmaceuticals Group. Prior to that, she held positions of increasing responsibility with GE Motors and Industrial Systems, GE Aerospace, GE Medical Systems, and GE Aircraft Engine. Ms. Capps holds a Master of Science degree in Engineering from Purdue University and earned a Bachelor of Science in Electrical Engineering and a Bachelor of Arts in Psychology from Rice University.

Lucia Luce Quinn Lucia Luce Quinn is Senior Vice President, Human Resources and Corporate Affairs. Ms. Quinn oversees the human resources function, as well as corporate affairs, including corporate marketing and global communications. Ms. Quinn has more than 32 years of national and international human resources, marketing, line management, business development and communications experience. Prior to joining ConvaTec in 2010, Ms. Quinn served as Executive Vice President of Boston Scientific Global Human Resources. Ms. Quinn holds a Bachelor's Degree in Management from Simmons College and is a published professional who has received numerous industry distinctions and awards. She is a current member of the Simmons College Board of Trustees, where she served as Chair from 2004-2007. She also serves as an Overseer for the Museum of Science in Boston, MA.

Marcus Schabacker Marcus Schabacker is Senior Vice President, Science and Innovation. As Chief Scientific Officer, Dr. Schabacker has global responsibility for research and development, regulatory affairs, quality management, occupational health, environmental health and safety, medical affairs, regulatory affairs, clinical research, security, facilities and real estate, in addition to oversight of the Program Management Office and Business Risk Management Process. His organization has employees in more than 15 countries. Dr. Schabacker joined ConvaTec in 2006 from Spencer Trask, where he was a consultant. His previous experience includes senior leadership positions at ISW International, B. Braun Melsungen AG, Drägerwerk AG, and B. Braun Medical Inc., where he was Corporate Vice President, Research and Development, Regulatory and Medical Affairs, Pre-Clinical and Clinical Research and Medical Director. Dr. Schabacker's hospital-based experience includes positions with Mafikeng General Hospital in South Africa and Medizinische Universität Lübeck (The Medical University of Lübeck) in Germany. Dr. Schabacker earned a Doctorate of Medicine and a Doctorate of Philosophy in Anesthesia from the Medical University of Lübeck.

Anthony Tinari Anthony Tinari is Senior Vice President and General Counsel. In his role as Chief Legal Officer for ConvaTec, Mr. Tinari is responsible for the worldwide legal affairs of our businesses, including the management and direction of the corporate legal group, which provides legal advice and counsel for all operations. Mr. Tinari has more than 30 years of industry experience, including his previous role as Vice President and Senior Counsel to the ConvaTec division of Bristol-Myers Squibb, prior to the sale of ConvaTec to private equity investors, Nordic Capital and Avista Capital Partners in 2008. Before becoming General Counsel of ConvaTec, he held roles of increasing responsibility within the legal division of Bristol-Myers Squibb. Prior to Bristol-Myers Squibb, Mr. Tinari was a civil trial attorney with Marshall, Dennehey, Warner, Coleman and Goggin, where he concentrated in the defense of civil law, medical, and professional liability matters. Mr. Tinari graduated with honors from Duke University and the Villanova University School of Law. He is a member of the Pennsylvania Bar Association, where he is on the Interdisciplinary Committee on Medical and Health Related Issues, the Health Care Law Committee, and the In-House Counsel Committee.

Board committees

Audit Committee

The Audit Committee is responsible for the preparation of advice and resolution of accounting matters. This includes questions relating to accounting and risk management and the requisite independence of the external auditor and commissioning an external auditor to audit our annual financial statements.

The Audit Committee considers annually accounting matters and makes recommendations to the Board accordingly as well as on any area it deems needs improvement or action. The Audit Committee meets at least twice annually and more frequently if required.

The following table sets forth the current members of the Audit Committee.

Name	Position
Kristoffer Melinder	Director
David Burgstahler	Director

Compensation Committee

The Compensation Committee is responsible for the preparation of advice and resolution of compensation matters. This includes questions relating to compensation and benefits.

The Compensation Committee considers annually compensation and benefits matters and makes recommendations to the Board accordingly as well as on any area it deems needs improvement or action. The Compensation Committee meets at least twice annually and more frequently if required.

The following table sets forth the current members of the Compensation Committee.

Name	Position
Toni Weitzberg	Chairman
Thomson Dean	Director

Compensation

Compensation paid to our board of directors and committee members

None of the members of our Board of Directors receive direct compensation for their services as board members. Nordic Capital and Avista Capital Partners receive compensation under the Management Agreement. See “Certain Relationships and related party transactions.” David I. Johnson, in his capacity as chief executive officer, receives his salary.

Compensation paid to senior management

The aggregate compensation paid to our senior management members of our executive committee identified in the table under “Senior management—executive committee” above for the year ended December 31, 2009, excluding the management incentive plans described below, pension, retirement and similar benefits, was \$4.2 million.

Management incentive plans

Certain of our employees have been granted an indirect equity interest in the Company pursuant to grants of partnership interests in one or more of three limited partnerships: Cidron Healthcare MIV 1, LP (“**MIV 1**”), Cidron Healthcare MIV 2, LP (“**MIV 2**”) and Cidron Healthcare MIV 3, LP (“**MIV 3**”).

The limited partnerships hold equity interests in the Parent as follows: MIV 1 holds 0.3% of the common stock and 0.4% of the preferred equity certificates in the Parent, MIV 2 holds 8.0% of common stock in the Parent and MIV 3 holds 2.0% of common stock in the Parent.

Employees who participate in these plans have indirect equity interests that, collectively, represent a portion of one or more of these limited partnerships' holdings. See Note 16 to the 2009 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Principal shareholders

The following table sets forth certain information concerning the significant shareholders of the Group. The Issuer is an indirect, wholly owned subsidiary of the Parent. The Parent is a wholly owned subsidiary of Cidron, which in turn is wholly owned by Nordic Capital and Avista Capital Partners.

Name of shareholder	Total percentage of shares beneficially owned (%) ⁽¹⁾
Nordic Capital ⁽²⁾	69.85%
Avista Capital Partners ⁽³⁾	30.15%
Total	100.00%

(1) Nordic Capital and Avista Capital Partners ownership is shown pre-management dilution. See “Management—Compensation—Management incentive plans.”

(2) Nordic Capital Limited and Nordic Capital Fund VII.

(3) Avista Capital Partners, LP, Avista Capital Partners II, LP and their affiliated funds.

The following is a brief description of each of our significant beneficial shareholders.

Nordic Capital

Nordic Capital is a group of private equity funds creating value in its investments through committed ownership and by targeting strategic development and operational improvements. Founded in 1989, Nordic Capital was one of the private equity pioneers in northern Europe and has invested in a large number of companies operating in different sectors and regions.

Nordic Capital's core investment principles are based on a dedicated partnership with the management of its portfolio companies.

Nordic Capital and affiliates have significant experience in the healthcare sector, currently owning six healthcare companies and having previously owned a further four. They have also made four recent add-on acquisitions.

Avista Capital Partners

Founded in 2005, Avista Capital Partners is a leading private equity firm with offices in New York, New York, London, United Kingdom and Houston, Texas. Avista's strategy is to make controlling or influential minority investments in growth-oriented healthcare, energy, media, consumer and industrial companies. Through its team of seasoned investment professionals and industry experts, Avista seeks to partner with exceptional management teams to invest in and add value to well-positioned businesses.

Avista Capital Partners has significant experience in the healthcare sector, having completed nine healthcare investments since Avista closed on its inaugural fund.

Certain relationships and related party transactions

Management agreement

In connection with the acquisition of ConvaTec from BMS, on August 1, 2008, we entered into a management agreement with Nordic Capital VII Limited, a Jersey limited company (together with any investment funds managed or advised by such entity, “**Nordic**”), Avista Capital Holdings, LP, a Delaware limited partnership (together with any investment funds managed or advised by such entity, “**Avista**”), and Cidron (for purposes of this section, collectively with the Parent, CHB, Cidron Healthcare C S.à r.l, Cidron Healthcare D S.à r.l, ConvaTec Holdings U.K. Limited, ConvaTec International U.K. Limited and ConvaTec Inc., the “**ConvaTec Group**”) pursuant to which Nordic and Avista provide us and our affiliates with financial advisory and strategic planning services (the “**Management Agreement**”). Pursuant to the Management Agreement, we pay Nordic an annual fee of \$2.1 million and we pay Avista an aggregate annual fee of \$0.9 million, in each case payable in equal quarterly installments. In the event that Nordic and its affiliates hold less than 10% of the outstanding ordinary shares of Cidron, the fee payable to Nordic shall be decreased to \$0. In the event that Avista and its affiliates hold less than 10% of the outstanding ordinary shares of Cidron, the fee payable to Avista shall be decreased to \$0.

In addition, in the event of any subsequent business combination, including a sale of the business or an initial public offering of common stock (a “**Subsequent Transaction**”), we will pay to each of Nordic and Avista, on a pro rata basis in proportion to their respective equity ownership immediately prior to such Subsequent Transaction, a fee which is customary in amount for such transactions, provided that such fee is approved by the Board of Directors of Cidron and that such fee shall not exceed 2% of the transaction value of such Subsequent Transaction.

The Management Agreement shall renew automatically on an annual basis unless terminated because neither Nordic nor Avista continue to hold at least 10% of the outstanding ordinary shares of Cidron or Cidron initiates an initial public offering of equity of Cidron or its successor entity. In the event of a transaction which results in termination of the Management Agreement, the ConvaTec Group shall pay to each of Nordic and Avista a lump sum payment in an amount equal to the aggregate fee which in each case would otherwise be payable by the ConvaTec Group during the period from the closing of such transaction until the completion of the then-remaining initial term or renewal term of the Management Agreement.

Pursuant to the Management Agreement, we have also agreed to pay to or on behalf of each of Nordic and Avista, promptly as billed (i) all reasonable out-of-pocket expenses incurred by Nordic and Avista in connection with the services rendered under the Management Agreement, (ii) all reasonable out-of-pocket expenses incurred by Nordic and Avista in connection with its investment in Cidron including, without limitation, its continued ownership of shares of the capital stock of Cidron, and (iii) all reasonable and documented out-of-pocket expenses incurred by each director appointed to the board of directors of a ConvaTec Group company in connection with attending regular and special meetings of such board of directors and any committee thereof. Also, we paid certain fees to Nordic and Avista in connection with the ConvaTec Acquisition and the Unomedical Acquisition.

In the event that a payment in respect of the annual fee payable to Nordic or Avista would result in a breach or event of default pursuant to an instrument of indebtedness to which any of the ConvaTec Group companies are a party (the “**Indebtedness**”) such payment shall not be paid to the extent that the payment of such amount would result in such breach or default, but instead shall be accrued on the books of the ConvaTec Group and shall bear interest at eight percent (8%) per annum. Furthermore, pursuant to the Management Agreement, we agreed that the ConvaTec Group shall not agree to any amendment of the terms of the Indebtedness which would specifically prohibit the payment of the annual fees under the Management Agreement or impose any higher financial test ratio or other pre-condition more onerous than any terms of the Indebtedness in effect on the date of the Management Agreement. We also agreed that, in the event that any ConvaTec Group company incurs additional indebtedness, such company shall not grant in favor of the holders of such additional indebtedness a covenant or right specifically prohibiting the payment of the annual fees under the Management Agreement or imposing any higher financial test ratio or other pre-condition more onerous than is applicable to the Indebtedness.

We have also agreed (i) to indemnify Nordic, Avista and their respective affiliates, partners, directors, officers, employees, agents and controlling persons for any and all losses, suits, proceedings, demands, judgments, claims, damages and liabilities relating to or arising out of the services contemplated by the Management Agreement and (ii) to reimburse all costs and expenses in connection with any pending or threatened claim, action or proceeding arising therefrom, except where such loss is found to have resulted from the indemnified party’s willful misconduct or gross negligence.

Mandatorily redeemable preferred equity certificates

In conjunction with the ConvaTec Acquisition and the Unomedical Acquisition and related transactions, we issued Series 1, 2 and 3 preferred equity certificates (“**PECs**”) for an aggregate amount of €1,289.7 million (\$2,026.7 million) to the Parent. The terms of the PECs will be amended in connection with the Refinancing.

In accordance with their terms, the PECs are mandatorily redeemable by us upon the occurrence of certain events, including maturity on July 27, 2047 or our liquidation (which includes voluntary or involuntary liquidation, insolvency, dissolution, or winding up of our affairs). Provided that a certain consolidated leverage test is met and no Event of Default is continuing or will arise, we may also voluntarily redeem, prepay, refinance or convert into equity any or all of the PECs in cash, shares, new PECs or property subject to a specified cap.

On a redemption (whether mandatory or voluntary), the accrued but unpaid interest on the PECs shall be payable only if and to the extent that we can make any payment out of funds available net of tax, we will not be insolvent after making such payment and such payment is permitted under the agreement governing the New Credit Facilities. The par value of the PECs shall be payable only if and to the extent that we will not be insolvent after making such payment and such payment is permitted under the agreement governing the New Credit Facilities.

Although interest will continue to accrue on the PECs, following the amendment of the PECs in connection with the Refinancing, no cash payments are permitted in respect of accrued interest while any amount is outstanding under the New Credit Facilities or the Notes (other than upon redemption). With respect to payment rights, redemption and rights upon liquidation, the PECs rank in priority to our share capital but subordinate to all our other present and future obligations including the Existing Credit Facilities, the New Credit Facilities and the Notes.

The PECs are also subject to the subordination agreement described below under “—Subordination Agreement.”

The holders of the PECs do not have voting rights in respect to us by reason of ownership of the PECs. The PECs can only be transferred to other PEC holders, shareholders or affiliates of PEC holders or shareholders, and our consent is required to each transfer.

Subordination agreement

Pursuant to a Subordination Agreement between, among others, CHB, Convatec Healthcare C.S.à r.l., Convatec Healthcare D.S.à r.l. (collectively, the “**Subordinated Obligors**”), the agent on behalf of the lenders under the New Credit Facilities and the holders of the Secured Notes, and the agent on behalf of the holders of the Senior Notes (collectively, the “**Senior Representatives**”), the PECs are subordinated in right of payment to the payment in full of the obligations under the New Credit Facilities, the Secured Notes and the Senior Notes (collectively, the “**Senior Obligations**”). The Subordinated Obligors have agreed that until the payment in full of the Senior Obligations (i) in the event of any bankruptcy proceeding involving any borrower or guarantor of the Senior Obligations, no distribution in cash, securities or other property will be made to the Subordinated Obligors on account of the PECs, (ii) subject to certain exceptions set forth in the documentation relating to the Senior Obligations, distributions in cash, securities or other property to the Subordinated Obligors on account of the PECs will be restricted, (iii) no enforcement actions will be taken with respect to the PECs, and (iv) if any payments or distributions with respect to the PECs are made in violation of the Subordination Agreement, the Subordinated Obligor receiving such distribution will pay such amounts over to the Senior Representatives.

Description of certain financing arrangements

The following is a summary of certain provisions of the instruments evidencing our material indebtedness. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. For further information regarding our existing indebtedness, please see “Certain relationships and related party transactions—Mandatorily redeemable preferred equity certificates”.

New Credit Facilities

On or prior to the issuance of the Notes, we will enter into a credit agreement (the “**New Credit Facilities**”) providing for a \$500 million and €550 million term loan facility (the “**Term Loan Facility**”), a \$250 million revolving credit facility (the “**Revolving Credit Facility**”) and up to \$500 million of incremental term facilities (the “**Incremental Term Facilities**”) which will be available on the terms set out below.

The Term Loan Facility will be available to draw in U.S. dollars and euro and will be used to repay the amounts outstanding under the current Senior Facilities and the Mezzanine Facilities, including the payment of any fees and expenses in connection with the Refinancing.

The Revolving Credit Facility makes available \$250 million of committed financing of which up to \$40 million will be available for utilization by way of issuance of letters of credit and up to \$25 million as swingline facilities under which we may make short-term borrowings. Borrowings under the Revolving Credit Facility will be used to finance our general corporate and working capital needs and will be available for drawing in USD, EUR, GBP and DKK.

We also have the ability to enter into up to \$300 million Incremental Term Facilities for drawing in U.S. dollars and euro provided we satisfy certain criteria, including requirements that the weighted average life-to-maturity falls outside ultimate maturity date, that the interest rate on the incremental loans is within 0.50% of the interest rate on the Term Loan Facility and that the ratio of Secured Indebtedness (as defined in the agreement governing the New Credit Facilities) to Consolidated EBITDA (pro forma for the incurrence of such facilities) does not exceed 3.85x. We will also have the opportunity to increase the amount of Incremental Term Facilities available to us by \$200 million, provided that amongst other things our ratio of Secured Indebtedness (as defined in the agreement governing the New Credit Facilities) to Consolidated EBITDA (pro forma for the incurrence of such facilities) does not exceed 3.50x.

The original borrowers under the New Credit Facilities will be ConvaTec Inc., ConvaTec Dominican Republic, Inc., ConvaTec Limited, ConvaTec Holdings UK Limited, ConvaTec (Denmark) ApS, Papyro-Tex A/S, Unomedical A/S, and the Issuer. The New Credit Facilities will be guaranteed by each of the borrowers, the Issuer, and the other Guarantors of the Notes. Both the collateral agent and the administrative agent (the “**Administrative Agent**”) under the New Credit Facilities will be JPMorgan Chase Bank, N.A.

Repayments and prepayments

Any loans drawn under the Term Loan Facility will be repayable in equal quarterly installments in an aggregate annual amount equal to 1% of the original principal amount of the Term Loan Facility. The Term Loan Facility will mature six years from the closing date of the New Credit Facilities and the Revolving Credit Facility will mature five years from the closing date of the New Credit Facilities. Any amount still outstanding under the respective facilities at such times will be immediately due and payable.

Subject to certain conditions, we may voluntarily prepay our utilizations under the New Credit Facilities in a minimum amount of \$1 million (or its equivalent) for term loans or revolving loans and \$100,000 (or its equivalent) for swingline loans. Amounts repaid under the Term Loan Facility may not be reborrowed. We may also voluntarily permanently cancel all or part of the available revolving commitments under the New Credit Facilities in an amount of \$1 million (or its equivalent) by giving three business days’ prior notice to the agent under the New Credit Facilities.

In addition to voluntary prepayments, the Credit Facility Agreement requires mandatory prepayment in full or in part in certain circumstances, including in relation to the Term Loan Facility, and subject to certain criteria, from the proceeds of asset sales, the issuance or incurrence of debt and from excess cash flow retained in the business.

Interest and fees

We expect the Term Loan Facility will initially bear interest at a rate per annum equal to LIBOR (or, for loans denominated in Euro, EURIBOR) plus certain mandatory costs and a margin of 4.25% per annum, subject to a LIBOR/EURIBOR floor of 1.5% per annum and a margin ratchet based on the ratio of Consolidated Total Debt at each quarter end to Consolidated EBITDA for the twelve months ending on that quarter end (as such terms are defined in the New Credit Facilities).

We expect the Revolving Credit Facility will initially bear interest at a rate per annum equal to LIBOR (or, for loans denominated in euro or EURIBOR) plus certain mandatory costs and a margin of 4.25% per annum, subject to a margin ratchet based on the ratio of Consolidated Total Debt at each quarter end to Consolidated EBITDA for the twelve months ending on that quarter end (as such terms are defined in the New Credit Facilities).

We are also required to pay a commitment fee of 0.75%, quarterly in arrears, on available but unused commitments under the Revolving Credit Facility.

We are also required to pay an arrangement fee, fees related to the issuance of letters of credit, and certain fees to the Administrative Agent and the security agent in connection with the New Credit Facilities.

Covenants

The New Credit Facilities will contain customary operating and negative covenants including but not limited to covenants limiting:

- incurrence of indebtedness;
- incurrence of liens;
- guarantee obligations;
- mergers, consolidations, liquidations, dissolutions and other fundamental changes;
- sales of assets;
- dividends and other payments in respect of capital stock subject to an available amount built by retained excess cash flow;
- capital expenditures;
- acquisitions;
- prepayments of debt and modifications of debt and organizational documents in a manner material and adverse to the Lenders;
- transactions with affiliates;
- changes in fiscal year;
- negative pledge clauses and clauses restricting subsidiary distributions; and
- changes in lines of business.

The New Credit Facilities will also require the Issuer, each borrower and each guarantor to observe certain customary affirmative covenants. Each set of annual and quarterly financial statements provided by us under the New Credit Facilities will include a consolidated balance sheet, profit and loss account and cash flow statement.

Financial covenants

Our financial and operating performance will be monitored by financial covenants, which require us to ensure that the ratio of Consolidated Total Debt to Consolidated EBITDA and the Consolidated Interest Coverage Ratio (each as defined in the agreement governing the New Credit Facilities) of the group does not exceed an agreed level and that the ratio of Consolidated EBITDA to Consolidated Interest Expense is not less than an agreed level. These financial covenants will be tested quarterly on a rolling twelve month basis.

Events of default

The New Credit Facilities will contain customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including but not limited to the following:

- nonpayment of principal when due;
- nonpayment of interest, fees or other amounts;
- material inaccuracy of a representation or warranty when made;

- violation of certain covenants;
- cross default to material indebtedness (including a cross default with respect to an Event of Default under, and as defined in, the Indentures);
- bankruptcy and related insolvency events of ConvaTec or its subsidiaries (other than immaterial subsidiaries);
- certain ERISA/pension obligation events;
- material judgments;
- actual or asserted invalidity of any guarantee, security document or subordination provisions or non-perfection of security interest;
- changes in the passive holding company status of ConvaTec Healthcare B S.à r.l., ConvaTec Healthcare C S.à r.l. or ConvaTec Healthcare D S.à r.l.; and
- a change of control.

The occurrence of an Event of Default would, subject to agreed grace periods, thresholds and other qualifications, allow the lenders to accelerate all or part of the outstanding utilizations and/or terminate their commitments and/or declare all or part of their utilizations payable on demand and/or declare that cash cover in respect of letter of credit facilities is immediately due and payable.

Governing law

The New Credit Facilities and any non-contractual obligation arising out of or in connection with it will be governed by and construed and interpreted in accordance with New York law.

Intercreditor Agreement

The Collateral Agent, the Administrative Agent, as authorized representative for lenders under the New Credit Facilities, and the Trustee, as authorized representative for the holders of the Secured Notes, will enter into an intercreditor agreement (as the same may be amended from time to time, the “**Intercreditor Agreement**”), which may be amended from time to time without the consent of the holders of the Secured Notes to add other parties (or their authorized representative) holding other indebtedness permitted to be secured on a first lien basis (together with the obligations under the Secured Notes and the Secured Indenture, “**Other First Lien Obligations**”) that is permitted to be incurred under the Secured Indenture and the New Credit Facilities and that is permitted to be secured by first priority liens on the assets and property of the Issuer and the Guarantors that secure the obligations under the New Credit Facilities (such obligations, including obligations under certain specified swap agreements and cash management agreements with lenders and their affiliates, the “**Credit Agreement Obligations**”) and the Secured Indenture (such assets and property, the “**Shared Collateral**”).

Under the Intercreditor Agreement, as described below, the “Requisite Holders” have the right to direct the Collateral Agent with respect to foreclosing upon, and taking other actions with respect to, the Shared Collateral, and the holders of each other series of First Lien Obligations will not have the right to take actions with respect to the Shared Collateral. “**Requisite Holders**” means (i) at any time the aggregate principal amount of the Credit Agreement Obligations is greater than 25% of the aggregate principal amount of the sum of the Credit Agreement Obligations and the Other First Lien Obligations (together, the “**First Lien Obligations**”), the holders of a majority of the outstanding principal amount of the Credit Agreement Obligations at such time; *provided* that at any time after the Other Authorized Representative Enforcement Date and during which the conditions giving rise to such Other Authorized Representative Enforcement Date are continuing and for so long as the Requisite Holders as determined pursuant to this clause (i) (without giving effect to this proviso) shall not have directed the Collateral Agent to commence any enforcement actions under the Intercreditor Agreement, the “Requisite Holders” shall be the holders of a majority in aggregate principal amount of the then outstanding Other First Lien Obligations and (ii) at any time the aggregate principal amount of the Credit Agreement Obligations is equal to or less than 25% of the aggregate principal amount of the First Lien Obligations, the holders of a majority of the outstanding principal amount of any then outstanding First Lien Obligations.

“Other Authorized Representative Enforcement Date” means the date which is 150 days (throughout which 150-day period the aggregate principal amount of the Other First Lien Obligations is at least 50.1% of the aggregate principal amount of the First Lien Obligations) after the occurrence of both (i) an Event of Default (under and as defined in any agreement governing any Other First Lien Obligations) and (ii) the Collateral Agent’s and each other authorized representative’s receipt of written notice from the authorized representative with respect to the agreement referred to in clause (i) certifying that (x) the aggregate principal amount of the Other First Lien Obligations is at least 50.1% of the aggregate principal amount of the then outstanding First Lien Obligations and that an Event of Default (under and as defined in the agreement governing the Other First Lien Obligations for which it is the authorized representative) has occurred and is continuing and (y) such Other First Lien Obligations are currently due and payable in full (whether as a result of acceleration thereof or otherwise) in accordance with the terms of such agreement; *provided* that the Other Authorized Representative Enforcement Date shall be stayed and shall not occur and shall be deemed not to have occurred with respect to any Shared Collateral (1) at any time the Administrative Agent or the Collateral Agent (on behalf of the Administrative Agent or the other Secured Parties (as defined in the New Credit Facilities)) has commenced and is diligently pursuing any enforcement action with respect to such Shared Collateral or (2) is then a debtor under or with respect to (or otherwise subject to) any insolvency or liquidation proceeding.

Only the Collateral Agent shall act or refrain from acting with respect to the Shared Collateral (including with respect to any intercreditor agreement with respect to any Shared Collateral), and then only on the instructions of the Requisite Holders, (ii) the Collateral Agent shall not follow any instructions with respect to such Shared Collateral (including with respect to any intercreditor agreement with respect to any Shared Collateral) from any holder of First Lien Obligations other than the Requisite Holders and (iii) no other holder of First Lien Obligations (other than the Requisite Holders) shall or shall instruct the Collateral Agent to, commence any judicial or non-judicial foreclosure proceedings with respect to, seek to have a trustee, receiver, liquidator or similar official appointed for or over, attempt any action to take possession of, exercise any right, remedy or power with respect to, or otherwise take any action to enforce its security interest in or realize upon, or take any other action available to it in respect of, any Shared Collateral (including with respect to any intercreditor agreement with respect to any Shared Collateral), whether under any agreement governing First Lien Obligations, applicable law or otherwise. No holder of First Lien Obligations will contest, protest or object to any foreclosure proceeding or action brought by the Collateral Agent or any other exercise by the Collateral Agent of any rights and remedies relating to the Shared Collateral, or to cause the Collateral Agent to do so.

If an Event of Default (as defined in the applicable agreement governing First Lien Obligations) has occurred and is continuing, and the Collateral Agent is taking action to enforce rights in respect of any Shared Collateral, or any distribution is made in respect of any Shared Collateral in any bankruptcy case of the Issuer or the Guarantors or any holder of First Lien Obligations receives any payment pursuant to any intercreditor agreement (other than the Intercreditor Agreement) with respect to any Shared Collateral, then the proceeds of any sale, collection or other liquidation of any such collateral and the proceeds of any such distribution (subject, in the case of any such distribution, to the immediately following paragraph) to which the First Lien Obligations are entitled under any intercreditor agreement (other than the Intercreditor Agreement) shall be applied among the First Lien Obligations on a ratable basis, after payment of all amounts owing to the Collateral Agent.

Notwithstanding the foregoing, with respect to any Shared Collateral for which a third party (other than a holder of First Lien Obligations) has a lien or security interest that is junior in priority to the security interest of any series of First Lien Obligations but senior (as determined by appropriate legal proceedings in the case of any dispute) to the security interest of any other series of First Lien Obligations (such third party an **“Intervening Creditor”**), the value of any Shared Collateral or proceeds which are allocated to such Intervening Creditor shall be deducted on a ratable basis solely from the Shared Collateral or proceeds to be distributed in respect of the series of First Lien Obligations with respect to which such impairment exists.

If the Issuer or any Guarantor becomes subject to any bankruptcy case, the Intercreditor Agreement provides that if Issuer or any Guarantor shall, as debtor(s)-in-possession, move for approval of financing (**“DIP Financing”**) to be provided by one or more lenders (the **“DIP Lenders”**) under Section 364 of the United States Bankruptcy Code or the use of cash collateral under Section 363 of the United States Bankruptcy Code, each holder of First Lien Obligations agrees that it will raise no objection to any such financing or to the liens on the Shared Collateral securing the same (**“DIP Financing Liens”**) or to any use of cash collateral that constitutes Shared Collateral, if the Requisite Holders support such DIP Financing or such DIP Financing Liens or use of cash collateral (and (i) to the extent that such DIP Financing Liens are senior to the liens on any such Shared Collateral for the benefit of the Requisite Holders, each other holder of First Lien Obligations will subordinate its Liens with respect to such Shared Collateral on the same terms as the liens of the Requisite Holders (other than any liens of any holders of First Lien Obligations constituting DIP Financing Liens) are subordinated thereto, and (ii) to the extent that such DIP Financing Liens rank *pari passu* with the liens on any such Shared Collateral granted to secure the First Lien Obligations of the Requisite Holders, each other holder of First Lien Obligations will confirm the priorities with respect to such Shared Collateral as set forth herein), in each case so long as (A) the holders of First Lien Obligations of each series

retain the benefit of their liens on all such Shared Collateral pledged to the DIP Lenders, including proceeds thereof arising after the commencement of such proceeding, with the same priority *vis-a-vis* all the other holders of First Lien Obligations (other than any liens of the holders of First Lien Obligations constituting DIP Financing Liens) as existed prior to the commencement of the bankruptcy case, (B) the holders of First Lien Obligations of each series are granted liens on any additional collateral pledged to any holders of First Lien Obligations as adequate protection or otherwise in connection with such DIP Financing or use of cash collateral, with the same priority *vis-a-vis* the holders of First Lien Obligations as set forth in the Intercreditor Agreement, (C) if any amount of such DIP Financing or cash collateral is applied to repay any of the First Lien Obligations, such amount is applied pursuant to the terms of the Intercreditor Agreement and (D) if any holders of First Lien Obligations are granted adequate protection with respect to the First Lien Obligations subject to the Intercreditor Agreement, including in the form of periodic payments, in connection with such DIP Financing or use of cash collateral, the proceeds of such adequate protection are applied pursuant to the Intercreditor Agreement; *provided* that the holders of First Lien Obligations of each series shall have a right to object to the grant of a Lien to secure the DIP Financing over any collateral subject to Liens in favor of the holders of First Lien Obligations of such series or its authorized representative that shall not constitute Shared Collateral; and *provided, further*, that the holders of First Lien Obligations receiving adequate protection shall not object to any other holder of First Lien Obligations receiving adequate protection comparable to any adequate protection granted to such holders of First Lien Obligations in connection with a DIP Financing or use of cash collateral.

The holders of First Lien Obligations acknowledge that the First Lien Obligations of any series may, subject to the limitations set forth in the other agreement governing First Lien Obligations, be increased, extended, renewed, replaced, restated, supplemented, restructured, repaid, refunded, refinanced or otherwise amended or modified from time to time, all without affecting the priorities set forth in the Intercreditor Agreement defining the relative rights of the holders of First Lien Obligations of any series.

Issuer Loan

Upon the issue of the Notes, the Issuer, as lender, and ConvaTec Healthcare D S.à r.l., as borrower, will enter into the Issuer Loan, pursuant to which the Issuer will lend to ConvaTec Healthcare D S.à r.l. an amount equal to the aggregate principal amount of the proceeds from the issuance of the Notes (less certain costs and expenses).

The Issuer Loan will constitute a stand-alone agreement without incorporating the terms of the Indentures.

The Issuer Loan will be made and be payable in euros and/or U.S. dollars. All amounts payable under the Issuer Loan will be payable to such account or accounts as the Issuer may designate. The Issuer Loan will be a senior unsecured obligation of ConvaTec Healthcare D S.à r.l.

The Issuer will assign its rights in respect of the Issuer Loan as security for its obligations in respect of the Secured Notes and for the borrowers' obligations in respect of the New Credit Facilities.

Description of the Secured Notes

The definitions of certain terms used in this description are set forth under the subheading “—Certain definitions.” In this “Description of the Secured Notes,” the word “**Issuer**” refers only to ConvaTec Healthcare E S.A., incorporated as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg. The phrase “**Parent Guarantors**” refers only to ConvaTec Healthcare B S.à r.l., ConvaTec Healthcare C S.à r.l. and ConvaTec Healthcare D S.à r.l. and not to any of their Subsidiaries. The term “**TopCo**” refers only to only to ConvaTec Healthcare B S.à r.l., except for the purpose of financial data determined on a consolidated or combined basis, as the case may be. The Issuer is a wholly owned indirect Restricted Subsidiary of TopCo.

The Issuer will issue and the Parent Guarantors will guarantee €300.0 million aggregate principal amount of euro-denominated senior secured notes due 2017 (the “**Secured Notes**”) under an indenture dated as of December 22, 2010 (the “**Secured Indenture**”) among the Issuer, the Parent Guarantors, the Subsidiary Guarantors (as defined below), Deutsche Bank AG, London Branch, as principal paying agent and transfer agent, Deutsche Bank Luxembourg S.A., as registrar, Deutsche Trustee Company Limited, as trustee (the “**Trustee**”), and JPMorgan Chase Bank, N.A., as security agent (the “**Security Agent**”). The phrase “Secured Notes” refers also to Book-Entry Interests (as defined below) in the Secured Notes. Except as set forth herein, the terms of the Secured Notes include those set forth in the Secured Indenture.

The Secured Indenture, the Secured Notes and the Guarantees will be subject to the terms of the Intercreditor Agreement and any additional intercreditor agreements entered into in the future. The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral securing the Secured Notes and the Guarantees. See “Description of certain financing arrangements—Intercreditor agreement” for a description of the material terms of the Intercreditor Agreement.

The following description is only a summary of the material terms of the Secured Indenture. It does not, however, restate the Secured Indenture in its entirety, and where reference is made to particular provisions of the Secured Indenture, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all the provisions of the Secured Notes and the Secured Indenture. You should read the Secured Indenture because it contains additional information and because it and not this description defines your rights as a holder of the Secured Notes. A copy of the form of the Secured Indenture may be obtained by requesting it from the Issuer at the address indicated under “Listing and general information.”

The Secured Indenture will not be qualified under the Trust Indenture Act. Consequently, the holders of Secured Notes generally will not be entitled to the protections provided under the Trust Indenture Act to holders of debt securities issued under a qualified indenture, including those requiring the Trustee to resign in the event of certain conflicts of interest and to inform the holders of Secured Notes of certain relationships between it and the Issuer or the Guarantors.

The Issuer has made an application for the Secured Notes to be listed on the Global Exchange Market of the Irish Stock Exchange. The Issuer can provide no assurance that this application will be accepted. See “—Payments on the Secured Notes; Paying Agent, Registrar and Transfer Agent for the Secured Notes.”

The registered holder of a Secured Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Secured Indenture.

Brief description of the Secured Notes

The Secured Notes will be:

- (a) general obligations of the Issuer;
- (b) guaranteed on a senior basis by the Parent Guarantors and each of the Subsidiary Guarantors (as defined below);
- (c) guaranteed on a senior basis by each of the Subsidiary Guarantors; and
- (d) secured on a first priority basis by Liens on the Collateral as described below under “—Security.”

The Secured Notes will mature on December 15, 2017.

The Guarantees

As of the Issue Date, the Secured Notes will initially be guaranteed on a senior basis by the Parent Guarantors and by each of the Subsidiaries of TopCo that guarantees the Senior Facility Agreement (the “**Subsidiary Guarantors**,” and together with the Parent Guarantors, the “**Guarantors**” and each, a “**Guarantor**”) and in the future by each additional Restricted Subsidiary that is required to guarantee the Secured Notes as described under “—Limitation on guarantees of Debt by Restricted Subsidiaries.” The guarantees by the Parent Guarantors are referred to herein as the “**Parent Guarantees**” and the guarantees by the Subsidiary Guarantors are referred to herein as the “**Subsidiary Guarantees**” (together with the Parent Guarantees, the “**Guarantees**”).

The Guarantors will guarantee the due and punctual payment of all amounts payable under the Secured Notes, including principal, premium, if any, and interest payable under the Secured Notes.

Each Subsidiary Guarantor that makes a payment or distribution under its Subsidiary Guarantee will be entitled to contribution from any other Subsidiary Guarantor.

Release of Guarantees

The Parent Guarantees will be released:

- (1) upon repayment in full of the Secured Notes; or
- (2) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Secured Indenture as provided below under the captions “—Legal defeasance or covenant defeasance of Secured Indenture” and “—Satisfaction and discharge.”

The Subsidiary Guarantee of a Subsidiary Guarantor will be released:

- (1) in connection with any sale, transfer or other disposition of all or substantially all of the assets of such Subsidiary Guarantor or any holding company of such Subsidiary Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) TopCo or any of its Restricted Subsidiaries, if the sale, transfer or other disposition does not violate the covenant described under “Certain covenants—Limitation on sale of certain assets” below;
- (2) in connection with any sale, transfer or other disposition of Capital Stock of that Subsidiary Guarantor or any holding company of such Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) TopCo or any of its Restricted Subsidiaries, if the sale, transfer or other disposition does not violate the covenant described under “Limitation on sale of certain assets” below and the Subsidiary Guarantor ceases to be a Restricted Subsidiary as a result of the sale, transfer or other disposition;
- (3) if TopCo designates any Restricted Subsidiary that is a Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Secured Indenture;
- (4) with respect to the Subsidiary Guarantee of any Subsidiary Guarantor that was required to provide such Guarantee pursuant to the covenant described under the caption “—Certain covenants—Limitation on guarantees of Debt by Restricted Subsidiaries,” upon such Subsidiary Guarantor being unconditionally released and discharged from its liability with respect to the Debt giving rise to the requirement to provide such Subsidiary Guarantee;
- (5) upon repayment in full of the Secured Notes;
- (6) in accordance with the caption entitled “—Amendments and waivers;”
- (7) as a result of a transaction permitted by the second paragraph under the caption entitled “—Consolidation, Merger and Sale of Assets;” or
- (8) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Secured Indenture as provided below under the captions “—Legal defeasance and covenant defeasance of the Secured Indenture” and “—Satisfaction and discharge.”

Ranking of the Secured Notes and the Guarantees

The Secured Notes

The Secured Notes will be senior debt of the Issuer and will:

- (a) rank *pari passu* in right of payment with all the Issuer’s existing and future indebtedness that is not subordinated in right of payment to the Secured Notes (including the Senior Facility Agreement and the Senior Notes);
- (b) rank senior in right of payment to any and all the Issuer’s existing and future indebtedness that is expressly subordinated in right of payment to the Secured Notes;
- (c) effectively be subordinated in right of payment to any and all the Issuer’s existing and future indebtedness that is secured by Liens on assets that are not Collateral to the extent of the value of the assets securing such indebtedness;

- (d) be structurally subordinated to all existing and future obligations of the Issuer’s subsidiaries that are not Subsidiary Guarantors;
- (e) be guaranteed on a senior basis by the Parent Guarantors;
- (f) be guaranteed on a senior basis by each of the Subsidiary Guarantors; and
- (g) be secured on a first priority basis by Liens on the Collateral as described below under “—Security.”

The Guarantees

The Parent Guarantee of each Parent Guarantor will:

- (a) be a general obligation of such Parent Guarantor;
- (b) rank *pari passu* in right of payment with all of such Parent Guarantor’s existing and future indebtedness that is not subordinated in right of payment to its Parent Guarantee (including the guarantees given by such Parent Guarantor in favor of the Senior Facility Agreement and the Senior Notes);
- (c) rank senior in right of payment to any and all of such Parent Guarantor’s existing and future indebtedness that is expressly subordinated in right of payment to its Parent Guarantee;
- (d) effectively be subordinated in right of payment to all of such Parent Guarantor’s existing and future indebtedness that is secured by Liens on its assets that are not Collateral to the extent of the value of the assets securing such indebtedness;
- (e) be structurally subordinated to all existing and future obligations of such Parent Guarantor’s Subsidiaries (other than the Issuer) that do not provide Subsidiary Guarantees; and
- (f) be secured on a first priority basis by Liens on the Collateral as described below under “—Security.”

The Subsidiary Guarantee of each Subsidiary Guarantor will:

- (a) be a general obligation of such Subsidiary Guarantor;
- (b) rank *pari passu* in right of payment with all of such Subsidiary Guarantor’s existing and future indebtedness that is not subordinated in right of payment to its Subsidiary Guarantee (including the guarantees given by such Subsidiary Guarantor in favor of the Senior Facility Agreement and the Senior Notes);
- (c) rank senior in right of payment to any existing and future indebtedness of such Subsidiary Guarantor that is expressly subordinated in right of payment to its Subsidiary Guarantee;
- (d) effectively be subordinated in right of payment to all of such Subsidiary Guarantor’s existing and future indebtedness that is secured by Liens on its assets that are not Collateral to the extent of the value of the assets securing such indebtedness;
- (e) be structurally subordinated to all existing and future obligations of the Subsidiary Guarantor’s Subsidiaries that do not provide Subsidiary Guarantees; and
- (f) be secured on a first priority basis by Liens on the Collateral as described below under “—Security.”

Security

The obligations of the Issuer under the Secured Notes and the obligations of the Guarantors under their respective Guarantees under the Secured Indenture will be secured by Liens on all of the assets that secure the obligations of the borrowers in respect of the New Credit Facilities (the “**Collateral**”). The Collateral will be pledged pursuant to, and subject to the terms of, the security documents to the Security Agent, acting on behalf of the holders of the obligations that are secured by the Collateral, including holders of the Secured Notes. Although the terms of the security documents have not yet been finalized,

we currently expect that the Collateral will include (i) pledges of the capital stock of the Issuer and each Guarantor (other than the TopCo), (ii) fixed and floating charges over the assets and undertaking of the Guarantors incorporated in England and Wales, (iii) fixed land charges or mortgages over certain real property located in Denmark, the Dominican Republic and the United States and (iv) certain other security granted over our intellectual property rights, an assignment of certain trade and insurance receivables, an assignment of certain intercompany receivables and security over certain bank accounts.

Certain of the liens on the Collateral may not be in place and/or may not be perfected on the Issue Date. See “Risk factors—Risks related to the Secured Note—Your rights in the collateral may be adversely affected by the failure to perfect security interests in the collateral.”

The Secured Notes will be effectively *pari passu* with the New Credit Facilities under the terms of the Intercreditor Agreement that will provide (among other things) that any proceeds received from enforcement of the security documents will be shared equally and ratably between the holders of the Secured Notes, the lenders under the New Credit Facilities, certain cash management and hedge providers and certain other permitted first lien secured debt.

Each holder of Secured Notes, by accepting a Secured Note, shall be deemed (i) to have authorized the Trustee and the Security Agent, as the case may be, to enter into the Security Documents and the Intercreditor Agreement and (ii) to be bound thereby. Each holder of Secured Notes, by accepting a Secured Note, appoints the Trustee or the Security Agent, as the case may be, as its agent under the Security Documents and the Intercreditor Agreement and authorizes it to act as such.

The Security Documents will provide that the rights of the holders of the Secured Notes with respect to the Collateral must be exercised by the Security Agent. Since the holders of the Secured Notes are not a party to the Security Documents, holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The holders may only act through the Trustee or the Security Agent, as applicable. The Security Agent will agree to any release of the security interest created by the Security Documents that is in accordance with the Secured Indenture without requiring any consent of the holders. Subject to the terms of the Intercreditor Agreement, the holders of the Secured Notes will, in certain circumstances, share in the ability to direct the Security Agent to commence enforcement action under the Security Documents. However, in enforcing the Liens provided for under the Security Documents, the Security Agent will take direction from the Trustee. See “Description of certain financing arrangements—Intercreditor Agreement.”

Subject to the terms of the Security Documents, the Issuer and the Guarantors will be entitled to exercise any and all voting rights and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares of stock resulting from stock splits or reclassifications, rights issue, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of the shares that are part of the Collateral.

The value of the Collateral securing the Secured Notes may not be sufficient to satisfy the Issuer’s and the Guarantors’ obligations under the Secured Notes and the related Guarantees. Please see “Risk factors—Risks relating to the Secured Notes—The collateral may not be sufficient to secure the obligations under the Secured Notes.” There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Secured Indenture and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Secured Notes. By its nature, the Collateral is illiquid and has no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

The Security Documents are governed by applicable local law and provide that the rights with respect to the Secured Notes and the Secured Indenture must be exercised by the Security Agent and in respect of the entire outstanding amount of the Secured Notes.

Post-closing matters

Certain of the Security Interests in the Collateral will not be in place on the Issue Date. The Issuer will be required to have all Security Interests in any Collateral in place and perfected no later than the date required by the Senior Facility Agreement, or such longer period as may be agreed by the Security Agent.

Release of Liens

All of the Liens granted under the Security Documents in favor of the Security Agent will be automatically and unconditionally released upon Legal Defeasance or Covenant Defeasance as described under “—Legal defeasance or covenant defeasance of Secured Indenture” or if all obligations under the Secured Indenture are discharged in accordance with the terms of the Secured Indenture, in each case in accordance with the terms and conditions in the Secured Indenture.

The Liens granted by a Guarantor (and the Liens, if any, over the Capital Stock of such Guarantor) in favor of the Security Agent will be automatically and unconditionally released:

- (a) in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets to a Person that is not (either before or after giving effect to such transaction) TopCo or any of its Restricted Subsidiaries, if the sale or other disposition does not violate the covenant described under “Certain covenants—Limitation on sale of certain assets” below;
- (b) in connection with any sale, transfer or other disposition of Capital Stock of that Subsidiary Guarantor or any holding company of such Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) TopCo or any of its Restricted Subsidiaries, if the sale, transfer or other disposition does not violate the covenant described under “Limitation on sale of certain assets” below and the Subsidiary Guarantor ceases to be a Restricted Subsidiary as a result of the sale, transfer or other disposition;
- (c) in the case of a Subsidiary Guarantor that was required to provide a Subsidiary Guarantee pursuant to the covenant described under the caption “Certain covenants—Limitation on guarantees of Debt by Restricted Subsidiaries,” upon such Subsidiary Guarantor being released from its Subsidiary Guarantee pursuant to the terms of the Secured Indenture;
- (d) if TopCo designates any Restricted Subsidiary as an Unrestricted Subsidiary in accordance with the applicable provisions of the Secured Indenture;
- (e) in accordance with the caption entitled “—Amendments and waivers;” and
- (f) upon repayment in full of the Secured Notes.

The Security Agent and the Trustee will take all necessary action required to effectuate any release of Collateral securing the Secured Notes and the Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the holders or any action on the part of the Trustee.

Limitations under Subsidiary Guarantees and Security Interests

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the Security Interests it has granted to secure the Secured Notes will be limited to an amount not to exceed the maximum amount that can be guaranteed by such Subsidiary Guarantor without resulting in its obligations under its Subsidiary Guarantee and Security Interests, as applicable, being voidable or unenforceable under applicable laws relating to fraudulent transfer or under similar laws affecting the rights of creditors generally, or the maximum amount otherwise permitted by law. In particular, each Subsidiary Guarantee and its Security Interests will be limited as required to comply with corporate benefit, maintenance of capital and other laws applicable in the jurisdiction of the relevant Subsidiary Guarantor. By virtue of these limitations, a Subsidiary Guarantor’s obligations under its Subsidiary Guarantee or its Security Interests could be significantly less than amounts payable in respect of the Secured Notes, or a Subsidiary Guarantor may have effectively no obligations under its Guarantee or its Security Interests. See “Risk factors—Risks related to our structure—Each Notes Guarantee and, in the case of the Secured Notes, the security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.”

At September 30, 2010, on a *pro forma* basis to reflect the Transactions:

- (a) TopCo and its Subsidiaries would have had total indebtedness of \$2,765.2 million, including senior secured indebtedness of \$1,679.3 million and up to an additional \$240.6 million available for borrowings under the committed and undrawn portion of the Senior Facility Agreement;
- (b) the Subsidiary Guarantors would have had total indebtedness of \$2,765.2 million including secured indebtedness of \$1,679.3 million;
- (c) the Issuer and the Guarantors would have had total indebtedness of \$0.2 million secured by Liens on assets that are not Collateral; and

- (d) the Subsidiaries of the Issuer that are not Subsidiary Guarantors would have had *de minimis* total third-party funded indebtedness, as well as trade payables and tax liabilities, to which the Secured Notes and the Guarantees are structurally subordinated.

We estimate that the Issuer and the Guarantors would have had greater than 85% of the total assets and EBITDA of the Company as of and for the nine months ended September 30, 2010. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will likely be required to repay financial and trade creditors before distributing any assets to the Issuer or the Guarantors.

As of the Issue Date, all TopCo's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "—Certain covenants—Designation of Unrestricted and Restricted Subsidiaries," TopCo will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries of TopCo will not be subject to any of the restrictive covenants in the Secured Indenture.

Although the Secured Indenture will contain limitations on the amount of additional Debt that TopCo and the Restricted Subsidiaries may incur, the amount of such additional Debt could be substantial.

Principal, maturity and interest

The Secured Notes will mature on December 15, 2017. 100% of the principal amount of such Secured Notes shall be payable on such respective date, unless redeemed prior thereto as described herein. The Issuer will issue an aggregate principal amount of €300.0 million of Secured Notes in this offering. Subject to the covenant described under "—Certain covenants—Limitation on Debt," the Issuer is permitted to issue additional Secured Notes as part of a further issue under the Secured Indenture ("**Additional Secured Notes**") from time to time; *provided, however*, that a separate CUSIP or ISIN (if any) would be issued for the Additional Secured Notes, unless the applicable Secured Notes and the applicable Additional Secured Notes are treated as the "same issue" for U.S. federal income tax purposes or both the Secured Notes and the Additional Secured Notes are issued with no (or less than a *de minimis* amount) of original issue discount for U.S. federal income tax purposes. The Secured Notes and the Additional Secured Notes that are actually issued will be treated as a single class for all purposes of the Secured Indenture, including waivers, amendments, redemptions and offers to purchase, except for certain waivers and amendments. Unless the context otherwise requires, references to the "Secured Notes" for all purposes of the Secured Indenture and in this "Description of the Secured Notes" include references to any Additional Secured Notes that are actually issued.

Interest on the Secured Notes will accrue at the rate of 7.375% *per annum*. Interest on the Secured Notes will be payable semi-annually in arrears from the Issue Date or from the most recent interest payment date to which interest has been paid or provided for, whichever is the later. Interest will be payable on each Secured Note on June 15 and December 15 of each year, commencing on June 15, 2011. The Issuer will pay interest on each Secured Note to holders of record of each Secured Note in respect of the principal amount thereof outstanding as of the immediately preceding June 1 or December 1 as the case may be. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months and will be paid on overdue principal and other overdue amounts at the same rate.

Form of Secured Notes

The Secured Notes will be issued on the Issue Date only in fully registered form without coupons and only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Secured Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act ("**Rule 144A**") will initially be represented by a Global Secured Note (as defined below) in registered form without interest coupons attached (the "**144A Global Secured Note**"). The 144A Global Secured Note will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. Secured Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a Global Secured Note in registered form without interest coupons attached (the "**Regulation S Global Secured Note**" and, together with the 144A Global Secured Note, the "**Global Secured Notes**"). The Regulation S Global Secured Note will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. See "Book-entry, delivery and form."

Transfer and exchange

The Global Secured Notes may be transferred in accordance with the Secured Indenture. Ownership of interests in the Global Secured Notes (the “**Book-Entry Interests**”) will be limited to Persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “Notice to investors.” In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants. Book-Entry Interests in the 144A Global Secured Note (the “**Restricted Book-Entry Interests**”) may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Secured Note (the “**Regulation S Book-Entry Interests**”) only upon delivery by the transferor of a written certification (in the form provided in the Secured Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

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 Secured Note from which it was transferred and will become a Book-Entry Interest in the Global Secured 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 Secured Note to which it was transferred.

If definitive notes in registered form (“**Definitive Registered Secured Notes**”) are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required by the Secured Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Secured Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Secured Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “Notice to investors.”

Subject to the restrictions on transfer referred to above, Secured Notes issued as Definitive Registered Secured Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Secured Notes. In connection with any such transfer or exchange, the Secured Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions, and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Secured Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Secured Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Secured Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date; or
- (4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer, Excess Proceeds Offer or Secured Notes Offer.

During the “40-day Distribution compliance period” (as such term is defined in Rule 902 of Regulation S under the Securities Act), book-entry interests in the Regulation S Global Secured Note may be transferred only to non-U.S. Persons under Regulation S under the Securities Act or to persons whom the transferor reasonably believes are “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction. The Secured Notes will be subject to certain other restrictions on transfer and certification requirements, as described under “Notice to investors.”

Payments on the Secured Notes; Paying Agent, Registrar and Transfer Agent for the Secured Notes

The Issuer will maintain one or more paying agents (each, a “**Paying Agent**,” and together, the “**Paying Agents**”) for the Secured Notes in the City of London (the “**Principal Paying Agent**”). The initial Paying Agent will be Deutsche Bank AG, London Branch in London.

The Issuer may change the Paying Agents, the Registrars or the Transfer Agents without prior notice to the holders of the Secured Notes. For so long as the Secured Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will release a notice of any change of Registrar or transfer agent through the Company Announcements Office of the ISE or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (*www.ise.ie*).

In addition, TopCo or any of its Subsidiaries may act as paying agent in connection with the Secured Notes other than for the purposes of effecting a redemption described under “—Optional redemption” or an offer to purchase the Secured Notes described under “—Purchase of Secured Notes upon a Change of Control” or “—Certain covenants—Limitation on sale of certain assets.” The Issuer will make payments on the Global Secured Notes to the Paying Agents for further credit to Euroclear or Clearstream (as applicable) which will in turn, distribute such payments in accordance with its procedures. The Issuer will make all payments in same-day funds.

The Issuer undertakes that it will maintain a paying agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive.

The Issuer will also maintain one or more registrars (each, a “**Registrar**”) with offices in Luxembourg. The Issuer will also maintain a transfer agent in London. The initial Registrar will be Deutsche Bank Luxembourg S.A. in Luxembourg for the Secured Notes. The initial transfer agents will be Deutsche Bank AG, London Branch in London. The Registrar in Luxembourg will maintain a register for the Secured Notes reflecting ownership of Definitive Registered Secured Notes (as defined herein) outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Secured Notes on behalf of the Issuer. For purposes of Luxembourg law, the Issuer will maintain a register of the Secured Notes at its registered office, which in case of a discrepancy, shall prevail over the register maintained by the Registrar.

No service charge will be made for any registration of a transfer, exchange or redemption of the Secured Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange (but not for a redemption).

Additional Amounts

All payments made by the Issuer under or with respect to the Secured Notes or any of the Guarantors with respect to any Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, assessment or other governmental charge, including any related interest, penalties or additions to tax (“**Taxes**”) unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business for tax purposes or resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any paying agent for the Secured Notes) or any political subdivision thereof or therein (each, a “**Tax Jurisdiction**”) will at any time be required to be made from any payments made by the Issuer under or with respect to the Secured Notes or any of the Guarantors under or with respect to any Guarantee, including payments of principal, redemption price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the “**Additional Amounts**”) as may be necessary in order that the net amounts received in respect of such payments by each holder of Secured Notes after such withholding, deduction or imposition (including any such withholding, deduction or imposition from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

- (1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any actual or deemed present or former connection between the holder or the beneficial owner of the Secured Notes and the relevant Tax Jurisdiction (including being a resident of such jurisdiction for Tax purposes), other than the holding of such Secured Note, the enforcement of rights under such Secured Note or under a Guarantee or the receipt of any payments in respect of such Secured Note or a Guarantee;
- (2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Secured Note for payment more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Secured Note been presented on the last day of such 30 day period);
- (3) any estate, inheritance, gift, sales, transfer or similar Taxes;
- (4) any Taxes withheld, deducted or imposed on a payment to an individual that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;
- (5) Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Secured Notes who would have been able to avoid such withholding or deduction by presenting the relevant Secured Note to another Paying Agent in a member state of the European Union;
- (6) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Secured Notes or with respect to any Guarantee;
- (7) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Secured Notes, to comply with any reasonable written request of the Issuer addressed to the holder or beneficial owner and made at least 60 days before any such withholding or deduction would be payable to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally entitled to provide such certification or documentation; or
- (8) any combination of items (1) through (7) above.

In addition to the foregoing, the Issuer and the Guarantors, as the case may be, will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Secured Notes, the Secured Indenture, any Guarantee or any other document or instrument referred to therein, or the receipt of any payments with respect thereto, or enforcement of, any of the Secured Notes or any Guarantee (limited, solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Tax Jurisdiction that are not excluded under clauses (1) through (5) or (7) above).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Secured Notes or any Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate(s) must also set forth any other information reasonably necessary to enable the paying agents to pay such Additional Amounts to holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee (or to a holder or beneficial owner

upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the holders or beneficial owners of the Secured Notes.

Whenever in the Secured Indenture or in this "Description of the Secured Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Secured Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Secured Notes or any Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Secured Indenture, any transfer by a holder or beneficial owner of its Secured Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated or organized, engaged in business for tax purposes or resident for tax purposes or any jurisdiction from or through which payment is made by or on behalf of such Person on the Secured Notes (or any Guarantee) and any political subdivision thereof or therein.

Currency indemnity

The sole currency of account and payment for all sums payable under the Secured Notes and the Guarantees and the Secured Indenture is euro. Any amount received or recovered in respect of the Secured Notes or the Guarantees in a currency other than euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Subsidiary or otherwise) by the Trustee or a holder of the Secured Notes in respect of any sum expressed to be due to such holder from the Issuer or the relevant Guarantor will constitute a discharge of their obligation only to the extent of the euro amount, which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If the euro amount to be recovered is less than the euro amount expressed to be due to the recipient under any Secured Note, the Issuer or the relevant Guarantor will indemnify the recipient against the cost of making any further purchase of euro, in an amount equal to such difference. These indemnities, to the extent permitted by law:

- (a) constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations;
- (b) give rise to a separate and independent cause of action;
- (c) apply irrespective of any waiver granted by any holder of a Secured Note or the Trustee from time to time; and
- (d) 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 Secured Note or any other judgment or order.

Optional redemption

Optional redemption prior to December 15, 2013 upon Public Equity Offering

At any time prior to December 15, 2013, upon not less than 30 nor more than 60 days' written notice, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Secured Notes issued under the Secured Indenture on the Issue Date at a redemption price equal to 107.375% of the principal amount of the Secured Notes being redeemed, in each case plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the redemption date (subject to the rights of holders of Secured Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds from one or more Public Equity Offerings. The Issuer may only do this, however, if:

- (a) at least 65% of the aggregate principal amount of the Secured Notes that were initially issued under the Secured Indenture (excluding Secured Notes held by TopCo or any of its Subsidiaries) would remain outstanding immediately after the occurrence of such proposed redemption; and
- (b) the redemption occurs within 180 days after the closing of such Public Equity Offering.

Notice of any redemption upon any Public Equity Offering may be given prior to the completion thereof, and any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Public Equity Offering.

Optional redemption of Secured Notes prior to December 15, 2013

At any time prior to December 15, 2013, upon not less than 30 nor more than 60 days' written notice, the Issuer may also redeem all or part of the Secured Notes, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium of the Secured Notes plus accrued and unpaid interest on the Secured Notes to, but not including, the redemption date. Any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent.

Prior to December 15, 2013, the Issuer may redeem during each 12-month period commencing with the Issue Date up to 10% of the aggregate principal outstanding amount of the Secured Notes at its option, from time to time, upon not less than 30 nor more than 60 days' prior written notice, at a redemption price equal to 103% of the principal amount of the Secured Notes redeemed plus accrued and unpaid interest on the Secured Notes to, but not including, the redemption date. Any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent.

Optional redemption of Secured Notes on or after December 15, 2013

At any time on or after December 15, 2013 and prior to maturity, upon not less than 30 nor more than 60 days' written notice, the Issuer may redeem all or part of the Secured Notes. These redemptions will be in amounts of €100,000 or integral multiples of €1,000 in excess thereof at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest, if any, to, but not including, the redemption date, if redeemed during the 12-month period commencing on of the years set forth below. This redemption is subject to the right of holders of record on the relevant regular record date that is prior to the redemption date to receive interest due on an interest payment date.

Year	<u>Secured Notes redemption prices</u>
2013	105.531%
2014	103.688%
2015	101.844%
2016 and thereafter	<u>100.000%</u>

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Secured Notes or portion thereof called for redemption on the applicable redemption date. Any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent.

Redemption upon changes in withholding taxes

The Issuer may redeem the Secured Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Secured Notes (which notice will be irrevocable), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "**Tax Redemption Date**") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Secured Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Secured Notes, the Issuer is or would be required to pay Additional Amounts, and the Issuer cannot avoid any such payment obligation by taking reasonable measures available, and the requirement arises as a result of:

- (1) any amendment to, or change in, the laws (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction which change or amendment is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or
- (2) any amendment to, or change in, an official written interpretation or application of such laws, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date).

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer would be obligated to make such payment or withholding if a payment in respect of the Secured Notes was then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Secured Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel (the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld)) to the effect that there has been such amendment or change which would entitle the Issuer to redeem the Secured Notes hereunder. In addition, before the Issuer publishes or mails notice of redemption of the Secured Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Issuer taking reasonable measures available to it.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of Secured Notes.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Issuer is incorporated or organized, engaged in business or resident for tax purposes or any jurisdiction from or through which payment is made by or on behalf of such Person on the Secured Notes and any political subdivision thereof or therein.

Sinking fund; offers to purchase; open market purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Secured Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Secured Notes as described under the captions “—Purchase of Secured Notes upon a Change of Control” and “—Certain covenants—Limitation on sale of certain assets.” TopCo and any Restricted Subsidiaries may at any time and from time to time purchase Secured Notes in the open market or otherwise.

Purchase of Secured Notes upon a Change of Control

If a Change of Control occurs at any time, then the Issuer must make an offer (a “**Change of Control Offer**”) to each holder of Secured Notes to repurchase all or any part (equal to €100,000 or in integral multiples of €1,000 in excess thereof) of such holder's Secured Notes, at a purchase price (the “**Change of Control Purchase Price**”) in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the date of purchase (the “**Change of Control Purchase Date**”) (subject to the rights of holders of record on relevant regular record dates that are prior to the Change of Control Purchase Date to receive interest due on an interest payment date). Purchases made under a Change of Control Offer will also be subject to other procedures set forth in the Secured Indenture.

Unless the Issuer has unconditionally exercised its right to redeem all the Secured Notes in accordance with the Secured Indenture and all conditions to such redemption have been satisfied or waived, within 30 days following any Change of Control, the Issuer will deliver a notice to each holder of the Secured Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under “—Selection and notice,” stating that a Change of Control Offer is being made and offering to repurchase Secured Notes on the Change of Control Purchase Date, and the notice will state:

- (i) that a Change of Control has occurred, and the date it occurred and offering to purchase the Secured Notes on the date specified in the notice;
- (ii) the circumstances and relevant facts regarding such Change of Control (including, but not limited to, applicable information with respect to pro forma historical income, cash flow and capitalization after giving effect to the Change of Control);
- (iii) the Change of Control Purchase Price and the Change of Control Purchase Date, which will be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with requirements under the Exchange Act and any applicable securities laws or regulations;

- (iv) that any Secured Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Purchase Date unless the Change of Control Purchase Price is not paid;
- (v) that any Secured Note (or part thereof) not tendered will continue to accrue interest; and
- (vi) any other procedures that a holder of Secured Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Paying Agent will promptly mail (or cause to be delivered) to each holder of Secured Notes properly tendered the Change of Control Purchase Price for such Secured Notes. The Trustee (or the authenticating agent appointed by it) will promptly authenticate and deliver (or cause to be transferred by book-entry) to each holder a new Secured Note or Secured Notes equal in principal amount to any unpurchased portion of Secured Notes surrendered, if any, to the holder of Secured Notes in global form or to each holder of certificated Secured Notes; *provided* that each new Secured Note will be in a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer will publicly announce the results of a Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The ability of the Issuer to repurchase Secured Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that would constitute a Change of Control could constitute a default under the Senior Facility Agreement. In addition, certain events that may constitute a change of control under the Senior Facility Agreement may not constitute a Change of Control under the Secured Indenture. TopCo's future indebtedness and the future indebtedness of its Subsidiaries may also require such indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Secured Notes of their right to require a repurchase of the Secured Notes upon a Change of Control could cause a default under such indebtedness, even if the Change of Control itself does not, due to the possible financial effect on the Issuer of such repurchase.

If a Change of Control Offer is made, the Issuer cannot provide any assurance that it will have available funds sufficient to pay the Change of Control Purchase Price for all the Secured Notes that might be delivered by holders of the Secured Notes seeking to accept the Change of Control Offer. If the Issuer fails to make or consummate a Change of Control Offer or pay the Change of Control Purchase Price when due, such failure would result in an Event of Default and would give the Trustee and the holders of the Secured Notes the rights described under “—Events of Default.”

Even if sufficient funds were otherwise available, the terms of the other indebtedness of TopCo and its Subsidiaries may prohibit the prepayment of the Secured Notes prior to their scheduled maturity. If the Issuer was not able to prepay any indebtedness containing any such restrictions or obtain requisite consents, the Issuer would be unable to fulfill its repurchase obligations to holders of Secured Notes who exercise their right to redeem their Notes following a Change of Control, which would cause a Default under the Secured Indenture. A Default under the Secured Indenture, unless waived by holders, would result in a cross default under certain of the financing arrangements described under “Description of certain financing arrangements.”

The Issuer will not be required to make a Change of Control Offer if (1) 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 Secured Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Secured Notes validly tendered and not withdrawn under such Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Secured Indenture as described above under the caption “—Optional redemption,” unless and until there is a default in payment of the applicable redemption price. The Change of Control provisions described above will be applicable whether or not any other provisions of the Secured Indenture are applicable. Except as described above with respect to a Change of Control, the provisions of the Secured Indenture will not give holders the right to require the Issuer to repurchase the Secured Notes in the event of certain highly leveraged transactions, or certain other transactions, including a reorganization, restructuring, merger or similar transaction that may adversely affect holders of the Secured Notes, if such transaction is not a transaction defined as a Change of Control. Any such transaction, however, would have to comply with the applicable provisions of the Secured Indenture, including the “—Limitation on Debt” covenant. The existence of a holder of the Secured Notes' right to require the Issuer to repurchase such holder's Secured Notes upon a Change of Control may deter a third party from acquiring TopCo or its Subsidiaries in a transaction which constitutes a Change of Control.

Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws and regulations in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Secured Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under the Secured Indenture by virtue of such conflict.

“**Change of Control**” means the occurrence of any of the following events:

- (a) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any person or group, other than one or more Permitted Holders, is or as a result of such transaction becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of TopCo;
- (b) the sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) of all or substantially all the assets (other than Capital Stock, Debt or other securities of any Unrestricted Subsidiary) of TopCo and its Restricted Subsidiaries, taken as a whole, to any person or group other than to one or more Permitted Holders;
- (c) the adoption of a plan relating to the liquidation or dissolution of TopCo (other than in a transaction which complies with the provisions described under “Certain covenants—Consolidation, merger and sale of assets”); or
- (d) TopCo or any Surviving Entity ceases to beneficially own, directly or indirectly, 100% of the Voting Stock of the Issuer (other than directors’ qualifying shares).

For the purposes of this definition, (i) “person” and “group” have the meanings they have in Sections 13(d) and 14(d) of the Exchange Act; (ii) “beneficial owner” is used as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have “beneficial ownership” of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time; and (iii) a person or group will be deemed to beneficially own all Voting Stock of an entity held by a parent entity, if such person or group is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of such parent entity.

The provisions under the Secured Indenture relating to the Issuer’s obligation to make an offer to repurchase the Secured Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in principal amount of the Secured Notes prior to the occurrence of the Change of Control.

If and for so long as the Secured Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will release notices relating to a Change of Control Offer through the Company Announcements Office of the ISE or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (www.ise.ie).

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 “all or substantially all” of the property or assets of a Person.

Selection and notice

Notices of redemption may be made subject to conditions precedent.

If fewer than all the Secured Notes are to be redeemed at any time, the Trustee or the applicable Registrar will select the Secured Notes for redemption by a method that complies with the requirements, as certified to the Trustee and the Paying Agents by the Issuer, of the principal securities exchange, if any, on which the Secured Notes are listed at such time or, if the Secured Notes are not listed on a securities exchange, *pro rata*, by lot or by such other method as the Trustee or the applicable Registrar in its sole discretion shall deem fair and appropriate unless otherwise required by law; *provided, however*, that no such partial redemption shall reduce the portion of the principal amount of a Secured Note not redeemed to less than €100,000. Neither the Trustee nor the Registrars shall be liable for any selections made by it in accordance with this paragraph.

No Secured Notes of €100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Secured Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Secured Notes or a satisfaction and discharge of the Secured Indenture.

If any Secured Note is to be redeemed in part only, the notice of redemption that relates to that Secured Note will state the portion of the principal amount of that Secured Note that is to be redeemed. While the Secured Notes are held in certificated form, a new Secured Note in principal amount equal to the unredeemed portion of the original Secured Note will be issued in the name of the holder of Secured Notes upon cancellation of the original Secured Note. Secured Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Secured Notes or portions of Secured Notes redeemed.

For Secured Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Secured Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, any such notice to the holders of the relevant Secured Notes shall also be released through the Company Announcements Office of the ISE or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (www.ise.ie) and, in connection with any redemption, the Issuer will notify the Irish Stock Exchange of any change in the principal amount of Secured Notes outstanding.

Suspension of certain covenants when Secured Notes rated investment grade

If on any date following the Issue Date, the Secured Notes have an Investment Grade Rating from both of the Rating Agencies and no Default or Event of Default has occurred and is continuing under the Secured Indenture (a “**Suspension Event**”), beginning on the day of the Suspension Event and continuing until such time (the “**Suspension Period**”), if any, at which the such Secured Notes cease to have an Investment Grade Rating from each Rating Agency (the “**Reversion Date**”), the provisions of the Secured Indenture summarized under the following captions, and, in each case, any related default provision of the Secured Indenture, will not apply to the Secured Notes:

- (1) “—Certain covenants—Limitation on Debt;”
- (2) “—Certain covenants—Limitation on Restricted Payments;”
- (3) “—Certain covenants—Limitation on transactions with Affiliates;”
- (4) “—Certain covenants—Limitation on sale of certain assets;”
- (5) “—Certain covenants—Limitation on guarantees of Debt by Restricted Subsidiaries;”
- (6) “—Certain covenants—Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries;”
- (7) “—Certain covenants—Designation of Unrestricted and Restricted Subsidiaries;” and
- (8) “—Certain covenants—Consolidation, merger and sale of assets” (but only clause (c) of the first paragraph of such covenant).

Such covenants and any related default provisions will again apply according to their terms on and after the Reversion Date. Such covenants will not, however, be of any effect with regard to actions of TopCo or the Restricted Subsidiaries properly taken during the Suspension Period, and the “—Certain covenants—Limitation on Restricted Payments” covenant will be interpreted as if it had been in effect since the Issue Date except that no default will be deemed to have occurred solely by reason of a Restricted Payment made during the Suspension Period. On the Reversion Date, all Debt incurred during the continuance of the Suspension Period will be classified as having been incurred pursuant to clause (2)(d) of the covenant described under “—Certain covenants—Limitation on Debt.” Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

Upon the occurrence of a Suspension Event, the Issuer will notify the Trustee.

Certain covenants

The Secured Indenture will contain, among others, the following covenants:

Limitation on Debt

- (1) TopCo will not, and will not permit any Restricted Subsidiary to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to “**incur**” or, as appropriate, an “**incurrence**”), any Debt (including any Acquired Debt); *provided* that TopCo, the Issuer and any other Guarantor will be permitted to incur Debt (including Acquired Debt) if, after giving effect to the incurrence of such Debt and the application of the proceeds thereof, on a *pro forma* basis, the Consolidated Fixed Charge Coverage Ratio for the four full fiscal quarters for which financial statements are available immediately preceding the incurrence of such Debt, taken as one period, would be greater than 2.0 to 1.0.
- (2) This covenant will not, however, prohibit the following (collectively, “**Permitted Debt**”):
 - (a) the incurrence by the Issuer and the Guarantors of Debt represented by (i) the Secured Notes issued on the Issue Date and the related Guarantees and (ii) the Senior Notes and the related guarantees;
 - (b) the incurrence by TopCo or any Restricted Subsidiary of Debt under Credit Facilities in an aggregate principal amount at any time outstanding and any Permitted Refinancing Debt incurred to renew, refund, replace, refinance, defease or discharge any Debt incurred pursuant to this clause (b), not to exceed (i) \$1,600 million plus (ii) up to an additional \$500.0 million of secured Debt; *provided* that following the incurrence of such additional amount of secured Debt pursuant to this clause (ii) and after giving effect to the application of proceeds therefrom, on a *pro forma* basis, the Consolidated Secured Leverage Ratio for the period of the most recent four consecutive quarters for which financial statements are available would be less than 4.0 to 1.0;
 - (c) the incurrence by TopCo or any Restricted Subsidiary of intercompany Debt between TopCo and any Restricted Subsidiary or between or among Restricted Subsidiaries; *provided* that:
 - (i) if the Issuer or any Guarantor is the obligor on any such Debt and the payee is not the Issuer or a Guarantor, such Debt ((i) except in respect of the intercompany current liabilities incurred in connection with cash management positions of TopCo and its Restricted Subsidiaries and (ii) only to the extent legally permitted (TopCo and its Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Debt)) is subordinated in right of payment to the Secured Notes or the related Guarantees, as applicable; and
 - (ii) (x) any disposition, pledge or transfer of any such Debt to a Person (other than a disposition, pledge or transfer to TopCo or a Restricted Subsidiary) and (y) any transaction pursuant to which any Restricted Subsidiary that has Debt owing by TopCo or another Restricted Subsidiary ceases to be a Restricted Subsidiary, will, in each case, be deemed to be an incurrence of such Debt not permitted by this clause (c);
 - (d) any Debt of TopCo or any Restricted Subsidiary (other than Debt described in clauses (a) and (b) of this paragraph) outstanding on the Issue Date after giving effect to the Transactions on the Issue Date;
 - (e) guarantees of TopCo’s Debt or Debt of any Restricted Subsidiary by TopCo or any Restricted Subsidiary; *provided* that (i) the incurrence of the Debt being guaranteed was permitted by another provision of this covenant and (ii) if the Debt being guaranteed is subordinated to the Secured Notes or the Guarantees then such guarantee must be subordinated to the same extent as the Debt being guaranteed;

- (f) the incurrence by TopCo or any Restricted Subsidiary of Debt arising from customary agreements providing for guarantees, indemnities or obligations in respect of earnouts or other purchase price adjustments or, in each case, similar obligations, in connection with the acquisition or disposition of any business or assets or Person or any shares of Capital Stock of a Subsidiary, other than guarantees or similar credit support given by TopCo or any Restricted Subsidiary of Debt incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Debt permitted pursuant to this clause (f) will at no time exceed the net proceeds, including the Fair Market Value of non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received from such disposition;
- (g) the incurrence by TopCo or any Restricted Subsidiary of Debt under Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements, in each case entered into not for speculative purposes (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer) (collectively, “**Hedging Obligations**”);
- (h) the incurrence by TopCo or any Restricted Subsidiary of Debt represented by Capitalized Lease Obligations, Purchase Money Obligations, mortgage financings or other Debt, in each case, incurred in connection with the financing of all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, (real or personal) plant or equipment used in a Permitted Business of TopCo and its Restricted Subsidiaries, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Debt incurred to renew, refund, replace, refinance, defease or discharge any Debt incurred pursuant to this clause (h) in an aggregate principal amount not to exceed the greater of \$50 million and 1.0% of Total Assets at any time outstanding;
- (i) the incurrence by TopCo or any of its Restricted Subsidiaries of Debt in the form of customer deposits and advance payments received in the ordinary course of business from customers for services purchased in the ordinary course of business;
- (j) the incurrence by any Restricted Subsidiary of Debt in any Qualified Securitization Financing;
- (k) the incurrence by TopCo or any Restricted Subsidiary of Debt in respect of workers’ compensation and claims arising under similar legislation, captive insurance companies, or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;
- (l) the incurrence by TopCo or any Restricted Subsidiary of Debt arising from (i) the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business; *provided* that such Debt is extinguished within ten Business Days of incurrence, (ii) bankers’ acceptances, performance, surety, judgment, appeal or similar bonds, instruments or obligations, (iii) completion guarantees or performance or appeal bonds provided or letters of credit obtained by TopCo or any Restricted Subsidiary in the ordinary course of business, (iv) VAT or other tax guarantees in the ordinary course of business, (v) self-insurance obligations or captive insurance company obligations or the financing of insurance premiums in the ordinary course of business and (vi) any customary cash management, cash pooling or netting or setting off arrangements;
- (m) Debt of any Person incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary of TopCo or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) TopCo or any Restricted Subsidiary (other than Debt incurred (i) to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by TopCo or a Restricted Subsidiary or (ii) otherwise in connection with or contemplation of such acquisition); *provided, however*, with respect to this clause (m), that at the time of such acquisition or other transaction pursuant to which such Debt is deemed to be incurred, (x) TopCo could incur at least \$1.00 of additional Debt under paragraph (1) of this covenant, after giving *pro forma* effect to such acquisition or other transaction or (y) the Consolidated Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

- (n) the incurrence by TopCo or any Restricted Subsidiary of Permitted Refinancing Debt incurred to renew, refund, replace, refinance, defease or discharge Debt incurred by it pursuant to, or described in, paragraph (1) and clauses 2(a), 2(d), 2(m) and this 2(n) of this covenant, as the case may be;
- (o) Contribution Debt;
- (p) the incurrence by TopCo or any Restricted Subsidiary of Debt represented by guarantees of any Management Advances; and
- (q) the incurrence by TopCo or any Restricted Subsidiary of Debt (other than and in addition to Debt permitted under clauses (a) through (p) above) in an aggregate principal amount at any one time outstanding, including all Permitted Refinancing Debt incurred to renew, refund, replace, refinance, defease or discharge any Debt incurred pursuant to this clause (q), not to exceed \$175 million.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Debt, the payment of dividends on Preferred Stock or Redeemable Capital Stock in the form of additional shares of Preferred Stock or Redeemable Capital Stock or the reclassification of commitments or obligations not treated as Debt due to a change in U.S. GAAP, including a change of U.S. GAAP to IFRS, will not be deemed to be an incurrence of Debt for purposes of this covenant.

- (1) For purposes of determining compliance with any restriction on the incurrence of Debt in dollars where Debt is denominated in a different currency, the amount of such Debt will be the Dollar Equivalent determined on the date of such determination; *provided* that if any such Debt denominated in a different currency is subject to a Currency Agreement (with respect to dollars) covering principal amounts payable on such Debt, the amount of such Debt expressed in dollars will be adjusted to take into account the effect of such Currency Agreement. The principal amount of any Permitted Refinancing Debt incurred in the same currency as the Debt being refinanced will be the Euro Equivalent of the Debt refinanced determined on the date such Debt being refinanced was initially incurred, except to the extent that such Dollar Equivalent was determined based on a Currency Agreement (with respect to dollars), in which case, the amount of such Permitted Refinancing Debt will be adjusted to take into account the effect of such Currency Agreement. Notwithstanding any other provision of this covenant, for purposes of determining compliance with this “—Limitation on Debt” covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies or currency values will not be deemed to exceed the maximum amount that TopCo or a Restricted Subsidiary may incur under the “—Limitation on Debt” covenant.
- (2) For purposes of determining any particular amount of Debt under this “—Limitation on Debt” covenant:
 - (a) obligations with respect to letters of credit, guarantees or Liens, in each case supporting Debt otherwise included in the determination of such particular amount will not be included; and
 - (b) any Liens granted pursuant to the equal and ratable provisions referred to in the “—Limitation on Liens” covenant will not be treated as Debt.
- (3) The amount of any Debt outstanding as of any date will be:
 - (a) in the case of any Debt issued with original issue discount, the accreted value of such Debt;
 - (b) the principal amount of the Debt or the liquidation preference thereof, as applicable, in the case of any other Debt determined in accordance with U.S. GAAP; and
 - (c) in respect of Debt of another Person secured by a Lien on the assets of the specified Person, the lesser of:
 - (i) the Fair Market Value of such assets at the date of determination; and
 - (ii) the amount of the Debt of the other Person.

- (4) If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Debt of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of TopCo as of such date (and, if such Debt is not permitted to be incurred as of such date under this “—Limitation on Debt” covenant, the Restricted Subsidiary shall be in Default of this covenant).
- (5) In the event that an item of Debt meets the criteria of more than one of the types of Debt described in this “—Limitation on Debt” covenant, TopCo, in its sole discretion, will classify items of Debt and will only be required to include the amount and type of such Debt in one of such clauses and, except with respect to Debt incurred under the Senior Facility Agreement incurred under clause (2)(b) above, which may not be reclassified, TopCo will be entitled to divide and classify an item of Debt in more than one of the types of Debt described in this “—Limitation on Debt” covenant, and may change the classification of an item of Debt (or any portion thereof) to any other type of Debt described in this “—Limitation on Debt” covenant at any time. Debt under the Senior Facility Agreement (and under any Credit Facility or other facility or instrument utilized to refinance, replace, restate or extend the Senior Facility Agreement) will be deemed to have been incurred on such date in reliance on clause (2)(b) above up to the maximum amount permitted under such clause on such date and may not be reclassified. For the avoidance of doubt the foregoing will not prohibit TopCo or any of its Restricted Subsidiaries from incurring Debt in an amount in excess of the amount permitted to be incurred under clause (2)(b) so long as such Debt is otherwise incurred in compliance with clause (1) or (2) of this covenant.

Limitation on Restricted Payments

- (1) TopCo will not, and will not permit any Restricted Subsidiary to, directly or indirectly, take any of the following actions (each of which is a “**Restricted Payment**” and which are collectively referred to as “**Restricted Payments**”):
- (a) declare or pay any dividend on or make any distribution (whether made in cash, securities or other property) with respect to any of TopCo’s or any Restricted Subsidiary’s Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving TopCo or any Restricted Subsidiary) (other than (i) to TopCo or any Restricted Subsidiary or (ii) to all holders of Capital Stock of such Restricted Subsidiary on a *pro rata* basis or on a basis that results in the receipt by TopCo or a Restricted Subsidiary of dividends or distributions of greater value than TopCo or such Restricted Subsidiary would receive on a *pro rata* basis); except for dividends or distributions payable solely in shares of TopCo’s Qualified Capital Stock or in options, warrants or other rights to acquire such shares of Qualified Capital Stock or in Deeply Subordinated Funding;
 - (b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation), directly or indirectly, any shares of TopCo’s Capital Stock or any Capital Stock of any direct or indirect parent company of TopCo held by persons other than TopCo or a Restricted Subsidiary or any options, warrants or other rights to acquire such shares of Capital Stock;
 - (c) make any principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Debt (excluding any intercompany debt between or among TopCo or any of its Restricted Subsidiaries) except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Debt purchased in anticipation of satisfying a scheduled sinking fund obligation, principal installment or scheduled maturity, in each case, due within one year of the date of such purchase, repurchase or other acquisition;
 - (d) make any cash interest payment or principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value, any Deeply Subordinated Funding;
 - (e) make any cash interest payment or principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value, any of the PECs; or
 - (f) make any Investment (other than any Permitted Investment) in any Person.

If any Restricted Payment described above is not made in cash, the amount of the proposed Restricted Payment will be the Fair Market Value of the asset to be transferred as of the date of transfer.

- (2) Notwithstanding paragraph (1) above, TopCo or any Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed Restricted Payment:
- (a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
 - (b) TopCo could incur at least \$1.00 of additional Debt under paragraph (1) of the “—Limitation on Debt” covenant; and
 - (c) the aggregate amount of all Restricted Payments declared or made after the Issue Date (including Restricted Payments permitted by clauses (3)(a) and (h) below, but excluding all other Restricted Payments described in paragraph (3) below) does not exceed the sum of (without duplication):
 - (i) 50% of aggregate Consolidated Adjusted Net Income on a cumulative basis during the period beginning on October 1, 2010 and ending on the last day of TopCo’s most recently ended fiscal quarter for which financial statements are available at the date of such proposed Restricted Payment (or, if such aggregate cumulative Consolidated Adjusted Net Income shall be a negative number, minus 100% of such negative amount); *plus*
 - (ii) the aggregate net cash proceeds and the Fair Market Value of property or assets or marketable securities received by TopCo after the Issue Date as capital contributions or from the issuance or sale (other than to any Subsidiary) of shares of TopCo’s Qualified Capital Stock or Deeply Subordinated Funding (including upon the exercise of options, warrants or rights) or warrants, options or rights to purchase shares of TopCo’s Qualified Capital Stock or Deeply Subordinated Funding (except, in each case to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock or Deeply Subordinated Funding as set forth in clause (b) or (c) of paragraph (3) below) (excluding the net cash proceeds from the issuance of TopCo’s Qualified Capital Stock or Deeply Subordinated Funding financed, directly or indirectly, using funds borrowed from TopCo or any Subsidiary until and to the extent such borrowing is repaid); *plus*
 - (iii) (x) the amount by which TopCo’s Debt or Debt of any Restricted Subsidiary is reduced on TopCo’s consolidated balance sheet after the Issue Date upon the conversion or exchange (other than by TopCo or its Restricted Subsidiary) of such Debt into TopCo’s Qualified Capital Stock or Deeply Subordinated Funding, and (y) the aggregate net cash proceeds and the Fair Market Value of property or assets or marketable securities received after the Issue Date by TopCo from the issuance or sale (other than to any Restricted Subsidiary) of Redeemable Capital Stock that has been converted into or exchanged for TopCo’s Qualified Capital Stock or Deeply Subordinated Funding, to the extent such Redeemable Capital Stock was originally sold for cash or Cash Equivalents, together with, in the case of both clauses (x) and (y), the aggregate net cash proceeds and the Fair Market Value of property or assets or marketable securities received by TopCo at the time of such conversion or exchange (excluding Excluded Contributions and the net cash proceeds from the issuance of TopCo’s Qualified Capital Stock or Deeply Subordinated Funding financed, directly or indirectly, using funds borrowed from TopCo or any Restricted Subsidiary until and to the extent such borrowing is repaid); *plus*
 - (iv) (x) in the case of any Investment that is sold, disposed of or otherwise cancelled, liquidated or repaid, constituting a Restricted Payment made after the Issue Date, an amount equal to 100% of the aggregate amount received in cash and the Fair Market Value of the property or assets and marketable securities received by TopCo or any Restricted Subsidiary and (y) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or if an Unrestricted Subsidiary is merged or consolidated into TopCo or a Restricted Subsidiary or the assets of an Unrestricted Subsidiary are transferred to TopCo or a Restricted Subsidiary (as long as the designation of such Subsidiary as an Unrestricted Subsidiary was deemed a Restricted Payment), the Fair Market Value of TopCo’s interest in such Subsidiary as of the date of such redesignation or at the time of such merger, consolidation or transfer of assets; *plus*

- (v) to the extent that any Investment constituting a Restricted Payment that was made after the Issue Date is made in an entity that subsequently becomes a Restricted Subsidiary, the Fair Market Value of such Investment of TopCo and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*
 - (vi) 100% of any dividends or distributions received by TopCo or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Adjusted Net Income of TopCo for such period.
- (3) Notwithstanding paragraphs (1) and (2) above, TopCo and any Restricted Subsidiary may take the following actions so long as (with respect to clauses (h) and (q) below) no Default or Event of Default has occurred and is continuing:
- (a) the payment of any dividend within 60 days after the date of its declaration if at such date of its declaration such payment would have been permitted by the provisions of this covenant;
 - (b) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of TopCo's Capital Stock or Deeply Subordinated Funding, or from the substantially concurrent contribution of common equity capital to TopCo; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (2)(c)(ii) above;
 - (c) the purchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Debt in exchange for, or out of the net cash proceeds of an incurrence (other than to a Subsidiary) of, Permitted Refinancing Debt;
 - (d) the purchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Debt of TopCo or the Issuer (other than any Subordinated Debt held by Affiliates of the Issuer) upon a Change of Control or Asset Sale to the extent required by the agreements governing such Debt; *provided* that the Issuer shall have complied with the "Change of Control" or "Limitation on sale of certain assets" covenant, as the case may be, and the Issuer repurchased all Secured Notes tendered pursuant to the offer required by such covenants prior to offering to purchase, purchasing or repaying such Debt;
 - (e) the repurchase of Capital Stock deemed to occur upon the exercise of stock options to the extent such Capital Stock represents a portion of the exercise price of those stock options;
 - (f) payments of cash, dividends, distributions, advances or other Restricted Payments by TopCo or any of its Restricted Subsidiaries to allow the payment of cash in lieu of issuing fractional shares upon (i) the exercise of options or warrants or (ii) the exchange or conversion of Capital Stock of any such Person;
 - (g) cash payments, advances, loans or expense reimbursements made to any direct or indirect parent company of TopCo to permit any such company to pay (i) general operating expenses, customary directors' fees, accounting, legal, corporate reporting and administrative expenses incurred in the ordinary course of business to the extent such costs and expenses are attributable to the ownership or operation of TopCo and its Restricted Subsidiaries, (ii) any taxes, duties or similar governmental fees of any such parent company to the extent such tax obligations are directly attributable to its ownership of TopCo and its Restricted Subsidiaries or its funding or holding Deeply Subordinated Funding; *provided* that in each case the amount of such payments, advances, loans or expense reimbursements in any fiscal year does not exceed the amount that TopCo and its Restricted Subsidiaries would be required to pay in respect of federal, state and local taxes for such fiscal year if TopCo and its Restricted Subsidiaries paid such taxes, duties or similar governmental fees separately from any such direct or indirect parent entity, (iii) costs (including all professional fees and expenses) incurred by any direct or indirect parent company of TopCo in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Secured Indenture or any other agreement or instrument relating to Debt of TopCo or any of its Restricted Subsidiaries and (iv) fees and expenses of any direct or indirect parent company of TopCo incurred in relation to any public offering or other sale of Capital Stock or Debt (x) where the net proceeds of such offering or sale are intended to be received by or contributed to TopCo or any of its Restricted Subsidiaries or (y) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed;

- (h) following a Public Equity Offering, the declaration or payment of dividends or distributions, or the making of any cash payments, advances, loans or expense reimbursements on the Qualified Capital Stock, common stock or common equity interests of TopCo or any direct or indirect parent company of TopCo; *provided* that the aggregate amount of all such dividends or distributions under this clause (h) shall not exceed in any fiscal year 6% of the net cash proceeds received from such Public Equity Offering or subsequent Public Equity Offering by TopCo or contributed to the capital of TopCo, any of the Parent Guarantors or the Issuer by any direct or indirect parent company of TopCo in any form other than Debt or Excluded Contributions;
- (i) the payment of any Securitization Fees and purchases of Securitization Assets and related assets pursuant to a Securitization Repurchase Obligation in connection with a Qualified Securitization Financing;
- (j) Restricted Payments that are made with Excluded Contributions;
- (k) advances or loans to (i) any future, present or former officer, director, employee or consultant of the Parent or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Capital Stock of TopCo or a Restricted Subsidiary, or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (ii) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of TopCo or a Restricted Subsidiary; *provided* that the total aggregate amount of Restricted Payments made under this clause (k) does not exceed \$7.5 million in any calendar year (with any unused amounts in any calendar year carried over to the next two succeeding calendar years);
- (l) the repurchase, redemption or other acquisition or retirement for value of any Qualified Capital Stock of TopCo held by any current or former officer, director, employee or consultant of TopCo or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Qualified Capital Stock may not exceed \$7.5 million in any calendar years (with unused amounts in any calendar year being carried over to the next two succeeding calendar years); and *provided, further*, that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Qualified Capital Stock of TopCo or a Restricted Subsidiary received by TopCo or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of TopCo or any of its Restricted Subsidiaries or any direct or indirect parent company of TopCo to the extent the cash proceeds from the sale of Qualified Capital Stock have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clauses (b), or (c) or (i) of this paragraph;
- (m) the declaration and payment of dividends to holders of any class or series of Redeemable Capital Stock, or of any Preferred Stock of a Restricted Subsidiary, incurred in accordance with the terms of the "Limitation on Debt" covenant;
- (n) without duplication of any payment made pursuant to clause (g) above, payments or other transactions pursuant to any tax sharing agreement or arrangement among TopCo or any of its Restricted Subsidiaries and any other Person with which TopCo or any of its Restricted Subsidiaries files or filed a consolidated tax return or with which TopCo or any of its Restricted Subsidiaries is or was part of a consolidated group for tax purposes; *provided, however*, that such payments, and the value of such transactions, shall not exceed the amount of tax that TopCo or such Restricted Subsidiaries would owe without taking into account such other Person;
- (o) the making of any payments and any reimbursements as contemplated in the section entitled "Use of proceeds" in this Offering Memorandum;
- (p) cash dividends or other distributions on TopCo's Capital Stock used to, or the making of loans to any direct or indirect parent company of TopCo to, fund the payment of fees and expenses owed by TopCo or its Restricted Subsidiaries to Affiliates, to the extent permitted by clauses (vii), (ix), (xiii), (xiv), (xv) or (xvi) of the "—Limitation on transactions with Affiliates" covenant; and

- (q) any other Restricted Payment; *provided* that the total aggregate amount of Restricted Payments made under this clause (q) since the Issue Date does not exceed \$50 million.

Limitation on transactions with Affiliates

TopCo will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets or property or the rendering of any service) for the benefit of any Affiliate of TopCo or any Restricted Subsidiary's Affiliate involving aggregate payments or consideration in excess of \$10 million unless:

- (a) such transaction or series of transactions is on terms that, taken as a whole, are not materially less favorable to TopCo or such Restricted Subsidiary, as the case may be, than those that could have been obtained in a comparable arm's length transaction with third parties that are not Affiliates (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer);
- (b) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or provision of services, in each case having a value greater than \$25 million, TopCo will deliver a resolution of its board of directors (set out in an Officer's Certificate to the Trustee) certifying that such transaction complies with clause (a) above and that the fairness of such transaction has been approved by a majority of the Disinterested Directors (or in the event there is only one Disinterested Director, by such Disinterested Director) of TopCo's board of directors; and
- (c) (i) in the case that there are no Disinterested Directors or (ii) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or the provision of services, in each case having a value greater than \$50 million, TopCo will obtain a written opinion of an accounting, appraisal, investment banking or advisory firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of transactions is (i) fair to TopCo or such Restricted Subsidiary from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

Notwithstanding the foregoing, the restrictions set forth in this description will not apply to:

- (i) customary directors' fees, indemnification and similar arrangements (including the payment of directors' and officers' insurance premiums), consulting fees, employee salaries, bonuses, employment agreements and arrangements, compensation or employee benefit arrangements, including stock options or legal fees (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer);
- (ii) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, consultant, officer or director of TopCo or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;
- (iii) any Restricted Payments not prohibited by the "—Limitation on Restricted Payments" covenant and Permitted Investments; *provided* that, in the case of a Permitted Investment described in clause (c)(iii) of the definition thereof, such Permitted Investment shall be in accordance with clause (a) of the first paragraph of this covenant;
- (iv) transactions pursuant to, or contemplated by any agreement or arrangement in effect on the Issue Date and transactions pursuant to any amendment, modification, supplement or extension thereto; *provided* that any such amendment, modification, supplement or extension to the terms thereof is not more materially more disadvantageous to the holders of the Secured Notes than the original agreement or arrangement as in effect on the Issue Date;
- (v) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of TopCo solely because TopCo owns, directly or through a Restricted Subsidiary, Capital Stock in, or controls, such Person;

- (vi) transactions between or among TopCo and the Restricted Subsidiaries or between or among Restricted Subsidiaries and any guarantees issued by TopCo or a Restricted Subsidiary for the benefit of TopCo or a Restricted Subsidiary, as the case may be, in accordance with the “Limitation on Debt” covenant;
- (vii) payments or other transactions pursuant to any tax sharing agreement or arrangement among TopCo or any of its Restricted Subsidiaries and any other Person with which TopCo or any of its Restricted Subsidiaries files or filed a consolidated tax return or with which TopCo or any of its Restricted Subsidiaries is or was part of a consolidated group for tax purposes; *provided, however*, that such payments, and the value of such transactions, shall not exceed the amount of tax that TopCo or such Restricted Subsidiaries would owe without taking into account such other Person;
- (viii) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Secured Indenture that are fair to TopCo or the Restricted Subsidiaries or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person, in each case, as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer;
- (ix) the payment of reasonable fees and indemnities to employees, officers, consultants and directors of TopCo and its Restricted Subsidiaries in the ordinary course of business;
- (x) any issuance of Redeemable Capital Stock of TopCo to Affiliates of TopCo which is permitted under the “— Limitation on Debt” covenant;
- (xi) the granting and performance of registration rights for TopCo’s securities;
- (xii) (A) issuances or sales of Qualified Capital Stock of TopCo (or any options, warrants or other rights to acquire Qualified Capital Stock of TopCo) or Deeply Subordinated Funding and (B) any amendment, waiver or other transaction with respect to any Deeply Subordinated Funding in compliance with the other provisions of the Secured Indenture;
- (xiii) any transaction effected as part of or in connection with a Qualified Securitization Financing;
- (xiv) Management Advances;
- (xv) (a) the entering into any agreement to pay, and the payment of, customary annual management, consulting, monitoring and advisory fees to Permitted Holders or their Affiliates in an amount not to exceed \$5 million in any consecutive four-quarter period and (b) customary payments by TopCo or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any direct or indirect parent company of TopCo) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments pursuant to this clause (b) are approved by the board of directors or a member of senior management of TopCo or the Issuer;
- (xvi) any of the Transactions, including the use of proceeds from the Offering as contemplated in the section entitled “Use of proceeds” in this Offering Memorandum.

Limitation on Liens

TopCo will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Debt upon any of their property or assets constituting Collateral, whether owned at or acquired after the Issue Date other than Permitted Collateral Liens.

TopCo will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind (except for Permitted Liens) securing Debt upon any of their property or assets not constituting Collateral, whether owned at or acquired after the Issue Date unless:

- (a) in the case of any Lien securing Subordinated Debt, the Issuer’s obligations in respect of the Secured Notes (or the Guarantees in the case of Liens securing Subordinated Debt of the Guarantors) are directly secured by a Lien on such property, assets or proceeds that is senior in priority to the Lien securing the Subordinated Debt until such time as the Subordinated Debt is no longer secured by a Lien; and

- (b) in the case of any other Lien, the Issuer's obligations in respect of the Secured Notes (or the Guarantees in the case of Liens securing Debt of the Guarantors), and all other amounts due under the Secured Indenture are equally and ratably secured with the obligation or liability secured by such Lien until such time as such obligations are no longer secured by a Lien.

Any such Lien created in favor of the Secured Notes will be automatically and unconditionally released and discharged (i) upon the release and discharge of the initial Lien to which it relates under clause (a) or (b) of the second paragraph above and (ii) otherwise as set forth under "—Release of Liens."

Limitation on sale of certain assets

- (1) TopCo will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale unless:
- (a) the consideration TopCo or such Restricted Subsidiary receives for such Asset Sale is not less than the Fair Market Value of the assets sold or Capital Stock issued or sold or otherwise disposed of; and
 - (b) at least 75% of the consideration TopCo or such Restricted Subsidiary receives in respect of such Asset Sale consists of (i) cash; (ii) Cash Equivalents; (iii) any securities, notes or other obligations received by TopCo or any such Restricted Subsidiary from such transferee that are converted by TopCo or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion; (iv) the assumption by the purchaser of any liabilities, as recorded on the balance sheet of TopCo or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Secured Notes or the Guarantees), that are assumed by the transferee of any such assets and as a result of which TopCo and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities; (v) Debt of TopCo or any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that TopCo and each other Restricted Subsidiary are released from any Guarantee of such Debt in connection with such Asset Sale; (vi) any Capital Stock or assets of the kind referred to in clauses (2)(e), (f) or (g) of this covenant; (vii) consideration consisting of Debt (or the cancellation of Debt) of TopCo or any Restricted Subsidiary received by TopCo or any Guarantor from Persons who are not TopCo or any Restricted Subsidiary; (viii) any Designated Non-cash Consideration received by TopCo or any of its Restricted Subsidiaries in such Asset Sale; *provided* that the aggregate Fair Market Value of such Designated Non-cash Consideration, taken together with the Fair Market Value at the time of receipt of all other Designated Non-cash Consideration received and designated as such pursuant to this clause (viii), is less than (with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value) the greater of \$50 million and 1.0% of Total Assets; or (ix) a combination of the consideration specified in clauses (i) to (viii).
- (2) If TopCo or any Restricted Subsidiary consummates an Asset Sale, the Net Cash Proceeds from such Asset Sale, within 365 days after the consummation of such Asset Sale, may be used or committed in a binding commitment to be used (*provided* that such Net Cash Proceeds are actually used within the later of 365 days from the consummation of the Asset Sale or 180 days from the date of such binding commitment) at the option of TopCo or such Restricted Subsidiary:
- (a) to purchase the Secured Notes pursuant to an offer to all holders of Secured Notes at a purchase price equal to 100% of the principal amount of the Secured Notes, plus accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase (a "**Secured Notes Offer**");
 - (b) to purchase or permanently prepay or redeem or repay any Debt under Credit Facilities (*provided* that in connection with any revolving credit borrowings under Credit Facilities, the related commitment will not be required to be reduced) that is secured by a Lien on assets or property which constitute Collateral;
 - (c) to purchase or permanently prepay or redeem or repay (i) any Debt (*provided* that in connection with any revolving credit borrowings under Credit Facilities, the related commitment will not be required to be reduced) that is secured by a Lien on assets or property which do not constitute Collateral or (ii) any Debt of a Restricted Subsidiary (other than the Issuer or any Subsidiary Guarantor with respect to, in connection with clause (c)(ii) only, the disposition of any assets or property that were owned by a Restricted Subsidiary (other than the Issuer or a Subsidiary Guarantor));

- (d) unless included in clause 2(b) above, to purchase, or prepay or redeem or repay, any *Pari Passu* Debt to the extent secured, in whole or in part, by a Lien on the Collateral so long as TopCo or such Restricted Subsidiary makes an offer on a *pro rata* basis to all holders of Secured Notes at a purchase price equal to 100% of the principal amount of the Secured Notes, plus accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase;
 - (e) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;
 - (f) to make a capital expenditure;
 - (g) to acquire other assets (other than Capital Stock) that are used or useful in a Permitted Business; or
 - (h) any combination of the foregoing.
- (3) Pending the final application of any Net Cash Proceeds (including cash or Cash Equivalents received from the conversion of any securities, notes or other obligations), TopCo (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the Secured Indenture.
- (4) Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clause (2) of this covenant will constitute “**Excess Proceeds.**” TopCo may also at any time, and TopCo will within ten Business Days after the aggregate amount of Excess Proceeds exceeds \$30 million, make an offer to purchase (an “**Excess Proceeds Offer**”) from all holders of Secured Notes and from the holders of any *Pari Passu* Debt, to the extent required by the terms thereof, on a *pro rata* basis, in accordance with the procedures set forth in the Secured Indenture or the agreements governing any such *Pari Passu* Debt, the maximum principal amount (expressed as a multiple of €1,000) of the Secured Notes and any such *Pari Passu* Debt that may be purchased with the amount of the Excess Proceeds (plus in each case all accrued interest on the Debt and the amount of all fees and expenses, including premiums, incurred in connection therewith). The offer price as to each Secured Note and any such *Pari Passu* Debt will be payable in cash in an amount equal to (solely in the case of the Secured Notes) 100% of the principal amount of such Secured Note and (solely in the case of *Pari Passu* Debt) no greater than 100% of the principal amount (or accreted value, as applicable) of such *Pari Passu* Debt, plus in each case accrued and unpaid interest, if any, to the date of purchase and Additional Amounts, if any, to the date of purchase, prepayment or redemption.

To the extent that the aggregate principal amount of Secured Notes and any such *Pari Passu* Debt tendered pursuant to an Excess Proceeds Offer is less than the aggregate amount of Excess Proceeds, TopCo may use the amount of such Excess Proceeds not used to purchase Secured Notes and *Pari Passu* Debt for general corporate purposes that are not otherwise prohibited by the Secured Indenture. If the aggregate principal amount of Secured Notes and any such *Pari Passu* Debt validly tendered and not withdrawn by holders thereof exceeds the aggregate amount of Excess Proceeds, the Secured Notes and any such *Pari Passu* Debt to be purchased will be selected by the Trustee on a *pro rata* basis (based upon the principal amount of Secured Notes and the principal amount or accreted value of such *Pari Passu* Debt tendered by each holder) or in the manner described under “—Selection and notice.” Upon completion of each such Excess Proceeds Offer, the amount of Excess Proceeds will be reset to zero.

- (5) If TopCo is obligated to make an Excess Proceeds Offer, TopCo will purchase the Secured Notes and *Pari Passu* Debt, at the option of the holders thereof, in whole or in part in integral multiples of €1,000, on a date that is not earlier than 30 days and not later than 60 days from the date the notice of the Excess Proceeds Offer is given to such holders, or such later date as may be required under the Exchange Act; *provided* that no Secured Note of less than €100,000 remains outstanding thereafter.
- (6) If TopCo is required to make an Excess Proceeds Offer, TopCo will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws and regulations. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this covenant, TopCo will comply with such securities laws and regulations and will not be deemed to have breached our obligations described in this covenant by virtue thereof.

Limitation on Guarantees of Debt by Restricted Subsidiaries

TopCo will not permit any Restricted Subsidiary that is not the Issuer or a Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of (i) any Debt of TopCo or any other Restricted Subsidiary under any Credit Facilities incurred pursuant to clause (2)(b) of the covenant “—Limitation on Debt” or (ii) any Public Debt of the Issuer or any Guarantor (other than the Secured Notes), unless:

- (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Secured Indenture providing for a Guarantee of payment of the Secured Notes by such Restricted Subsidiary on the same terms as the guarantee of such Debt; and
- (b) with respect to any guarantee of Subordinated Debt by such Restricted Subsidiary, any such guarantee shall be subordinated to such Restricted Subsidiary’s Guarantee with respect to the Secured Notes at least to the same extent as such Subordinated Debt is subordinated to the Secured Notes.

The immediately preceding paragraph will not be applicable to any guarantees of any Restricted Subsidiary:

- (i) existing on the date of the Secured Indenture;
- (ii) arising solely due to the granting of a Permitted Lien; or
- (iii) given to a bank or trust company having combined capital and surplus and undivided profits of not less than €500 million, whose debt has a rating, at the time such guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody’s, in connection with the operation of cash management programs established for TopCo’s benefit or that of any Restricted Subsidiary.

In addition, notwithstanding anything to the contrary herein:

- (i) no Guarantee shall be required if such Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to TopCo or such Restricted Subsidiary or (C) any significant cost, expense, liability or obligation (including with respect of 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 (B) undertaken in connection with, such Guarantee, which cannot be avoided through measures reasonably available to TopCo or the Restricted Subsidiary; and
- (ii) each such Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries

- (1) TopCo will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock or any other interest or participation in, or measured by, its profits;
 - (b) pay any Debt owed to TopCo or any other Restricted Subsidiary;
 - (c) make loans or advances to TopCo or any other Restricted Subsidiary; or
 - (d) transfer any of its properties or assets to TopCo or any other Restricted Subsidiary;

provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to TopCo or any Restricted Subsidiary to other Debt incurred by TopCo or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

- (2) The provisions of the covenant described in paragraph (1) above will not apply to encumbrances or restrictions existing under or by reason of:
- (a) the Secured Notes (including Additional Secured Notes), the Senior Notes (including any additional Senior Notes), the indenture governing the Senior Notes, the Secured Indenture, the Senior Facility Agreement and the security documents related thereto or by other indentures or agreements governing other Debt we incur ranking equally with the Secured Notes; *provided* that the encumbrances or restrictions imposed by such other indentures or agreements are not materially more restrictive, taken as a whole, than the encumbrances or restrictions imposed by the Secured Indenture;
 - (b) any agreements with respect to Debt of TopCo or any Restricted Subsidiary permitted to be incurred subsequent to the Issue Date pursuant to the provisions of “—Limitation on Debt,” and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that such encumbrances or restrictions are not materially less favorable, taken as a whole, to the holders of the Secured Notes than is customary in comparable financings (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer);
 - (c) any agreement in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer);
 - (d) customary non-assignment and similar provisions in contracts, leases and licenses entered into in the ordinary course of business;
 - (e) any agreement or other instrument of a Person (including its Subsidiaries), acquired by TopCo or any Restricted Subsidiary in effect at the time of such acquisition (but 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, or the property or assets of the Person, so acquired (including its Subsidiaries);
 - (f) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;
 - (g) Liens permitted to be incurred under the provisions of the covenant described above under the caption “—Limitation on Liens” that limit the right of the debtor to dispose of the assets subject to such Liens;
 - (h) applicable law, rule, regulation or order or the terms of any governmental licenses, authorizations, concessions, franchises or permits;
 - (i) encumbrances or restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;
 - (j) customary limitations on the distribution or disposition of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment), which limitations are applicable only to the assets that are the subject of such agreements;

- (k) Purchase Money Obligations and mortgage financings for property acquired in the ordinary course of business and Capitalized Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (1)(d) of the preceding paragraph;
- (l) any Qualified Securitization Financing; and
- (m) any agreement that extends, renews, amends, modifies, restates, supplements, refunds, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (2)(a) through (l), or in this clause (2)(m); *provided* that the terms and conditions of any such encumbrances or restrictions are not materially less favorable, taken as a whole, to the holders of the Secured Notes than those under or pursuant to the agreement so extended, renewed, amended, modified, restated, supplemented, refunded, refinanced or replaced (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer).

Designation of Unrestricted and Restricted Subsidiaries

- (1) The board of directors of TopCo may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by TopCo and its Restricted Subsidiaries in the Subsidiary designated as Unrestricted will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption “—Limitation on Restricted Payments” or under one or more clauses of the definition of Permitted Investments, as determined by TopCo. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The board of directors of TopCo may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.
- (2) Any designation of a Subsidiary of TopCo as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the board of directors giving effect to such designation and an Officer’s Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption “—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 Secured Indenture and any Debt of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of TopCo as of such date and, if such Debt is not permitted to be incurred as of such date under the covenant described under the caption “—Limitation on Debt,” TopCo will be in default of such covenant. The board of directors of TopCo may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Debt by a Restricted Subsidiary of any outstanding Debt of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Debt is permitted under the covenant described under the caption “—Limitation on Debt,” calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

Provision of information

So long as any Notes are outstanding, TopCo will furnish to the Trustee:

- (a) within 120 days after the end of TopCo’s fiscal year beginning with the fiscal year ended December 31, 2010, annual reports containing the following information with a level of detail that is substantially comparable in all material respects to this Offering Memorandum (with appropriate revisions, as reasonably determined by TopCo to reflect changes in segment reporting): (i) audited consolidated balance sheets of TopCo as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of TopCo for the two most recent fiscal years, including complete footnotes to such financial statements and the report of its independent auditors on the financial statements; (ii) *pro forma* income statement and balance sheet information of TopCo, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clause (b)(ii) or (b)(iii) below (*provided* that such *pro forma* financial information need be provided only to the extent available without unreasonable expense); (iii) an operating and financial review of the audited financial statements, including a discussion of the results of operations (including a

discussion of net sales by business segment), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies, capital expenditures and critical accounting policies; (iv) a description of the business, management and shareholders of TopCo, material affiliate transactions and material debt instruments; and (v) material risk factors and material recent developments;

- (b) within 60 days (90 days in the case of the fiscal quarter ending March 31, 2011) following the end of the first three fiscal quarters in each fiscal year of TopCo beginning with the quarter ending March 31, 2011, all quarterly financial statements of TopCo containing the following information: (i) 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 (which may be presented on a *pro forma* basis), together with condensed footnote disclosure; (ii) *pro forma* income statement and balance sheet information of TopCo, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clause (b)(i) or (b)(iii) (*provided* that such *pro forma* financial information need be provided only to the extent available without unreasonable expense); (iii) an operating and financial review (containing information with a level of detail that is substantially comparable in all material respects to the interim period in this Offering Memorandum (with appropriate revisions, as reasonably determined by TopCo to reflect changes in segment reporting)) of the unaudited financial statements, including a discussion of the consolidated financial condition and results of operations, and material changes in liquidity and capital resources of TopCo and any material change between the current year-to-date period and the corresponding period of the prior year; and (iv) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and
- (c) promptly after the occurrence of any material acquisition, disposition or restructuring of TopCo and the Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at TopCo or the Issuer or change in auditors of TopCo or any other material event that TopCo or the Issuer announces publicly, a report containing a description of such event.

All historical financial statements shall be prepared in accordance with U.S. GAAP on a consistent basis for the periods presented. Except as provided for above, no report need include separate financial statements for TopCo or any Subsidiaries of TopCo or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

Contemporaneously with the furnishing of each such report discussed above, TopCo will also (i) file a press release with the appropriate internationally recognized wire services (including, without limitation, through the newswire service of Bloomberg, or if Bloomberg does not then operate, any similar agency) in connection with such report and (ii) post each such report on such website as may be then maintained by TopCo.

The Secured Indenture will also provide that, so long as any of the Secured Notes remain outstanding, TopCo will make available to any prospective purchaser of Secured Notes or beneficial owner of Secured Notes in connection with any sale thereof the information required by Rule 144A(d)(4) under the Securities Act.

At any time that any of TopCo's Subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by the first paragraph of this "Provision of Information" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of TopCo and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of TopCo.

So long as any Secured Notes are outstanding, TopCo will also:

- (1) within 10 Business Days after furnishing to the Trustee the annual and quarterly reports required by clause (a) and (b) of the first paragraph of this covenant, hold a conference call to discuss such reports and the results of operations for the relevant reporting period;
- (2) issue a press release to an internationally recognized wire service no fewer than three Business Days prior to the date of the conference call required by the foregoing clause (1) of this paragraph, announcing the time and date of such conference call and either including all information necessary to access the call or directing holders of the Secured Notes, prospective investors, broker dealers and securities analysts to contact the appropriate person at TopCo or the Issuer to obtain such information; and

- (3) from and after the filing of the first annual report required by clause (a) of the first paragraph, maintain a website (which may be password protected so long as the password is made promptly available by TopCo to holders of the Secured Notes and prospective investors of the Secured Notes, broker dealers and securities analysts who contact the appropriate person at TopCo or the Issuer to obtain such information) to which the Senior Facility Agreement, the Intercreditor Agreement and press releases required by this covenant are posted.

Consolidation, merger and sale of assets

None of the Parent Guarantors or the Issuer will, directly or indirectly: (i) consolidate or merge with or into another Person (whether or not such Parent Guarantor is the surviving corporation), or (ii) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of TopCo and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

- (a) at the time of, and immediately after giving effect to, any such transaction or series of transactions, either (i) such Parent Guarantor or the Issuer (as applicable) will be the surviving corporation or (ii) the Person (if other than such Parent Guarantor or the Issuer, as applicable) formed by or surviving any such consolidation or merger or to which such sale, assignment, conveyance, transfer, lease or disposition of all or substantially all the properties and assets of such Parent Guarantor and the Restricted Subsidiaries on a consolidated basis has been made (the “**Surviving Entity**”):
- (x) will be a corporation duly incorporated and validly existing under the laws of any member state of the European Union as in effect on December 31, 2003, Switzerland, Canada, the United States of America, any state thereof or the District of Columbia; and
- (y) will expressly assume, by a supplemental indenture in form satisfactory to the Trustee, such Parent Guarantor’s or the Issuer’s, as applicable, obligations under the Secured Notes, the Secured Indenture, the Security Documents and the Subordination Agreement (if applicable);
- (b) immediately after giving effect to such transaction or series of transactions on a *pro forma* basis, no Default or Event of Default will have occurred and be continuing;
- (c) such Parent Guarantor, the Issuer or the Person formed by or surviving any such consolidation or merger (if other than such Parent Guarantor or the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period (i) be permitted to incur at least \$1.00 of additional Debt pursuant to the Consolidated Fixed Charge Coverage Ratio test set forth in the first paragraph of the “—Limitation on Debt” covenant or (ii) have a Consolidated Fixed Charge Coverage Ratio not less than it was immediately prior to giving effect to such transaction;
- (d) the Liens on the Collateral will remain in full force and effect securing the Secured Notes and the Guarantees, as applicable; and
- (e) such Parent Guarantor or the Issuer, as applicable, or the Surviving Entity will have delivered to the Trustee, in form and substance satisfactory to the Trustee, an Officer’s Certificate and an opinion of counsel, each stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this covenant.

A Subsidiary Guarantor (other than a Subsidiary Guarantor whose Subsidiary Guarantee is to be released in accordance with the terms of the Subsidiary Guarantee and the Secured Indenture as described under “—The Guarantees”) will not, directly or indirectly (other than in connection with a transaction that does not constitute an Asset Sale or a transaction that is permitted by the covenant described under the caption “—Limitation on the sale of certain assets”): (1) consolidate or merge with or into another Person (whether or not such Subsidiary Guarantor is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of such Subsidiary Guarantor and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

- (1) immediately after giving effect to that transaction, no Default or Event of Default exists; and
- (2) either:

- (a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee, the Secured Indenture and the Security Documents to which such Subsidiary Guarantor is a party pursuant to a supplemental indenture reasonably satisfactory to the Trustee; or
- (b) the Net Cash Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Secured Indenture.

Nothing in the Secured Indenture will prevent and this covenant will not apply to (i) any Restricted Subsidiary (other than the Issuer) from consolidating with, merging into or transferring all or substantially all of its properties and assets to TopCo or any other Restricted Subsidiary, (ii) any Parent Guarantor from consolidating with, merging into or transferring all or substantially all of its properties and assets to the other Parent Guarantor or the Issuer (and upon any such transfer, the Guarantee of the non-surviving Parent Guarantor shall automatically be released) or (iii) the Issuer from consolidating with, merging into or transferring all or substantially all of its properties and assets to any Parent Guarantor. In addition, clause (c) above will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Issuer with or into an Affiliate solely for the purpose of reincorporating the Issuer in another jurisdiction for tax reasons.

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 “all or substantially all” of the property or assets of a Person.

Impairment of Security Interest

TopCo 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 Liens with respect to the Collateral in favor of the Security Agent and the holders of the Secured Notes (the “**Security Interest**”) (it being understood that, subject to the paragraph below, the incurrence of Permitted Collateral Liens shall not be deemed to materially impair the Security Interests with respect to the Collateral) and TopCo shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Trustee, for the benefit of the Trustee and the holders of the Secured Notes and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement (as defined below), any interest whatsoever in any of the Collateral (except Permitted Collateral Liens).

Notwithstanding the foregoing (a) nothing in this covenant shall restrict the discharge and release of any Security Interest in accordance with the Secured Indenture and the Intercreditor Agreement or the Additional Intercreditor Agreement and (b) the Security Interest and the related Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) if, contemporaneously with any such action, TopCo delivers to the Security Agent, either (1) a solvency opinion in form and substance reasonably satisfactory to the Trustee from an independent financial advisor, accounting firm, appraiser or investment bank of international standing which confirms the solvency of TopCo and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, replacement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), (2) a certificate from the board of directors or chief financial officer of the relevant Person which confirms the solvency of the Person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, replacement, supplement, modification or release, or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Security Agent, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, replacement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, modified or released and replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the holders of the Secured Notes.

Additional Intercreditor Agreements

The Secured Indenture will provide that, at the request of TopCo and without the consent of the holders of the Secured Notes, in connection with the incurrence by TopCo or its Restricted Subsidiaries of (1) any Debt permitted pursuant to paragraph (1)

of the “—Limitation on Debt” covenant or clause (a), (b), (d), (g), (h), (m), (o) or (q) of paragraph (2) of the “—Limitation on Debt” covenant and (2) any Permitted Refinancing Debt in respect of Debt referred to in the foregoing clause (1), TopCo, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Debt (or their duly authorized Representatives) an intercreditor agreement (an “**Additional Intercreditor Agreement**”) or a restatement, amendment or other modification of the existing Intercreditor Agreement, in each case on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the holders of the Secured Notes), including containing substantially the same terms with respect to release of Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Secured Indenture or the Intercreditor Agreement.

The Secured Indenture also will provide that, at the direction of TopCo and without the consent of the holders of the Secured Notes, 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 Debt covered by any such agreement that may be incurred by TopCo or a Guarantor that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Debt ranking junior in right of payment to the Secured Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Secured Notes (including Additional Secured Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Secured Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the holders of Secured Notes in any material respect. TopCo shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the holders of the majority in aggregate principal amount of the Secured Notes then outstanding, except as otherwise permitted below under “Amendments and waivers,” and TopCo may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Secured Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Secured Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the holders of the Secured Notes to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Secured Notes thereby; *provided, however*, that such transaction would comply with the covenant described under “—Limitation on Restricted Payments.”

The Secured Indenture also will provide that each holder of the Secured Notes, by accepting a Secured Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee or Security Agent, as applicable, to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the Trustee.

Events of Default

- (1) Each of the following will be an “**Event of Default**” under the Secured Indenture:
 - (a) default for 30 days in the payment when due of any interest or any Additional Amounts on any Secured Note;
 - (b) default in the payment of the principal of or premium, if any, on any Secured Note at its Maturity (upon redemption or otherwise);
 - (c) failure by TopCo or the Issuer to (i) comply with the provisions of “—Consolidation, merger and sale of assets” or make or (ii) consummate a Change of Control Offer in accordance with the provisions of “—Purchase of Secured Notes upon a Change of Control;”

- (d) failure by TopCo or the Issuer for 60 days after the written notice specified in paragraph (2) below to comply with any covenant or agreement that is contained in the Secured Indenture or the Secured Notes (other than a covenant or agreement which is specifically dealt with in clauses (a), (b) or (c));
 - (e) default under the terms of any instrument evidencing or securing the Debt of TopCo or any Restricted Subsidiary, if that default: (x) results in the acceleration of the payment of such Debt or (y) is caused by a failure to pay principal of such Debt at final maturity thereof after giving effect to any applicable grace periods, and such failure to make any payment has not been waived or the maturity of such Debt has not been extended (a “**Payment Default**”), and in either case the total amount of such Debt unpaid or accelerated exceeds \$50 million;
 - (f) any Guarantee ceases to be, or shall be asserted in writing by any Guarantor, or any Person acting on behalf of any Guarantor, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Secured Indenture or any Guarantee);
 - (g) failure by TopCo or any of its Significant Subsidiaries or group of Restricted Subsidiaries that taken as a whole would constitute a Significant Subsidiary to pay final judgments, orders or decrees (not subject to appeal) entered by a court or courts of competent jurisdiction aggregating in excess of \$50 million (exclusive of any amounts that an insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days or more during which a stay of enforcement of such judgment, order or decree (by reason of pending appeal, waiver or otherwise) shall not have been in effect;
 - (h) the Security Interests purported to be created under any Security Document (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Secured Indenture) with respect to Collateral having a Fair Market Value in excess of \$10 million will, at any time, cease to be in full force and effect and constitute a valid and perfected Lien with the priority required by the applicable Security Document and/or the Intercreditor Agreement or Additional Intercreditor Agreement for any reason other than the satisfaction in full of all obligations under the Secured Notes Indenture and discharge of the Secured Notes Indenture or in accordance with the terms of the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any Security Interest purported to be created under any Security Document is declared invalid or unenforceable or the Issuer or any Guarantor granting Collateral the subject of any such Security Interest asserts, in any pleading in any court of competent jurisdiction, that any such Security Interest is invalid or unenforceable and such failure to be in full force and effect or such assertion has continued uncured for a period of 15 days; and
 - (i) the occurrence of certain events of bankruptcy or insolvency described in the Secured Indenture with respect to TopCo or any of its Significant Subsidiaries or group of Restricted Subsidiaries that taken as a whole would constitute a Significant Subsidiary.
- (2) If an Event of Default (other than as specified in clause (1)(i) above) occurs and is continuing, the Trustee or the holders of not less than 25% in aggregate principal amount of the Secured Notes then outstanding by written notice to TopCo (and to the Trustee if such notice is given by the holders) may, and the Trustee, upon the written request of such holders, shall, declare the principal of, premium, if any, and any Additional Amounts and accrued interest on all the outstanding Secured Notes immediately due and payable, and upon any such declaration all such amounts payable in respect of the Secured Notes will become immediately due and payable.
- (3) If an Event of Default specified in clause (1)(i) above occurs and is continuing, then the principal of, premium, if any, and Additional Amounts and accrued and unpaid interest on all the outstanding Secured Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of Secured Notes.
- (4) At any time after a declaration of acceleration under the Secured Indenture, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of the outstanding Secured Notes, by written notice to TopCo and the Trustee, may rescind such declaration and its consequences if:
- (a) TopCo has paid or deposited with the Trustee a sum sufficient to pay:

- (i) all overdue interest and Additional Amounts on all Secured Notes then outstanding;
 - (ii) all unpaid principal of and premium, if any, on any outstanding Secured Notes that has become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Secured Notes;
 - (iii) to the extent that payment of such interest is lawful, interest upon overdue interest and overdue principal at the rate borne by the Secured Notes; and
 - (iv) all sums paid or advanced by the Trustee under the Secured Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;
- (b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and
 - (c) all Events of Default, other than the non-payment of amounts of principal of, premium, if any, and any Additional Amounts and interest on the Secured Notes that has become due solely by such declaration of acceleration, have been cured or waived.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

- (5) The holders of not less than a majority in aggregate principal amount of the outstanding Secured Notes may, on behalf of the holders of all the Secured Notes, waive any past defaults under the Secured Indenture, except a continuing default in the payment of the principal of, premium, if any, and Additional Amounts or interest on any Secured Note held by a non-consenting holder (which may only be waived with the consent of holders of Secured Notes holding 90% of the aggregate principal amount of the Secured Notes outstanding under the Secured Indenture). Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power.
- (6) Subject to the provisions of the Secured Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Secured Indenture at the request or direction of any holders of Secured Notes unless such holders have made written request and offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except (subject to the provisions described under “—Amendment, supplement and waiver”) to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of any of the Secured Notes has any right to institute any proceedings with respect to the Secured Indenture or any remedy thereunder, unless the holders of at least 25% in aggregate principal amount of the outstanding Secured Notes have made a written request to, and offered indemnity and/or security satisfactory to, the Trustee to institute such proceeding as trustee under the Secured Notes and the Secured Indenture, the Trustee has failed to institute such proceeding within 30 days after receipt of such notice and indemnity and/or security and the Trustee within such 30-day period has not received directions inconsistent with such written request by holders of a majority in aggregate principal amount of the outstanding Secured Notes. Such limitations do not, however, apply to a suit instituted by a holder of a Secured Note for the enforcement of the payment of the principal of, premium, if any, and Additional Amounts or interest on such Secured Note on or after the respective due dates expressed in such Secured Note.
- (7) If a Default or an Event of Default occurs and is continuing and is known to the Trustee, the Trustee will mail to each holder of the Secured Notes notice of the Default or Event of Default within 15 Business Days after its occurrence. Except in the case of a Default or an Event of Default in payment of principal of, premium, if any, Additional Amounts or interest on any Secured Notes, the Trustee may withhold the notice to the holders of such Secured Notes if a committee of its trust officers in good faith determines that withholding the notice is in the interests of the holders of the Secured Notes.
- (8) TopCo is required to furnish to the Trustee annual statements regarding compliance with the Secured Indenture. Upon becoming aware of any Default or Event of Default, TopCo is required to promptly deliver to the Trustee a statement specifying such Default or Event of Default.

Legal defeasance or covenant defeasance of Secured Indenture

The Secured Indenture will provide that the Issuer may, at the option of its Board of Directors as evidenced by a resolution set forth in an Officer's Certificate, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Secured Notes and Guarantees ("**Legal Defeasance**"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Debt represented by the outstanding Secured Notes and Guarantees except as to:

- (a) the rights of holders of outstanding Secured Notes to receive payments in respect of the principal of, premium, if any, and interest on such Secured Notes when such payments are due from the trust referred to below;
- (b) the Issuer's obligations to issue temporary Notes, register, transfer or exchange any Secured Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Secured Notes and segregate and hold such payments in trust;
- (c) the rights, powers, trusts, duties and immunities of the Trustee and the obligations of the Issuer and the Guarantors in connection therewith; and
- (d) the Legal Defeasance and Covenant Defeasance provisions of the Secured Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Secured Indenture ("**Covenant Defeasance**"), and thereafter any omission to comply with such covenants will not constitute a Default or an Event of Default with respect to the Secured Notes. In the event Covenant Defeasance occurs, certain events described under "—Events of Default" will no longer constitute an Event of Default with respect to the Secured Notes. These events do not include events relating to non-payment or, solely with respect to the Issuer, bankruptcy, insolvency, receivership and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether they previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (a) the Issuer must irrevocably deposit or cause to be deposited in trust with the Trustee, for the benefit of the holders of the Secured Notes, cash in euros, non-callable European Government Obligations or a combination thereof, in each case in such amounts as will be sufficient, in the opinion of internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay and discharge the principal of, premium, if any, and interest, on the outstanding Secured Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must (x) specify whether the Secured Notes are being defeased to such Stated Maturity or to a particular redemption date; and (y) if applicable, have delivered to the Trustee an irrevocable notice to redeem all the outstanding Secured Notes of such principal, premium, if any, or interest;
- (b) in the case of Legal Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee stating that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the Issue Date, there has been a change in applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the beneficial owners of the outstanding Secured 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;
- (c) in the case of Covenant Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee to the effect that the beneficial owners of the outstanding Secured 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;
- (d) the Issuer must have delivered to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of the Secured Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

- (e) the Issuer must have delivered to the Trustee an Officer's Certificate and an opinion of counsel, reasonably acceptable to the Trustee, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

Satisfaction and discharge

The Secured Indenture, the Secured Notes, the Guarantees and the Subordination Agreement will be discharged and will cease to be of further effect when:

- (a) either:
 - (i) all the Secured Notes that have been authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust or segregated and held in trust and thereafter repaid to the Issuer or discharged from such trust as provided for in the Secured Indenture) have been delivered to the Trustee for cancellation; or
 - (ii) all Secured Notes that have not been delivered to the Trustee for cancellation (x) have become due and payable (by reason of the mailing of a notice of redemption or otherwise) or (y) will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders of the Secured Notes, cash in euros, non-callable European Government Obligations or a combination thereof, in each case in such amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Debt on the Secured Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption; and
- (b) the Issuer has paid or caused to be paid all sums payable by the Issuer under the Secured Indenture, the Secured Notes and the Guarantees; and
- (c) the Issuer has delivered irrevocable instructions to the Trustee under the Secured Indenture to apply the deposited money toward the payment of the Secured Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver to the Trustee an Officer's Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent provided in the Secured Indenture relating to the satisfaction and discharge of the Secured Indenture have been satisfied; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (a), (b) and (c)).

Amendments and waivers

Except as provided otherwise in the succeeding paragraphs, the Secured Indenture, the Secured Notes, any Security Document, the Subordination Agreement or any Guarantee, may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Secured Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Secured Notes), and any existing Default or Event of Default or compliance with any provision of the Secured Indenture, the Secured Notes, the Security Documents, the Subordination Agreement or the Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Secured Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Secured Notes).

Unless (i) consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Secured Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Secured Notes) or (ii) consented to by each holder of Secured Notes adversely affected thereby, no amendment, supplement or waiver may:

- (a) change the Stated Maturity of the principal of, or any installment of or Additional Amounts or interest on, any Secured Note;
- (b) reduce the principal amount of any Secured Note (or Additional Amounts or premium, if any) or the rate of or change the time for payment of interest on any Secured Note;

- (c) change the coin or currency in which the principal of any Secured Note or any premium or any Additional Amounts or the interest thereon is payable;
- (d) impair the right of any holder of Secured Notes to institute suit for the enforcement of any payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date);
- (e) reduce the principal amount of Secured Notes whose holders must consent to any amendment, supplement or waiver of provisions of the Secured Indenture (except a rescission of acceleration of the Secured Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Secured Notes and a waiver of the Payment Default that resulted from such acceleration);
- (f) release any Guarantee other than in accordance with the terms of the Secured Indenture;
- (g) modify any of the provisions relating to supplemental indentures requiring the consent of holders of the Secured Notes or relating to the waiver of past defaults or relating to the waiver of certain covenants, except to increase the percentage of outstanding Secured Notes required for such actions or to provide that certain other provisions of the Secured Indenture cannot be modified or waived without the consent of the holder of each Secured Note affected thereby; or
- (h) make any change in the preceding amendment and waiver provisions.

Any amendment, supplement or waiver consented to by at least 90% of the aggregate principal amount of the then outstanding Secured Notes will be binding against any non-consenting holders.

Notwithstanding the foregoing, without the consent of any holder of the Secured Notes, the Guarantors, the Issuer and the Trustee may modify, amend or supplement the Secured Indenture, any Security Document, the Subordination Agreement or any Guarantee:

- (a) to cure any ambiguity, defect or inconsistency;
- (b) to provide for uncertificated Secured Notes in addition to or in place of certificated Notes;
- (c) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Secured Notes and Guarantees by a successor to the Issuer or any Guarantor in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;
- (d) to make any change that would provide any additional rights or benefits to the holders of Secured Notes or that does not adversely affect the legal rights under the Secured Indenture of any such holder in any material respect;
- (e) to conform the text of the Secured Indenture, the Guarantees or the Secured Notes to any provision of this "Description of the Secured Notes" to the extent that such provision in this "Description of the Secured Notes" was intended to be a verbatim recitation of a provision of the Secured Indenture, the Secured Notes or the Guarantees;
- (f) to release any Guarantee in accordance with the terms of the Secured Indenture;
- (g) to allow any Guarantor to execute a supplemental indenture and/or a Guarantee with respect to the Secured Notes;
- (h) provide for uncertificated Secured Notes in addition to or in place of certificated Secured Notes (*provided* that the uncertificated Secured Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Secured Notes are described in Section 163(f)(2)(B) of the Code);
- (i) to evidence and provide the acceptance of the appointment of a successor Trustee under the terms of the Secured Indenture or to otherwise comply with any requirement of the Secured Indenture; or
- (j) to provide for the issuance of Additional Secured Notes in accordance with and if permitted by the terms of and limitations set forth in the Secured Indenture.

In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an opinion of counsel and an Officer's Certificate on which the Trustee may solely rely.

The consent of the holders of Secured Notes is not necessary under the Secured Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated August 10, 1915 on commercial companies, as amended shall not apply in respect of the Secured Notes.

Concerning the Trustee

The Issuer shall deliver written notice to the Trustee as soon as practicable but no later than fifteen (15) days of becoming aware of the occurrence of a Default or an Event of Default. If the Trustee becomes a creditor of the Issuer or any Guarantor the Secured Indenture limits the right of the Trustee 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; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Secured Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Secured Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Secured Indenture at the request of any holder of Secured Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

The Guarantors and the Issuer jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with its duties.

Listing

Application has been made to list the Secured Notes on the Global Exchange Market of the Irish Stock Exchange. There can be no guarantee that the application to list the Secured Notes on the Global Exchange Market of the Irish Stock Exchange will be approved as of the Issue Date or at any time thereafter, and settlement of the Secured Notes is not conditioned on obtaining this listing. The Issuer has initially designated Arthur Cox Listing Services Limited as its listing agent (the "**Listing Agent**"). The address of the Listing Agent is Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland.

Listing and general information

So long as the Secured Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange shall so require, copies, current and future, of all of our annual audited consolidated and unconsolidated financial statements, our unaudited consolidated interim quarterly financial statements and this Offering Memorandum may be obtained, free of charge, during normal business hours at the registered office of the Issuer.

No personal liability of directors, officers, employees and shareholders

No director, officer, employee, incorporator, member or shareholder of the Issuer or any Guarantor will have any liability for any obligations of the Issuer or the Guarantors under the Secured Notes, the Guarantees, the Security Documents, the Subordination Agreement or the Secured Indenture or for any claim based on, in respect of, or by reason of such obligations or their creation. Each holder by accepting a Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Secured Notes. Such waiver and release may not be effective to waive liabilities under the U.S. federal securities laws.

Prescription

Claims against the Issuer or the Guarantors for the payment of principal or premium, if any, on the Secured Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or the Guarantors for the payment of interest on the Secured Notes will be prescribed five years after the applicable due date for payment of interest.

Governing law

The Secured Indenture, the Secured Notes, the related Guarantees and the Intercreditor Agreement will be governed by and construed in accordance with the laws of the State of New York, and will provide for the submission of the parties to the jurisdiction of the courts in the State of New York.

Consent to jurisdiction and service

The Secured Indenture will provide that the Issuer and each Guarantor will irrevocably and unconditionally appoint CT Corporation as their agent for service of process in any suit, action or proceeding with respect to the Secured Indenture, the Secured Notes and the Guarantees and for actions brought under U.S. Federal or state securities laws brought in any Federal or state court located in the City of New York and will submit to such jurisdiction.

Enforceability of judgments

Since a substantial portion of the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or certain Guarantors, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, redemption price and any purchase price with respect to the Secured Notes, may not be collectable within the United States.

Certain definitions

Set forth below are certain defined terms used in the Secured Indenture. Reference is made to the Secured Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

“Acquired Debt” means Debt of a Person:

- (a) existing at the time such Person becomes a Subsidiary or is merged into or consolidated with such specified Person whether or not such Debt is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; or
- (b) assumed in connection with the acquisition of assets from any such Person.

Acquired Debt will be deemed to be incurred on the date the acquired Person becomes a Restricted Subsidiary or the date of the related acquisition of assets from any Person.

“Affiliate” means, with respect to any specified Person any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling,” “controlled” have meanings correlative to the foregoing.

“Applicable Redemption Premium” means

with respect to a Secured Note on any redemption date prior to December 15, 2013 the greater of:

- (i) one percent of the principal amount of such Secured Note and
- (ii) the excess of:

- (x) the present value at such redemption date of the redemption price of such Secured Note at December 15, 2013 plus all required interest payments that would otherwise be due to be paid on such Secured Note during the period between the redemption date and December 15, 2013 excluding accrued but unpaid interest, computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points, over
- (y) the principal amount of such Secured Note on such redemption date.

For the avoidance of doubt, calculation of the Applicable Redemption Premium shall not be a duty or obligation of the Trustee, the Registrar or any Paying Agent.

“**Asset Sale**” means any sale, issuance, conveyance, transfer, lease (other than an operating lease entered into in the ordinary course of business) or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback transaction) (collectively, a “**transfer**”), directly or indirectly, in one or a series of related transactions, of:

- (a) any Capital Stock of any Restricted Subsidiary (other than directors’ qualifying shares or shares required by applicable law to be held by a Person other than TopCo or a Restricted Subsidiary);
- (b) all or substantially all the properties and assets of any division or line of business of TopCo or any Restricted Subsidiary; or
- (c) any other of TopCo’s or any Restricted Subsidiary’s properties or assets.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (i) any transfer or disposition of assets that is governed by the provisions of the Secured Indenture described under “—Certain covenants—Consolidation, merger and sale of assets” and “—Purchase of Secured Notes upon a Change of Control;”
- (ii) any transfer or disposition of assets or Capital Stock between or among TopCo and any Restricted Subsidiary;
- (iii) any transfer or disposition of obsolete, worn-out or surplus equipment or facilities or other assets of TopCo or any Restricted Subsidiary that are no longer used or useful in the ordinary course of TopCo’s or any Restricted Subsidiary’s business;
- (iv) any single transaction or series of related transactions that involves assets or Capital Stock having a Fair Market Value of less than \$10 million;
- (v) for the purposes of “—Certain covenants—Limitation on sale of certain assets” only, a disposition of all or substantially all the assets of TopCo in accordance with the covenant described under “—Certain covenants—Consolidation, merger and sale of assets” or any disposition that constitutes a Change of Control;
- (vi) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (vii) a disposition that is made in connection with the establishment of a joint venture which is a Permitted Investment;
- (viii) the sale, lease or other disposition of equipment, inventory, property, stock-in-trade, goods, accounts receivable or other assets in the ordinary course of business;
- (ix) the lease, assignment, sublease, license or sublicense of any real or personal property in the ordinary course of business;
- (x) an issuance of Capital Stock by a Restricted Subsidiary to TopCo or to another Restricted Subsidiary;
- (xi) a Permitted Investment or a Restricted Payment (or a transaction that would constitute a Restricted Payment but for the exclusions from the definition thereof) that is not prohibited by the “—Limitation on Restricted Payments” covenant;

- (xii) foreclosure, condemnation or similar action with respect to property or other assets;
- (xiii) any disposition of Capital Stock, Debt or other securities of any Unrestricted Subsidiary;
- (xiv) any disposition of Securitization Assets and related assets in connection with any Qualified Securitization Financing and any factoring transaction in the ordinary course of business;
- (xv) sales of assets received by TopCo or any Restricted Subsidiary upon the foreclosure on a Lien granted in favor of TopCo or any Restricted Subsidiary;
- (xvi) the sale or other disposition of cash or Cash Equivalents;
- (xvii) any exchange of assets for assets (including a combination of assets and Cash Equivalents) related to a Permitted Business; provided that the Fair Market Value of the assets received by TopCo and its Restricted Subsidiaries is at least equal to the Fair Market Value of the assets exchanged by TopCo and its Restricted Subsidiaries;
- (xviii) the grant of licenses to intellectual property rights to third parties on an arms' length basis in the ordinary course of business;
- (xix) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by TopCo or any Restricted Subsidiary to such Person) related to such assets;
- (xx) the granting of Liens not otherwise prohibited by the Secured Indenture; or
- (xxi) the surrender, or waiver of contract rights or settlement, release or surrender of contract, tort or other claims.

“**Average Life**” means, as of the date of determination with respect to any Debt, the quotient obtained by dividing:

- (a) the sum of the products of:
 - (i) the numbers of years from the date of determination to the date or dates of each successive scheduled principal payment of such Debt; multiplied by
 - (ii) the amount of each such principal payment;
 by
- (b) the sum of all such principal payments.

“**Bund Rate**” means, as of any redemption date, the rate *per annum* equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

- (1) “Comparable German Bund Issue” means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to December 15, 2013 and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Secured Notes and of a maturity most nearly equal to December 15, 2013; *provided, however*, that, if the period from such redemption date to December 15, 2013 is less than one year, a fixed maturity of one year shall be used;
- (2) “Comparable German Bund Price” means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) “Reference German Bund Dealer” means any dealer of German *Bundesanleihe* securities appointed by the Issuer in good faith; and

- (4) “Reference German Bund Dealer Quotations” means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt am Main, Germany time on the third Business Day preceding the relevant date.

“**Business Day**” means a day of the year on which banks are not required or authorized by law to close in Luxembourg, Grand Duchy of Luxembourg, Dublin, Ireland, New York City, United States or London, United Kingdom.

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, partnership interests (whether general or limited), participations, rights in or other equivalents (however designated) of such Person’s equity, any other interest or participation that confers the right to receive a share of the profits and losses, or distributions of assets of, such Person and any rights (other than debt securities convertible into or exchangeable for Capital Stock), warrants or options exchangeable for or convertible into or to acquire such Capital Stock, whether now outstanding or issued after the Issue Date.

“**Capitalized Lease Obligation**” means, with respect to any Person, any obligation of such Person under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed), which obligation is required to be classified and accounted for as a capital lease obligation under U.S. GAAP, and, for purposes of the Secured Indenture, the amount of such obligation at any date will be the capitalized amount thereof at such date, determined in accordance with U.S. GAAP and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“**Cash Contributions**” means the aggregate amount of cash contributions made to the equity capital of TopCo or any of its Restricted Subsidiaries described in the definition of “Contribution Debt” or cash payments to TopCo or any of its Restricted Subsidiaries in the form of Deeply Subordinated Funding.

“**Cash Equivalents**” means any of the following:

- (a) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union or the United States of America, Switzerland or Canada, as the case may be, and which are not callable or redeemable at TopCo’s option;
- (b) overnight bank deposits, time deposit accounts, certificates of deposit, banker’s acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by any lender party to a Credit Facility or by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union or of the United States of America or any state thereof, Switzerland or Canada; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of \$250 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated “P-1” or higher by Moody’s or “A-1” or higher by S&P or the equivalent rating category of another internationally recognized rating agency;
- (c) commercial paper having one of the two highest ratings obtainable from Moody’s or S&P or the equivalent rating category of another internationally recognized rating agency and, in each case, maturing within one year after the date of acquisition;
- (d) repurchase obligations of any lender party to a Credit Facility or of any commercial bank satisfying the requirements of clause (b) of this definition having a term of not more than 90 days with respect to securities issued or fully guaranteed by the United States of America, the United Kingdom or an agency thereof or any member state of the European Union from time to time; and
- (e) investments in money market mutual funds at least 95% of the assets of which constitute Cash Equivalents of the kind described in clauses (a) through (d) above.

“**Commission**” means the U.S. Securities and Exchange Commission.

“Commodity Hedging Agreements” means, in respect of a Person, any spot, forward, swap, option or other similar agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in commodity prices.

“Consolidated Adjusted Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary), as determined in accordance with U.S. GAAP and without any reduction in respect of preferred stock dividends; *provided that*:

- (a) any goodwill or other intangible asset impairment charges will be excluded;
- (b) the net income (loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;
- (c) solely for the purpose of determining the amount available for Restricted Payments under clause (2)(c)(i) of the “— Limitation on Restricted Payments” covenant, any net income (loss) of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to TopCo by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released, (ii) restrictions pursuant to the Secured Notes or the Secured Indenture, (iii) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the holders of the Secured Notes than such restrictions in effect on the Issue Date and (iv) any restriction listed under clauses (2)(a), (b) and (h) of the “Certain covenants—Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries” covenant), except that TopCo’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to TopCo or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);
- (d) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of TopCo or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer) or in connection with the sale or disposition of securities will be excluded;
- (e) (i) any extraordinary, exceptional or unusual gain, loss or charge, (ii) any asset impairments charges, the financial impacts of natural disasters (including fire, flood and storm and related events), (iii) any non-cash charges or reserves in respect of any restructuring, redundancy, integration or severance or (iv) any expenses, charges, reserves or other costs related to the Transactions, in each case, will be excluded;
- (f) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity-based awards will be excluded;
- (g) all deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Debt and any net gain (loss) from any write-off or forgiveness of Debt will be excluded;
- (h) any one time non-cash charges or any increases in amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of another Person or business or resulting from any reorganization or restructuring involving TopCo or its Subsidiaries will be excluded;
- (i) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

- (j) any unrealized foreign currency transaction gains or losses in respect of Debt of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies will be excluded;
- (k) any unrealized foreign currency translation or transaction gains or losses in respect of Debt or other obligations of TopCo or any Restricted Subsidiary owing to TopCo or any Restricted Subsidiary will be excluded; and
- (l) the cumulative effect of a change in accounting principles will be excluded.

“**Consolidated EBITDA**” means, with respect to any specified Person for any period without duplication, the sum of Consolidated Adjusted Net Income, plus in each case to the extent deducted in computing Consolidated Adjusted Net Income for such period:

- (a) provision for taxes based on income, profits or capital of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*
- (b) the Consolidated Net Interest Expense of such Person and its Restricted Subsidiaries for such period; *plus*
- (c) any expenses, charges or other costs related to any equity offering, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made at the time of such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), joint venture, disposition, recapitalization, Debt permitted to be incurred by the Secured Indenture, or the refinancing of any other Debt of such Person or any of its Restricted Subsidiaries (whether or not successful) (including such fees, expenses or charges related to the Transactions) and, in each case, deducted in such period in computing Consolidated Net Income; *plus*
- (d) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees), and other non-cash expenses (including without limitation write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on such Person and its Restricted Subsidiaries for such period), but excluding any non-cash items for which a future cash payment will be required and for which an accrual or reserve is required by U.S. GAAP to be made, to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Adjusted Net Income; *plus*
- (e) the minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on Capital Stock held by third parties; *plus*
- (f) to the extent actually paid during such period, the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the “—Limitation on transactions with Affiliates” covenant; *plus*
- (g) any charge (or minus any income) attributable to a post-employment benefit scheme other than the current service costs attributable to the scheme; *minus*
- (h) non-cash items increasing such Consolidated Adjusted Net Income for such period, other than (i) any items which represent the reversal in such period of any accrual of, or cash reserve for, anticipated charges in any prior period where such accrual or reserve is no longer required; or (ii) items related to percentage of completion accounting,

in each case, on a consolidated basis and determined in accordance with U.S. GAAP.

“**Consolidated Fixed Charge Coverage Ratio**” of TopCo means, for any period, the ratio of:

- (a) Consolidated EBITDA
- (b) to the sum of:

- (i) Consolidated Net Interest Expense; and
- (ii) cash and non-cash dividends due (whether or not declared) on the Redeemable Capital Stock of TopCo and any Restricted Subsidiaries and on the Preferred Stock of any Restricted Subsidiary (to any Person other than TopCo and any Restricted Subsidiary), in each case for such period;

provided that in calculating the Consolidated Fixed Charge Coverage Ratio or any element thereof for any period, *pro forma* calculations will be made in good faith by a responsible financial or accounting officer of TopCo (including any *pro forma* expenses and cost savings and cost reduction synergies that have occurred or, only with respect to any cost savings or cost reduction synergies that are attributable to an acquisition of another Person, are reasonably expected to occur within the next twelve months following the date of such calculation and, in each case, that are reasonably identifiable and factually supportable including, without limitation, as a result of, or that would result from any actions taken by TopCo or any of its Restricted Subsidiaries including, without limitation, in connection with any cost reduction or cost savings plan or program or in connection with any transaction, investment, acquisition, disposition, restructuring, corporate reorganization or otherwise, in the good faith judgment of the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of TopCo (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared); *provided* that the aggregate amount of cost savings and cost reduction synergies that may be included in connection with an acquisition of another Person for any period shall not exceed 12.5% of Consolidated EBITDA calculated prior to any such additions for such period); *provided further*, without limiting the application of the previous proviso, that:

- (1) if TopCo or any Restricted Subsidiary has incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio is an incurrence of Debt or both, Consolidated EBITDA and Consolidated Net Interest Expense for such period shall be calculated after giving effect on a *pro forma* basis to such Debt as if such Debt had been incurred on the first day of such period and the discharge of any other Debt repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Debt as if such discharge had occurred on the first day of such period; *provided however*, that the *pro forma* calculation of the Consolidated Fixed Charge Coverage Ratio shall not give effect to (i) any Debt incurred on the date of determination pursuant to the provisions described in clause (2) under the caption “—Certain covenants—Limitation on Debt” or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in clause (2) under the caption “—Certain covenants—Limitation on Debt;”
- (2) if, since the beginning of such period, TopCo or any Restricted Subsidiary shall have made any Asset Sale, Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Sale for such period, or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto, for such period and the Consolidated Net Interest Expense for such period shall be reduced by an amount equal to the Consolidated Net Interest Expense directly attributable to any Debt of TopCo or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to TopCo and the continuing Restricted Subsidiaries in connection with such Asset Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Net Interest Expense for such period directly attributable to the Debt of such Restricted Subsidiary to the extent TopCo and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);
- (3) if, since the beginning of such period, TopCo or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated EBITDA and Consolidated Net Interest Expense for such period shall be calculated after giving *pro forma* effect thereto (including the incurrence of any Debt) as if such Investment or acquisition occurred on the first day of such period; and
- (4) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into TopCo or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) above if made by TopCo or a Restricted Subsidiary during such period, Consolidated EBITDA and Consolidated Net Interest Expense for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Sale or Investment or acquisition occurred on the first day of such period.

If any Debt bears a floating rate of interest and is being given pro forma effect, the interest expense on such Debt shall 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 Interest Rate Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Agreement).

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Net Interest Expense and Consolidated Adjusted Net Income, calculations will be as determined in good faith by a responsible financial or accounting officer of TopCo.

“Consolidated Net Interest Expense” means, with respect to any specified Person for any period, without duplication and in each case determined on a consolidated basis in accordance with U.S. GAAP, the sum of: (a) TopCo’s and the Restricted Subsidiaries’ total interest expense for such period, including, without limitation:

- (i) amortization of debt discount, but excluding amortization of debt issuance costs, fees and expenses and the expensing of any bridge or other financing fees;
 - (ii) the net payments (if any) of Interest Rate Agreements and Currency Agreements (excluding amortization of fees and discounts and unrealized gains and losses); and
 - (iii) the interest portion of any deferred payment obligation (classified as Debt under the Secured Indenture);
plus
- (b) the interest component of TopCo’s and the Restricted Subsidiaries’ Capitalized Lease Obligations accrued or scheduled to be paid or accrued during such period other than the interest component of Capitalized Lease Obligations between or among TopCo and any Restricted Subsidiary or between or among Restricted Subsidiaries;
plus
- (c) TopCo’s and the Restricted Subsidiaries non-cash interest expenses (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments) and interest that was capitalized during such period; *plus*
- (d) the interest expense on Debt of another Person to the extent such Debt is guaranteed by TopCo or any Restricted Subsidiary or secured by a Lien on TopCo’s or any Restricted Subsidiary’s assets, but only to the extent that such interest is actually paid by TopCo or such Restricted Subsidiary; *minus*
- (e) the interest income of TopCo and the Restricted Subsidiaries during such period.

Notwithstanding any of the foregoing, Consolidated Net Interest Expense shall not include (i) any interest accrued, capitalized or paid in respect of Deeply Subordinated Funding, (ii) any commissions, discounts, yield and other fees and charges related to Qualified Securitization Financing and (iii) any payments on any operating leases.

“Consolidated Secured Leverage” means, with respect to any Person, the sum of the aggregate outstanding Debt (other than (i) Capitalized Lease Obligations or Purchase Money Obligations and (ii) Debt of the type specified in clauses (2)(c), (f), (g), (i), (j) and (l) of the “—Limitation on Debt” covenant) of that Person and its Restricted Subsidiaries that is secured by Lien.

“Consolidated Secured Leverage Ratio” of TopCo means, as of the date of determination, the ratio of (a) the Consolidated Secured Leverage of TopCo to (b) the aggregate Consolidated EBITDA of TopCo for the period of the most recent four consecutive quarters for which financial statements are available, *provided* that the *pro forma* calculation of Consolidated Secured Leverage shall not give effect to (i) any Debt incurred on the date of determination pursuant to the provisions described in clauses (2)(b) and 2(q) under the caption “—Certain covenants—Limitation on Debt” (but, for the avoidance of doubt, shall include any previously incurred Debt) or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in clause (2) under the caption “—Certain covenants—Limitation on Debt;” *provided further*, that in calculating the Consolidated Secured Leverage Ratio or any element thereof for any period, *pro forma* calculations will be made in good faith by a responsible financial or accounting officer of TopCo (including any *pro forma* expenses and cost savings and cost reduction synergies that have occurred or, only with respect to any cost savings or cost reduction synergies that are attributable to an acquisition of another Person, are reasonably expected to occur within the next twelve months following the date of such calculation and that are reasonably identifiable and factually supportable including, without limitation, as a result of, or that would result from any

actions taken by TopCo or any of its Restricted Subsidiaries including, without limitation, in connection with any cost reduction or cost savings plan or program or in connection with any transaction, investment, acquisition, disposition, restructuring, corporate reorganization or otherwise, in the good faith judgment of the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of TopCo (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared) *provided* that the aggregate amount of cost savings and cost reduction synergies that may be included in connection with an acquisition of another Person for any period shall not exceed 12.5% of Consolidated EBITDA calculated prior to any such additions for such period); *provided, further*, that for purposes of calculating the Consolidated EBITDA for such period, if, as of such determination:

- (a) since the beginning of such period such Person or any Restricted Subsidiary thereof will have disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a “**Sale**”) or if the transaction giving rise to the need to calculate the Consolidated Secured Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period;
- (b) since the beginning of such period such Person or any Restricted Subsidiary thereof (by merger or otherwise) will have made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise acquires any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a “**Purchase**”) including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and
- (c) since the beginning of such period any other Person (that became a Restricted Subsidiary or was merged with or into the first Person or any Restricted Subsidiary thereof 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 first Person or a Restricted Subsidiary thereof since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For purposes of this definition whenever *pro forma* effect is to be given to any transaction or calculation under this definition, the *pro forma* calculations will be as determined in good faith by the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of the relevant Person including any *pro forma* expense and cost reductions and other operating improvements that have occurred or are reasonably expected to occur, in the good faith judgment of the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of TopCo (regardless of whether these cost savings or operating improvements could then be reflected in *pro forma* financial statements).

“**continuing**” means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

“**Contribution Debt**” means Debt of TopCo or any Restricted Subsidiary in an aggregate principal amount, together with any Debt refinancing such Indebtedness, not greater than the aggregate amount of Cash Contributions (other than Excluded Contributions) made to the equity capital of TopCo or such Restricted Subsidiary (other than by a Subsidiary of TopCo) after the Issue Date, to the extent such net cash proceeds or cash have not been applied to make Restricted Payments pursuant to paragraph (2) or clause (3)(b) of the “—Limitation on Restricted Payments” covenant; *provided* that such Contribution Debt:

- (1) is incurred within 180 days after the making of such Cash Contributions; and
- (2) is designated as Contribution Debt pursuant to an officer’s certificate signed by an officer or director of TopCo no later than the date incurred.

“**Credit Facility**” or “**Credit Facilities**” means one or more debt facilities (including, without limitation, under the Senior Facility Agreement), capital markets indentures, instruments or arrangements or commercial paper facilities, in each case with banks or other financial institutions or investors providing for revolving credit loans, term loans, receivables financings (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), letters of credit or other forms of guarantees and assurances, or other Debt, including overdrafts, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise), restructured, repaid or refinanced (whether by means of sales of debt securities to institutional investors and whether in whole

or in part and whether or not with the original administrative agent or lenders or another administrative agent or agents or other bank or institutions and whether provided under the Senior Facility Agreement and one or more other credit or other agreements) and, for the avoidance of doubt, includes any agreement extending the maturity thereof or otherwise restructuring all or any portion of the indebtedness thereunder or increasing the amount loaned or issued thereunder or altering the maturity thereof.

“**Currency Agreements**” means, in respect of a Person, any spot or forward foreign exchange agreements and currency swap, currency option or other similar financial agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in foreign currency exchange rates.

“**Debt**” means, with respect to any Person, without duplication:

- (a) the principal and premium amounts of any indebtedness of such Person in respect of borrowed money (including overdrafts) or for the deferred purchase price of property or services due more than one year after such property is acquired or such services are completed, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business;
- (b) any indebtedness of such Person evidenced by bonds, notes, debentures or other similar instruments;
- (c) all obligations, contingent or otherwise of such Person representing reimbursement obligations in respect of any letters of credit, bankers’ acceptances or other similar instruments (except to the extent such obligation relates to trade payables in the ordinary course of business), *provided* that any counter-indemnity or reimbursement obligation under a letter of credit shall be considered Debt only to the extent that the underlying obligation in respect of which the letter of credit has been issued would also be Debt;
- (d) any indebtedness representing Capitalized Lease Obligations of such Person;
- (e) all obligations of such Person in respect of Interest Rate Agreements, Currency Agreements and Commodity Hedging Agreements (the amount of any such Debt to be equal at any time to either (a) zero if such Hedging Obligation is incurred pursuant to clause (2)(h) of the covenant described under “—Certain covenants—Limitation on Debt” or (b) the mark-to-market value of such Hedging Obligation if not incurred pursuant to such clause or, if the mark-to-market value is not available at such time, the close-out amount that would be payable by such specified Person (or if no amount would be payable, zero) pursuant to such Hedging Obligation as a result of early liquidation or termination);
- (f) all Debt referred to in (but not excluded from) the preceding clauses (a) through (e) of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt (the amount of such obligation being deemed to be the lesser of the fair market value of such property or asset and the amount of the obligation so secured);
- (g) all guarantees by such specified Person of Debt referred to in this definition of any other Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business);
- (h) all Redeemable Capital Stock of such Person valued at the greater of its voluntary maximum fixed repurchase price and involuntary maximum fixed repurchase price plus accrued and unpaid dividends; and
- (i) Preferred Stock of any Restricted Subsidiary (but excluding any accrued dividends);

if and to the extent any of the preceding items (other than obligations under clauses (c) and (e) through (i)) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with U.S. GAAP; *provided* that the term “Debt” shall not include (i) non-interest bearing installment obligations and accrued liabilities incurred in the ordinary course of business that are not more than 90 days past due; (ii) Debt in respect of the incurrence by TopCo or any Restricted Subsidiary of Debt in respect of standby letters of credit, performance bonds or surety bonds provided by TopCo or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or

bond; (iii) anything accounted for as an operating lease in accordance with U.S. GAAP as at the Issue Date; (iv) any pension obligations of TopCo or a Restricted Subsidiary; (v) Debt incurred by TopCo or one of the Restricted Subsidiaries in connection with a transaction where (x) such Debt is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (y) a substantially concurrent Investment is made by TopCo or a Restricted Subsidiary in the form of cash deposited with the lender of such Debt, or a Subsidiary or Affiliate thereof, in amount equal to such Debt; (vi) obligations under or in respect of Qualified Securitization Financings; (vii) contingent obligations incurred in the ordinary course of business; (viii) the PECs; and (ix) Deeply Subordinated Funding.

For purposes of this definition, the "maximum fixed repurchase price" of any Redeemable Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Debt will be required to be determined pursuant to the Secured Indenture, and if such price is based upon, or measured by, the fair market value of such Redeemable Capital Stock, such fair market value will be determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer of such Redeemable Capital Stock; *provided*, that if such Redeemable Capital Stock is not then permitted to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Redeemable Capital Stock as reflected in the most recent financial statements of such Person.

"Deeply Subordinated Funding" means any funds provided to TopCo or the Issuer pursuant to an agreement, note, security or other instrument, other than Capital Stock, that pursuant to its terms, (i) is subordinated in right of payment to the Secured Notes (*provided* that the subordination terms with respect thereto are at least as favorable in all material respects to the holders of the Secured Notes and the Senior Notes as the subordination terms with respect to the PECs as in effect on the Issue Date), (ii)(A) does not mature or require any amortization, redemption or other repayment of principal (other than through conversion or exchange of such funding into Qualified Capital Stock of TopCo or any funding meeting the requirements of this definition), (B) does not require payment of any cash interest or any similar cash amounts and (C) contains no change of control or similar provisions and (D) 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 (other than as a result of insolvency proceedings of TopCo), in each case, prior to the 90th day following the Stated Maturity of the Secured Notes and all other amounts due under the Secured Indenture, (iii) does not provide for or require any security interest or encumbrance over any asset of TopCo or any Restricted Subsidiary and (iv) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Secured Notes or compliance by TopCo with its obligations under the Secured Notes and the Secured Indenture.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Designated Non-cash Consideration" means the Fair Market Value of non-cash consideration received by TopCo or any of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-cash Consideration" pursuant to an Officer's Certificate, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-cash Consideration.

"Disinterested Director" means, with respect to any transaction or series of related transactions, a member of TopCo's board of directors who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions or is not an Affiliate, or an officer, director or employee of any Person (other than TopCo or any Restricted Subsidiary) who has any direct or indirect financial interest in or with respect to such transaction or series of related transactions.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than dollars, at any time for the determination thereof, the amount of dollars obtained by converting such foreign currency involved in such computation into dollars at the spot rate for the purchase of euro with the applicable foreign currency as published under "Currency Rates" in the section of the *Financial Times* entitled "Currencies, Bonds & Interest Rates" on the date that is two Business Days prior to such determination.

"dollars" means the lawful currency of the United States of America.

"European Government Obligations" means direct obligations of, or obligations guaranteed by, a member state of the European Union as in effect on December 31, 2003, and the payment for which such member state of the European Union pledges its full faith and credit.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“Excluded Contributions” means the net cash proceeds received by TopCo after the Issue Date from (i) contributions to its common equity capital, and (ii) the sale (other than to a Subsidiary) of Capital Stock (other than Disqualified Stock), in each case designated as “Excluded Contributions” pursuant to an Officer’s Certificate (which shall be designated no later than the date on which such Excluded Contribution has been received), the net cash proceeds of which are excluded from the calculation set forth in the clause (2)(c)(ii) of the covenant described under “—Certain covenants—Limitation on Restricted Payments.”

“Fair Market Value” means, with respect to any asset or property, the sale value that would be obtained in an arm’s length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer.

“Guarantee” means any guarantee of the Issuer’s obligations under the Secured Indenture and the Secured Notes by the Guarantors, any Restricted Subsidiary or any other Person in accordance with the provisions of the Secured Indenture, including the Guarantees dated as of the Issue Date. When used as a verb, “Guarantee” shall have a corresponding meaning.

“guarantees” means, as applied to any obligation,

- (a) a guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation; and
- (b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of all or any part of such obligation, including, without limiting the foregoing, by the pledge of assets and the payment of amounts drawn down under letters of credit.

“Initial Investors” means (i) Nordic Capital Limited and Nordic Capital Fund VII and their respective Affiliates, and any funds or limited partnerships, any trust, fund, company, partnership or Person owned, managed or sponsored by Nordic Capital Limited, Nordic Capital Fund VII or any of their respective Affiliates or direct or indirect Subsidiaries, but not including, however, any portfolio operating companies of any of the foregoing and (ii) Avista Capital Partners, LP and Avista Capital Partners II, LP, and their respective Affiliates, and any funds or limited partnerships, any trust, fund, company, partnership or Person owned, managed or sponsored by Avista Capital Partners, LP, Avista Capital Partners II, LP and their respective Affiliates or direct or indirect Subsidiaries, but not including, however, any portfolio operating companies of any of the foregoing.

“Interest Rate Agreements” means, in respect of a Person, any interest rate protection agreements and other types of interest rate hedging agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) designed to protect such Person against or manage exposure to fluctuations in interest rates.

“Investment” means, with respect to any Person, any direct or indirect advance, loan or other extension of credit (including guarantees but excluding bank deposits, accounts receivable, trade credit, advances to customers, commission, travel and similar advances to officers and employees, in each case, made in the ordinary course of business) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase, acquisition or ownership by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Debt issued or owned by, any other Person and all other items, in each case that are required by U.S. GAAP to be classified on the balance sheet (excluding the footnotes) of the relevant Person 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. In addition, the portion (proportionate to TopCo’s equity interest in such Restricted Subsidiary) of the Fair Market Value of the net assets of any Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary will be deemed to be an “Investment” that TopCo made in such Unrestricted Subsidiary at such time. The portion (proportionate to TopCo’s equity interest in such Restricted Subsidiary) of the Fair Market Value of the net assets of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary will be considered a reduction in outstanding Investments. “Investments” excludes extensions of trade credit on commercially reasonable terms in accordance with normal trade practices.

“Investment Grade Rating” shall occur when the Secured Notes are rated Baa3 or better by Moody’s and BBB- or better by S&P, as applicable (or, if either such entity ceases to rate the Secured Notes, the equivalent investment grade credit rating from any other “nationally recognized statistical rating organization” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer as a replacement agency).

“Issue Date” means December 22, 2010.

“Lien” means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), privilege, security interest, hypothecation, assignment for security, standard security, assignment in security claim, or preference or priority or other encumbrance upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired. A Person will be deemed to own subject to a Lien any property which such Person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

“Management Advances” means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers, employees or consultants of TopCo or any Restricted Subsidiary:

- (1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;
- (2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or
- (3) in the ordinary course of business and (in the case of this clause (3)) not exceeding \$5 million in the aggregate outstanding at any time.

“Market Capitalization” means an amount equal to (i) the total number of issued and outstanding shares of Capital Stock of TopCo or any direct or indirect parent company of TopCo on the date of the declaration of the relevant dividend, multiplied by (ii) the arithmetic mean of the closing prices per share of such Capital Stock for the 30 consecutive trading days immediately preceding the date of the declaration of such dividend.

“Maturity” means, with respect to any indebtedness, the date on which any principal of such indebtedness becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to TopCo or any Restricted Subsidiary), net of:

- (a) brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel, accountants, investment banks and other consultants) related to such Asset Sale;
- (b) provisions for all taxes paid or payable, or required to be accrued as a liability under U.S. GAAP as a result of such Asset Sale;
- (c) all distributions and other payments required to be made to any Person (other than TopCo or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale; and
- (d) appropriate amounts required to be provided by TopCo or any Restricted Subsidiary, as the case may be, as a reserve in accordance with U.S. GAAP against any liabilities associated with such Asset Sale and retained by TopCo or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officer’s Certificate delivered to the Trustee.

“Officer’s Certificate” means a certificate signed by an officer of TopCo, the Issuer, a Guarantor or a Surviving Entity, as the case may be, and delivered to the Trustee.

“Pari Passu Debt” means (a) any Debt of the Issuer that ranks equally in right of payment with the Secured Notes or (b) with respect to any Guarantee, any Debt that ranks equally in right of payment to such Guarantee.

“PECs” means, collectively, (i) the Series 1 preferred equity certificates of ConvaTec Healthcare D S.à r.l. (formerly Cidron Healthcare D S.à r.l.) issued on July 28, 2008, (ii) the Series 2 preferred equity certificates of ConvaTec Healthcare D S.à r.l. (formerly Cidron Healthcare D S.à r.l.) issued on July 28, 2008 and (iii) the Series 1 preferred equity certificates of ConvaTec Healthcare D S.à r.l. (formerly Cidron Healthcare D S.à r.l.) issued on August 27, 2008, in each case, as amended, restated, modified, renewed, refunded or replaced from time to time (*provided* that any such amendment, restatement, modification, renewal, refund or replacement is not materially more disadvantageous to the holders of the Secured Notes than the agreement or arrangement in effect on the Issue Date).

“Permitted Business” means (a) any businesses, services or activities engaged in by TopCo or any of the Restricted Subsidiaries on the Issue Date and (b) any businesses, services and activities engaged in by TopCo or any of the Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“Permitted Collateral Liens” means the following types of Liens

- (a) Liens securing the Secured Notes issued on the Issue Date and any Permitted Refinancing Debt incurred to refinance such Secured Notes incurred in compliance with clause (n) of paragraph (2) under the covenant described under “—Certain covenants—Limitation on Debt,” and the related Guarantees or guarantees of such Permitted Refinancing Debt;
- (b) Liens on the Collateral to secure Debt permitted under clauses (b), (c), (d), (e) (to the extent such guarantee is in respect of Debt otherwise permitted to be secured and is specified in this definition of “Permitted Collateral Liens”) and (g) of paragraph (2) of the covenant described under “—Certain covenants—Limitation on Debt” and any Permitted Refinancing Debt in respect of any of the Debt referred to in this clause (b);
- (c) Liens on Collateral to secure any Debt permitted under the covenant described under “—Certain covenants—Limitation on Debt;” *provided* that (i) the assets and properties securing such Debt will also secure the Secured Notes on a *pari passu* basis and (ii) following the incurrence of such Debt and after giving effect to the application of proceeds therefrom, on a pro forma basis, the Consolidated Secured Leverage Ratio for the period of the most recent four consecutive quarters for which financial statements are available would be less than 4.0 to 1.0; and
- (d) Liens described in clauses (b), (d), (e), (f), (g), (h), (i), (j), (k), (l) (m), (n), (o), (r), (s), (t), (u), (v), (w), (x) and (cc) of the definition of “Permitted Liens.”

“Permitted Holders” means, collectively, (1) the Initial Investors and (2) any Related Parties. Any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Secured Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“Permitted Investments” means any of the following:

- (a) Investments in cash or Cash Equivalents;
- (b) intercompany Debt to the extent permitted under clause (d) of the definition of “Permitted Debt;”
- (c) Investments in (i) the form of loans or advances to, or debt securities issued by, the Parent Guarantors or the Issuer, (ii) TopCo or a Restricted Subsidiary or (iii) another Person if as a result of such Investment such other Person becomes a Restricted Subsidiary of TopCo or such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, TopCo or a Restricted Subsidiary;

- (d) Investments made by TopCo or any Restricted Subsidiary as a result of or retained in connection with an Asset Sale permitted under or made in compliance with the covenant described under “—Certain covenants—Limitation on sale of certain assets” to the extent such Investments are non-cash proceeds permitted thereunder;
- (e) expenses or advances to cover payroll, travel, entertainment, moving, other relocation and similar matters that are expected at the time of such advances to be treated as expenses in accordance with U.S. GAAP;
- (f) Investments in the Secured Notes and any other Debt of TopCo or any Restricted Subsidiary;
- (g) Investments existing on the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Secured Indenture;
- (h) Investments in Hedging Obligations permitted under clause (2)(g) under “—Certain covenants—Limitation on Debt;”
- (i) any Investments received in compromise or resolution of litigation, arbitration or other disputes;
- (j) Investments in receivables owing to TopCo or any Restricted Subsidiary created or acquired in the ordinary course of business;
- (k) Investments in a Person to the extent that the consideration therefor consists of Capital Stock or the net proceeds of the issue and sale (other than to any Restricted Subsidiary) of shares of Capital Stock of TopCo or Deeply Subordinated Funding; *provided* that the net proceeds of such sale have been excluded from, and shall not have been included in, the calculation of the amount determined under clause (2)(c)(ii) of “—Certain covenants—Limitation on Restricted Payments;”
- (l) Investments of TopCo or the Restricted Subsidiaries described under item (v) to the proviso to the definition of “Debt;”
- (m) any guarantee of Debt permitted to be incurred by the covenant entitled “—Certain covenants—Limitation on Debt;”
- (n) Management Advances;
- (o) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (o) that are at the time outstanding not to exceed the greater of \$125 million and 2.75% of Total Assets, *provided*, that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to “Certain covenants—Limitation on Restricted Payments,” such Investment, if applicable, shall thereafter be deemed to have been made pursuant to (c)(ii) or (iii) of the definition of “Permitted Investments” and not this clause;
- (p) Investments resulting from the acquisition of a Person that at the time of such acquisition held instruments constituting Investments that were not acquired in contemplation of the acquisition of such Person;
- (q) any Investment in connection with a Qualified Securitization Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Securitization Financing or any related Debt; and
- (r) (i) stock, obligations or securities received in satisfaction of judgments, foreclosure of Liens or settlement of debts and (ii) any Investments received in compromise of obligations of such persons incurred in the ordinary course of trade creditors or customers that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer.

“Permitted Liens” means the following types of Liens:

- (a) Liens existing on the Issue Date;
- (b) Liens on any property or assets of a Restricted Subsidiary granted in favor of TopCo or any Restricted Subsidiary;
- (c) Liens on any of TopCo’s or any Restricted Subsidiaries’ property or assets securing the Secured Notes or any Guarantees;
- (d) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by TopCo or any Restricted Subsidiary in the ordinary course of business;
- (e) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, employees, pension plan administrators or other like Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith or Liens arising solely by virtue of any statutory or common law provisions relating to attorney’s liens or bankers’ liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution;
- (f) Liens for taxes, assessments, government charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with U.S. GAAP, shall have been made;
- (g) Liens incurred or deposits made to secure the performance of tenders, bids or trade or government contracts, or to secure leases, statutory or regulatory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business (other than obligations for the payment of money);
- (h) zoning restrictions, easements, licenses, reservations, title defects, rights of others for rights-of-way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions, encroachments and other similar charges, encumbrances or title defects and incurred in the ordinary course of business that do not in the aggregate materially interfere with in any material respect the ordinary conduct of the business of TopCo and its Restricted Subsidiaries on the properties subject thereto, taken as a whole;
- (i) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;
- (j) Liens on property or assets of, or on shares of Capital Stock or on Debt of, any Person existing at the time such Person becomes a Restricted Subsidiary; *provided* that such Liens (i) do not extend to or cover any property or assets of TopCo or any Restricted Subsidiary other than the property or assets of, or shares of Capital Stock or on Debt of, such acquired Restricted Subsidiary and (ii) were not created in connection with or in contemplation of such acquisition, merger or consolidation;
- (k) Liens on property or assets existing at the time such property or assets are acquired, including any acquisition by means of a merger with or into or consolidation with, TopCo or any Restricted Subsidiary; *provided* that such Liens (i) do not extend to or cover any property or assets of TopCo or any Restricted Subsidiary other than (A) the property or assets acquired or (B) the property or assets of the Person merged with or into or consolidated with TopCo or Restricted Subsidiary and (ii) were not in connection with or in contemplation of such acquisition, merger or consolidation;
- (l) Liens securing TopCo’s or any Restricted Subsidiary’s Hedging Obligations permitted under clause (2)(g) under “— Certain covenants—Limitation on Debt;”
- (m) Liens incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security or other insurance (including unemployment insurance) or deposits to secure public or statutory obligations of such Person or deposits of cash or government bonds to secure performance, bid, surety or appeal bonds and completion bonds and guarantees 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;

- (n) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;
- (o) Liens incurred in connection with a cash management program established in the ordinary course of business;
- (p) Liens on any property or assets of TopCo or any of its Restricted Subsidiaries securing Debt permitted to be incurred pursuant to clauses 2(b) under “—Certain covenants—Limitation on Debt;”
- (q) Liens on any property or assets of TopCo or any of its Restricted Subsidiaries for the purpose of securing Capitalized Lease Obligations, Purchase Money Obligations, mortgage financings or other Debt, in each case, incurred in connection with the financing of all or any part of the purchase price, lease expense, rental payment or cost of design, construction, installation or improvement of assets or property; *provided*, that any such Lien may not extend to any assets or property owned by TopCo or any of its Restricted Subsidiaries at the time the Lien is incurred other than the assets and property acquired, improved, constructed, leased or financed (*provided* that to the extent that any such Capitalized Lease Obligations, Purchase Money Obligations, mortgage financings or other Debt relate to multiple assets or properties, then all such assets or properties may secure any such Capitalized Lease Obligation, Purchase Money Obligations, mortgage financings or other Debt); *provided, further*, that the aggregate principal amount of Debt secured by such Liens is otherwise permitted to be incurred under the Secured Indenture;
- (r) Liens incurred to secure Permitted Refinancing Debt permitted to be incurred under the Secured Indenture; *provided* that the new Lien shall be limited to all or part of the same property and assets that secured the original Lien (plus improvements and accessions to such property and assets and proceeds or distributions thereof);
- (s) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person’s obligations in respect of bankers’ acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (t) leases, licenses, subleases and sublicenses of assets in the ordinary course of business;
- (u) 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;
- (v) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;
- (w) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of TopCo or any Restricted Subsidiary’s business or operations as Liens only for Debt to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;
- (x) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by TopCo or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net cash proceeds of such disposal;
- (y) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;
- (z) Liens on any Proceeds Loan made by TopCo or any Restricted Subsidiary in connection with any future incurrence of Debt permitted under the Secured Indenture and securing that Debt; *provided* that such Proceeds Loan is otherwise unsecured;
- (aa) Liens over treasury stock of TopCo or a Restricted Subsidiary purchased or otherwise acquired for value by TopCo or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;
- (bb) Liens on Securitization Assets and related assets incurred in connection with any Qualified Securitization Financing;
- (cc) Liens incurred in the ordinary course of business of TopCo or any Restricted Subsidiary with respect to obligations that do not exceed \$50 million at any one time outstanding;

- (dd) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (cc); *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets; and
- (ee) Permitted Collateral Liens.

“**Permitted Refinancing Debt**” means any renewals, extensions, substitutions, refinancings or replacements of any Debt of TopCo or a Restricted Subsidiary or pursuant to this definition, including any successive refinancings, so long as:

- (a) such Debt is in an aggregate principal amount (or if incurred with original issue discount, an aggregate issue price) not in excess of the sum of (i) the aggregate principal amount (or if incurred with original issue discount, the aggregate accreted value) then outstanding of the Debt being refinanced and (ii) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;
- (b) the Average Life of such Debt is equal to or greater than the Average Life of the Debt being refinanced;
- (c) the Stated Maturity of such Debt is no earlier than the Stated Maturity of the Debt being refinanced;
- (d) the new Debt is not senior in right of payment to the Debt that is being refinanced; and
- (e) such Debt is unsecured if the Debt being refinanced is unsecured;

provided that Permitted Refinancing Debt will not include (i) Debt of a Subsidiary of TopCo (other than the Issuer or a Guarantor) that refinances the Debt of a Parent Guarantor or the Issuer, (ii) Debt of a Subsidiary of the Issuer (other than a Guarantor) that refinances the Debt of the Issuer or any Guarantor or (iii) Debt of any Restricted Subsidiary that refinances Debt of an Unrestricted Subsidiary.

“**Person**” means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“**Preferred Stock**” means, with respect to any Person, Capital Stock of any class or classes (however designated) of such Person which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class of such Person whether now outstanding, or issued after the Issue Date, and including, without limitation, all classes and series of preferred or preference stock of such Person; *provided* that accrued non-cash dividends with respect to any Preferred Stock shall not constitute Preferred Stock for the purposes of “Certain covenants—Limitation on Debt.”

“**Proceeds Loan**” means an intercompany loan made by TopCo or any of its Restricted Subsidiaries out of the proceeds of an incurrence of Debt.

“**Property**” means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Capital Stock, and other securities of, any other Person. For purposes of any calculation required pursuant to the Secured Indenture, the value of any Property shall be its Fair Market Value.

“**Public Debt**” means any Debt 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 under the Securities Act or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such securities to registration thereof with the Commission for public resale.

“**Public Equity Offering**” means (1) any offering of Qualified Capital Stock of TopCo that is listed on a national exchange or that is publicly offered (which shall include any offering pursuant to Rule 144A and/or Regulation S under the Securities Act) or (2) any offering of Qualified Capital Stock of any direct or indirect parent company of TopCo that is listed on a national exchange or that is publicly offered (which shall include any offering pursuant to Rule 144A and/or Regulation S under the Securities Act), in the case of this clause (2), the proceeds of which are contributed as Deeply Subordinated Funding or to the equity (other than through an Excluded Contribution) of TopCo or any of its Restricted Subsidiaries.

“Purchase Money Obligations” means any Indebtedness incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

“Qualified Capital Stock” of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

“Qualified Securitization Financing” means any financing pursuant to which TopCo or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any other Person or grant a security interest in any accounts receivable (and related assets) in any aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of TopCo or any of its Restricted Subsidiaries, *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be on market terms (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer) at the time such financing is entered into and (b) such financing shall be non-recourse to TopCo and its Restricted Subsidiaries except to a limited extent customary for such transactions.

“Redeemable Capital Stock” means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable, or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the Secured Notes or is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of TopCo in circumstances in which the holders of the Secured Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity; *provided* that any Capital Stock that would constitute Qualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of any “asset sale” or “change of control” occurring prior to the Stated Maturity of the Secured Notes will not constitute Redeemable Capital Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in “—Certain covenants—Limitation on sale of certain assets” and “—Purchase of Secured Notes upon a Change of Control” described herein and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer’s repurchase of such Secured Notes as are required to be repurchased pursuant to “—Certain covenants—Limitation on sale of certain assets” and “—Purchase of Secured Notes upon a Change of Control.”

“Related Parties” with respect to any Permitted Holder, means:

- (1) any controlling equity holder or majority (or more) owned Subsidiary of such Person; or
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or
- (3) any trust, corporation, partnership or other Person for whom the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a 50.1% or more controlling interest therein, consist of such individuals and/or such other Persons referred to in the immediately preceding clause (1); or
- (4) any investment fund or vehicle managed or sponsored by such Person or any successor thereto, or by any Affiliate of such Person or any such successor;

provided, however, that “Related Parties” shall not include any portfolio operating companies of the Initial Investors or of any of the foregoing.

“Representative” means any trustee, agent or representative (if any) for an issue of Debt or the provider of Debt (if provided on a bilateral basis), as the case may be.

“Restricted Investment” means an Investment other than a Permitted Investment.

“Restricted Subsidiary” means any Subsidiary of TopCo other than an Unrestricted Subsidiary.

“S&P” means Standard and Poor’s Ratings Service, a division of The McGraw-Hill Companies, Inc. and its successors.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“**Securitization Assets**” means any accounts receivable subject to a Qualified Securitization Financing.

“**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 TopCo or a Restricted Subsidiary in connection with, any Qualified Securitization Financing.

“**Securitization Repurchase Obligation**” means any obligation of a seller of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or a portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“**Security Documents**” means, collectively, all security agreements, mortgages, standard securities, deeds of trust, pledges, collateral assignments and other agreements or instruments evidencing or creating any security entered into by TopCo or any of its Subsidiaries pursuant to the Secured Indenture in favor of the Security Agent or any Holders in any or all of the Collateral and the Intercreditor Agreement, in each case, as amended from time to time in accordance with their terms and the terms of the Secured Indenture.

“**Senior Credit Facilities**” means any Credit Facility of TopCo or any Restricted Subsidiary, including the Senior Facility Agreement.

“**Senior Facility Agreement**” means the Credit Agreement, dated as of the Issue Date, among ConvaTec Healthcare D S.à r.l. and ConvaTec Inc., as Borrowers, the several lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.

“**Senior Notes**” means the Issuer’s (i) \$745,000,000 aggregate principal amount of 10.500% Senior Notes due 2018 and (ii) €250,000,000 aggregate principal amount of 10.875% Senior Notes due 2018.

“**Significant Subsidiary**” means, at the date of determination, any Restricted Subsidiary of TopCo that together with its Subsidiaries which are Restricted Subsidiaries of TopCo (i) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of TopCo or (ii) as of the end of the most recent fiscal quarter, was the owner of more than 10% of the consolidated assets of TopCo.

“**Stated Maturity**” means, when used with respect to any note or any installment of interest thereon, the date specified in such note as the fixed date on which the principal of such note or such installment of interest, respectively, is due and payable, and, when used with respect to any other indebtedness, means the date specified in the instrument governing such indebtedness as the fixed date on which the principal of such indebtedness, or any installment of interest thereon, is due and payable.

“**Subordinated Debt**” means Debt of the Issuer or any of the Guarantors that is expressly subordinated in right of payment to the Secured Notes or the Guarantees of such Guarantors, as the case may be; *provided*, that no Debt will be deemed to be subordinated in right of payment to any other Debt solely by virtue of being unsecured or by virtue of being secured on a junior Lien basis.

“**Subordination Agreement**” means the subordination agreement, dated as of the Issue Date, between, among others, TopCo, ConvaTec C S.à r.l., ConvaTec D S.à r.l., the agent on behalf of the lenders under the Senior Facility Agreement, the Trustee on behalf of the holders of the Secured Notes and the trustee on behalf of the holders of the Senior Notes.

“**Subsidiary**” means, with respect to any Person:

- (a) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof; and
- (b) any other Person (other than a corporation), including, without limitation, a partnership, limited liability company, business trust or joint venture, in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Person performing similar functions).

“**Total Assets**” means the consolidated total assets of TopCo and its Restricted Subsidiaries as shown on the most recent consolidated balance sheet of TopCo.

“**Transactions**” means (i) the offering of the Secured Notes and the use of proceeds therefrom, (ii) the entering into the Senior Facility Agreement and the use of proceeds therefrom and (iii) the issuance of the Senior Notes and the use of proceeds therefrom.

“**Trust Indenture Act**” means the U.S. Trust Indenture Act of 1939, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“**Unrestricted Subsidiary**” means:

- (a) any Subsidiary of TopCo that at the time of determination is an Unrestricted Subsidiary (as designated by TopCo’s board of directors pursuant to the “—Designation of Unrestricted and Restricted Subsidiaries” covenant); and
- (b) any Subsidiary of an Unrestricted Subsidiary.

“**U.S. GAAP**” means United States generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board, as in effect from time to time.

“**Voting Stock**” means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees (or Persons performing similar functions) of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

Description of the Senior Notes

The definitions of certain terms used in this description are set forth under the subheading “—Certain definitions.” In this “Description of the Senior Notes,” the word “**Issuer**” refers only to ConvaTec Healthcare E S.A., incorporated as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg. The phrase “**Parent Guarantors**” refers only to ConvaTec Healthcare B S.à r.l., ConvaTec Healthcare C S.à r.l. and ConvaTec Healthcare D S.à r.l. and not to any of their Subsidiaries. The term “**TopCo**” refers only to only to ConvaTec Healthcare B S.à r.l., except for the purpose of financial data determined on a consolidated or combined basis, as the case may be. The Issuer is a wholly owned indirect Restricted Subsidiary of TopCo.

The Issuer will issue and the Parent Guarantors will guarantee \$745.0 million aggregate principal amount of dollar-denominated senior notes due 2018 (the “**Dollar Senior Notes**”) and €50.0 million aggregate principal amount of euro-denominated senior notes due 2018 (the “**Euro Senior Notes**”) and, together with the Dollar Senior Notes, the “**Senior Notes**”) under an indenture dated as of December 22, 2010 (the “**Senior Indenture**”) among the Issuer, the Parent Guarantors, the Subsidiary Guarantors (as defined below), Deutsche Bank Trust Company Americas, as U.S. registrar, U.S. paying agent and transfer agent, Deutsche Bank AG, London Branch, as principal paying agent and transfer agent, Deutsche Bank Luxembourg, S.A., as registrar and Deutsche Trustee Company Limited, as trustee (the “**Trustee**”). The phrase “Senior Notes” refers also to Book-Entry Interests (as defined below) in the Senior Notes. Except as set forth herein, the terms of the Senior Notes include those set forth in the Senior Indenture.

The following description is only a summary of the material terms of the Senior Indenture. It does not, however, restate the Senior Indenture in its entirety, and where reference is made to particular provisions of the Senior Indenture, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all the provisions of the Senior Notes and the Senior Indenture. You should read the Senior Indenture because it contains additional information and because it and not this description defines your rights as a holder of the Senior Notes. A copy of the form of the Senior Indenture may be obtained by requesting it from the Issuer at the address indicated under “Listing and general information.”

The Senior Indenture will not be qualified under the Trust Indenture Act. Consequently, the Holders of Senior Notes generally will not be entitled to the protections provided under the Trust Indenture Act to holders of debt securities issued under a qualified indenture, including those requiring the Trustee to resign in the event of certain conflicts of interest and to inform the Holders of Senior Notes of certain relationships between it and the Issuer or the Guarantors.

The Issuer has made an application for the Senior Notes to be listed on the Global Exchange Market of the Irish Stock Exchange. The Issuer can provide no assurance that this application will be accepted. See “—Payments on the Senior Notes; Paying Agent, Registrar and Transfer Agent for the Senior Notes.”

The registered holder of a Senior Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Senior Indenture.

Brief description of the Senior Notes

The Senior Notes will be:

- (a) general unsecured obligations of the Issuer;
- (b) guaranteed on a senior basis by the Parent Guarantors and each of the Subsidiary Guarantors (as defined below); and
- (c) guaranteed on a senior basis by each of the Subsidiary Guarantors.

The Dollar Senior Notes will mature on December 15, 2018 and the Euro Senior Notes will mature on December 15, 2018.

The Guarantees

As of the Issue Date, the Senior Notes will initially be guaranteed on a senior basis by the Parent Guarantors and by each of the Subsidiaries of TopCo that guarantees the Senior Facility Agreement (the “**Subsidiary Guarantors**,” and together with the Parent Guarantors, the “**Guarantors**” and each, a “**Guarantor**”) and in the future by each additional Restricted Subsidiary that is required to guarantee the Senior Notes as described under “—Limitation on guarantees of Debt by Restricted Subsidiaries.” The guarantees by the Parent Guarantors are referred to herein as the “Parent Guarantees” and the guarantees by the Subsidiary Guarantors are referred to herein as the “**Subsidiary Guarantees**” (together with the Parent Guarantees, the “**Guarantees**”).

The Guarantors will guarantee the due and punctual payment of all amounts payable under the Senior Notes, including principal, premium, if any, and interest payable under the Senior Notes.

Each Subsidiary Guarantor that makes a payment or distribution under its Subsidiary Guarantee will be entitled to contribution from any other Subsidiary Guarantor.

Release of Guarantees

The Parent Guarantees will be released:

- (1) upon repayment in full of the Senior Notes; or
- (2) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Indenture as provided below under the captions “—Legal defeasance or covenant defeasance of Senior Indenture” and “—Satisfaction and discharge.”

The Subsidiary Guarantee of a Subsidiary Guarantor will be released:

- (1) in connection with any sale, transfer or other disposition of all or substantially all of the assets of such Subsidiary Guarantor or any holding company of such Subsidiary Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) TopCo or any of its Restricted Subsidiaries, if the sale, transfer or other disposition does not violate the covenant described under “Certain covenants—Limitation on sale of certain assets” below;
- (2) in connection with any sale, transfer or other disposition of Capital Stock of that Subsidiary Guarantor or any holding company of such Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) TopCo or any of its Restricted Subsidiaries, if the sale, transfer or other disposition does not violate the covenant described under “Limitation on sale of certain assets” below and the Subsidiary Guarantor ceases to be a Restricted Subsidiary as a result of the sale, transfer or other disposition;

- (3) if TopCo designates any Restricted Subsidiary that is a Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Indenture;
- (4) with respect to the Subsidiary Guarantee of any Subsidiary Guarantor that was required to provide such Guarantee pursuant to the covenant described under the caption “—Certain covenants—Limitation on guarantees of Debt by Restricted Subsidiaries,” upon such Subsidiary Guarantor being unconditionally released and discharged from its liability with respect to the Debt giving rise to the requirement to provide such Subsidiary Guarantee;
- (5) upon repayment in full of the Senior Notes;
- (6) in accordance with the caption entitled “—Amendments and waivers”;
- (7) as a result of a transaction permitted by the second paragraph under the caption entitled “—Consolidation, Merger and Sale of Assets;” or
- (8) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Indenture as provided below under the captions “—Legal defeasance and covenant defeasance of the Senior Indenture” and “—Satisfaction and discharge.”

Ranking of the Senior Notes and the Guarantees

The Senior Notes

The Senior Notes will be senior debt of the Issuer and will:

- (a) rank *pari passu* in right of payment with all the Issuer’s existing and future indebtedness that is not subordinated in right of payment to the Senior Notes (including the Senior Facility Agreement and the Secured Notes);
- (b) rank senior in right of payment to any and all the Issuer’s existing and future indebtedness that is expressly subordinated in right of payment to the Senior Notes;
- (c) effectively be subordinated in right of payment to any and all the Issuer’s existing and future indebtedness that is secured by Liens on assets of the Issuer and the Guarantors, including its obligations in respect of the Secured Notes and indebtedness outstanding under the Senior Facility Agreement, to the extent of the value of the assets securing such indebtedness;
- (d) be structurally subordinated to all existing and future obligations of the Issuer’s subsidiaries that are not Subsidiary Guarantors;
- (e) be guaranteed on a senior basis by the Parent Guarantors; and
- (e) be guaranteed on a senior basis by each of the Subsidiary Guarantors.

The Guarantees

The Parent Guarantee of each Parent Guarantor will:

- (a) be a general unsecured obligation of such Parent Guarantor;
- (b) rank *pari passu* in right of payment with all of such Parent Guarantor’s existing and future indebtedness that is not subordinated in right of payment to its Parent Guarantee (including the guarantees given by such Parent Guarantor in favor of the Senior Facility Agreement and the Secured Notes);
- (c) rank senior in right of payment to any and all of such Parent Guarantor’s existing and future indebtedness that is expressly subordinated in right of payment to its Parent Guarantee;
- (d) effectively be subordinated in right of payment to all of such Parent Guarantor’s existing and future indebtedness that is secured by Liens on its assets, including its obligations in respect of the Secured Notes and indebtedness outstanding under the Senior Facility Agreement, to the extent of the value of the assets securing such indebtedness; and

- (e) be structurally subordinated to all existing and future obligations of such Parent Guarantor's Subsidiaries (other than the Issuer) that do not provide Subsidiary Guarantees.

The Subsidiary Guarantee of each Subsidiary Guarantor will:

- (a) be a general unsecured obligation of such Subsidiary Guarantor;
- (b) rank *pari passu* in right of payment with all of such Subsidiary Guarantor's existing and future indebtedness that is not subordinated in right of payment to its Subsidiary Guarantee (including the guarantees given by such Subsidiary Guarantor in favor of the Senior Facility Agreement and the Secured Notes);
- (c) rank senior in right of payment to any existing and future indebtedness of such Subsidiary Guarantor that is expressly subordinated in right of payment to its Subsidiary Guarantee;
- (d) effectively be subordinated in right of payment to all of such Subsidiary Guarantor's existing and future indebtedness that is secured by Liens on its assets, including its obligations in respect of the Secured Notes and indebtedness outstanding under the Senior Facility Agreement, to the extent of the value of the assets securing such indebtedness; and
- (e) be structurally subordinated to all existing and future obligations of the Subsidiary Guarantor's Subsidiaries that do not provide Subsidiary Guarantees.

Limitations under Subsidiary Guarantees

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by such Subsidiary Guarantor without resulting in its obligations under its Subsidiary Guarantee being voidable or unenforceable under applicable laws relating to fraudulent transfer or under similar laws affecting the rights of creditors generally, or the maximum amount otherwise permitted by law. In particular, each Subsidiary Guarantee will be limited as required to comply with corporate benefit, maintenance of capital and other laws applicable in the jurisdiction of the relevant Subsidiary Guarantor. By virtue of these limitations, a Subsidiary Guarantor's obligations under its Subsidiary Guarantee could be significantly less than amounts payable in respect of the Senior Notes, or a Subsidiary Guarantor may have effectively no obligations under its Guarantee. See "Risk factors—Risks related to our structure—Each Notes Guarantee and, in the case of the Secured Notes, the security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability of the Guarantees of the Notes."

At September 30, 2010, on a *pro forma* basis to reflect the Transactions:

- (a) TopCo and its Subsidiaries would have had total indebtedness of \$2,765.2 million and up to an additional \$240.6 million available for borrowings under the committed and undrawn portion of the Senior Facility Agreement;
- (b) the Subsidiary Guarantors would have had total indebtedness of \$2,765.2 million including secured indebtedness of \$1,679.3 million; and
- (c) the Subsidiaries of the Issuer that are not Subsidiary Guarantors would have had de minimis total third-party funded indebtedness, as well as trade payables and tax liabilities to which the Senior Notes and the Guarantees are structurally subordinated.

We estimate that the Issuer and the Guarantors would have had greater than 85% of the total assets and EBITDA of the Company as of and for the nine months ended September 30, 2010. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will likely be required to repay financial and trade creditors before distributing any assets to the Issuer or the Guarantors.

As of the Issue Date, all TopCo's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "—Certain covenants—Designation of Unrestricted and Restricted Subsidiaries," TopCo will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries of TopCo will not be subject to any of the restrictive covenants in the Senior Indenture.

Although the Senior Indenture will contain limitations on the amount of additional Debt that TopCo and the Restricted Subsidiaries may incur, the amount of such additional Debt could be substantial.

Principal, maturity and interest

The Dollar Senior Notes will mature on December 15, 2018 and the Euro Senior Notes will mature on December 15, 2018. 100% of the respective principal amount of such Senior Notes shall be payable on such respective date, unless redeemed prior thereto as described herein. The Issuer will issue an aggregate principal amount of \$745.0 million of Dollar Senior Notes and an aggregate amount of €250.0 million of Euro Senior Notes in this offering. Subject to the covenant described under “—Certain Covenants—Limitation on Debt,” the Issuer is permitted to issue additional Dollar Senior Notes as part of a further issue under the Senior Indenture (“**Additional Dollar Senior Notes**”) and additional Euro Senior Notes as part of a further issue under the Senior Indenture (“**Additional Euro Senior Notes**”) and, together with the Additional Dollar Senior Notes, the “**Additional Senior Notes**”) from time to time; *provided, however*, that, a separate CUSIP or ISIN (if any) would be issued for the Additional Senior Notes, unless the applicable Senior Notes and the applicable Additional Senior Notes are treated as the “same issue” for U.S. federal income tax purposes or both the Senior Notes and the Additional Senior Notes are issued with no (or less than a *de minimis* amount) of original issue discount for U.S. federal income tax purposes. The Senior Notes and the Additional Senior Notes that are actually issued will be treated as a single class for all purposes of the Senior Indenture, including waivers, amendments, redemptions and offers to purchase, except for certain waivers and amendments. Unless the context otherwise requires, references to the “Senior Notes” for all purposes of the Senior Indenture and in this “Description of Senior Notes” include references to any Additional Senior Notes that are actually issued.

Interest on the Dollar Senior Notes will accrue at the rate of 10.500% *per annum* and interest on the Euro Senior Notes will accrue at the rate of 10.875% *per annum*. Interest on the Senior Notes will be payable semi-annually in arrears from the Issue Date or from the most recent interest payment date to which interest has been paid or provided for, whichever is the later. Interest will be payable on each Senior Note on June 15 and December 15 of each year, commencing on June 15, 2011. The Issuer will pay interest on each Senior Note to holders of record of each Senior Note in respect of the principal amount thereof outstanding as of the immediately preceding June 1 or December 1 as the case may be. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months and will be paid on overdue principal and other overdue amounts at the same rate.

Form of Senior Notes

The Senior Notes will be issued on the Issue Date only in fully registered form without coupons and only in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof (in the case of the Dollar Senior Notes) and minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof (in the case of the Euro Senior Notes).

Each series of Senior Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act (“**Rule 144A**”) will initially be represented by a Global Senior Note (as defined below) in registered form without interest coupons attached (the “**144A Global Senior Notes**”). The 144A Global Senior Note representing the Euro Senior Notes (the “**Euro 144A Global Note**”), will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. The 144A Global Senior Note representing the Dollar Senior Notes (the “**Dollar 144A Global Senior Note**”) will be deposited upon issuance with Deutsche Bank Trust Company Americas as custodian for the Depository Trust Company (“**DTC**”) and registered in the name of Cede & Co. as DTC’s nominee. Each series of Senior Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a Global Senior Note in registered form without interest coupons attached (the “**Regulation S Global Senior Notes**”) and, together with the 144A Global Senior Notes, the “**Global Senior Notes**”). The Regulation S Global Senior Note representing the Euro Senior Notes (the “**Euro Regulation S Global Senior Note**”, and, together with the Euro 144A Global Senior Note, the “**Euro Global Senior Notes**”) will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. The Regulation S Global Senior Note representing the Dollar Senior Notes (the “**Dollar Regulation S Global Senior Note**”, and, together with the Dollar 144A Global Senior Note, the “**Dollar Global Senior Notes**”) will be deposited upon issuance with Deutsche Bank Trust Company Americas as custodian for DTC and registered in the name of Cede & Co. as DTC’s nominee. See “Book-entry, delivery and form.”

Transfer and exchange

The Global Senior Notes may be transferred in accordance with the Senior Indenture. Ownership of interests in the Global Senior Notes (the “**Book-Entry Interests**”) will be limited to Persons that have accounts with DTC, Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “Notice to investors.” In addition, transfers of Book-Entry Interests between participants in DTC, Euroclear or Clearstream will be effected by DTC, Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by DTC, Euroclear or Clearstream and their respective participants. Book-Entry Interests in the applicable 144A Global Senior Note (the “**Restricted Book-Entry Interests**”) may be transferred to a person who takes delivery in the form of Book-Entry Interests in the applicable Regulation S Global Senior Note (the “**Regulation S Book-Entry Interests**”) only upon delivery by the transferor of a written certification (in the form provided in the Senior Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

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 Senior Note from which it was transferred and will become a Book-Entry Interest in the Global Senior 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 Senior Note to which it was transferred.

If definitive notes in registered form (“**Definitive Registered Senior Notes**”) are issued, they will be issued only in minimum denominations of \$200,000 or €100,000 principal amount and integral multiples of \$1,000 or €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required by the Senior Indenture. It is expected that such instructions will be based upon directions received by DTC, Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Senior Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “Notice to investors.”

Subject to the restrictions on transfer referred to above, Senior Notes issued as Definitive Registered Senior Notes may be transferred or exchanged, in whole or in part, in minimum denominations of \$200,000 or €100,000 in principal amount and integral multiples of \$1,000 or €1,000 in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Senior Notes. In connection with any such transfer or exchange, the Senior Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at DTC, Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions, and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Senior Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Senior Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Senior Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date; or
- (4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer, Excess Proceeds Offer or Senior Notes Offer.

During the “40-day Distribution compliance period” (as such term is defined in Rule 902 of Regulation S under the Securities Act, book-entry interests in the Regulation S Global Senior Note may be transferred only to non-U.S. Persons under Regulation S under the Securities Act or to persons whom the transferor reasonably believes are “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction. The Senior Notes will be subject to certain other restrictions on transfer and certification requirements, as described under “Notice to investors.”

Payments on the Senior Notes; Paying Agent, Registrar and Transfer Agent for the Senior Notes

The Issuer will maintain one or more paying agents (each, a “**Paying Agent**”, and together, the “**Paying Agents**”) for the Senior Notes in each of (i) the City of London (the “**Principal Paying Agent**”) and (ii) the Borough of Manhattan in the City of New York. The initial Paying Agents will be Deutsche Bank AG, London Branch in London and Deutsche Bank Trust Company Americas in New York.

The Issuer may change the Paying Agents, the Registrars or the Transfer Agents without prior notice to the holders of the Senior Notes. For so long as the Senior Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will release a notice of any change of Registrar or transfer agent through the Company Announcements Office of the ISE or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (www.ise.ie).

In addition, TopCo or any of its Subsidiaries may act as paying agent in connection with the Senior Notes other than for the purposes of effecting a redemption described under “—Optional redemption” or an offer to purchase the Senior Notes described under “—Purchase of Senior Notes upon a Change of Control” or “—Certain covenants—Limitation on sale of certain assets.” The Issuer will make payments on the Global Senior Notes to the Paying Agents for further credit to DTC, Euroclear or Clearstream (as applicable) which will in turn, distribute such payments in accordance with its procedures. The Issuer will make all payments in same-day funds.

The Issuer undertakes that it will maintain a paying agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

The Issuer will also maintain one or more registrars (each, a “**Registrar**”) with offices in each of (i) the Borough of Manhattan, City of New York and (ii) Luxembourg. The Issuer will also maintain a transfer agent in each of London and New York. The initial Registrar will be (i) Deutsche Bank Trust Company Americas, in New York for the Dollar Senior Notes and (ii) Deutsche Bank Luxembourg S. A. in Luxembourg for the Euro Senior Notes. The initial transfer agents will be Deutsche Bank AG, London Branch in London and Deutsche Bank Trust Company Americas in New York. The Registrar in Luxembourg will maintain a register for the Euro Senior Notes reflecting ownership of Definitive Registered Senior Notes (as defined herein) outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Senior Notes on behalf of the Issuer. The Registrar and the transfer agent in New York will maintain a register for the Dollar Senior Notes reflecting ownership of Definitive Registered Senior Notes (as defined herein) outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Senior Notes on behalf of the Issuer. For purposes of Luxembourg law, the Issuer will maintain a register of the Senior Notes at its registered office, which in case of a discrepancy, shall prevail over the register maintained by the Registrar.

No service charge will be made for any registration of a transfer, exchange or redemption of the Senior Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange (but not for a redemption).

Additional Amounts

All payments made by the Issuer under or with respect to the Senior Notes or any of the Guarantors with respect to any Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, assessment or other governmental charge, including any related interest, penalties or additions to tax (“**Taxes**”) unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business for tax purposes or resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any paying agent for the Senior Notes) or any political subdivision thereof or therein (each, a “**Tax Jurisdiction**”) will at any time be required to be made from any payments made by the Issuer under or with respect to the Senior Notes or any of the Guarantors under or with respect to any Guarantee, including payments of principal, redemption price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the “**Additional Amounts**”) as may be necessary in order that the net amounts received in respect of such payments by each holder of Senior Notes after such withholding, deduction or imposition (including any such withholding, deduction or imposition from such Additional Amounts) will equal the respective amounts that would have been received in respect of

such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

- (1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any actual or deemed present or former connection between the holder or the beneficial owner of the Senior Notes and the relevant Tax Jurisdiction (including being a resident of such jurisdiction for Tax purposes), other than the holding of such Senior Note, the enforcement of rights under such Senior Note or under a Guarantee or the receipt of any payments in respect of such Senior Note or a Guarantee;
- (2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Senior Note for payment more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Senior Note been presented on the last day of such 30 day period);
- (3) any estate, inheritance, gift, sales, transfer or similar Taxes;
- (4) any Taxes withheld, deducted or imposed on a payment to an individual that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;
- (5) Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Senior Notes who would have been able to avoid such withholding or deduction by presenting the relevant Senior Note to another Paying Agent in a member state of the European Union;
- (6) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Senior Notes or with respect to any Guarantee;
- (7) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Senior Notes, to comply with any reasonable written request of the Issuer addressed to the holder or beneficial owner and made at least 60 days before any such withholding or deduction would be payable to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally entitled to provide such certification or documentation; or
- (8) any combination of items (1) through (7) above.

In addition to the foregoing, the Issuer and the Guarantors, as the case may be, will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Senior Notes, the Senior Indenture, any Guarantee or any other document or instrument referred to therein, or the receipt of any payments with respect thereto, or enforcement of, any of the Senior Notes or any Guarantee (limited, solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Tax Jurisdiction that are not excluded under clauses (1) through (5) or (7) above).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Senior Notes or any Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate(s) must also set forth any other information reasonably necessary to enable the paying agents to pay such Additional Amounts to holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee (or to a holder or beneficial owner upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the holders or beneficial owners of the Senior Notes.

Whenever in the Senior Indenture or in this "Description of the Senior Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Senior Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Senior Notes or any Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Senior Indenture, any transfer by a holder or beneficial owner of its Senior Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated or organized, engaged in business for tax purposes or resident for tax purposes or any jurisdiction from or through which payment is made by or on behalf of such Person on the Senior Notes (or any Guarantee) and any political subdivision thereof or therein.

Currency indemnity

The sole currency of account and payment for all sums payable under the Dollar Senior Notes and, with respect to the Dollar Senior Notes, the Guarantees and the Senior Indenture is dollars. The sole currency of account and payment for all sums payable under the Euro Senior Notes and, with respect to the Euro Senior Notes, the Guarantees and the Senior Indenture is euro. Any amount received or recovered in respect of the Senior Notes or the Guarantees in a currency other than dollars in respect of the Dollar Senior Notes or euro in respect of the Euro Senior Notes (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Subsidiary or otherwise) by the Trustee or a holder of the Senior Notes in respect of any sum expressed to be due to such holder from the Issuer or the relevant Guarantor will constitute a discharge of their obligation only to the extent of the dollar or euro amount, as applicable, which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If the dollar or euro amount, as applicable, to be recovered is less than the dollar or euro amount, as applicable, expressed to be due to the recipient under any Dollar Senior Note or Euro Senior Note, as applicable, the Issuer or the relevant Guarantor will indemnify the recipient against the cost of making any further purchase of dollars or euro, as applicable, in an amount equal to such difference. These indemnities, to the extent permitted by law:

- (a) constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations;
- (b) give rise to a separate and independent cause of action;
- (c) apply irrespective of any waiver granted by any holder of a Senior Note or the Trustee from time to time; and
- (d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Senior Note or any other judgment or order.

Optional redemption

Optional redemption prior to December 15, 2013 upon Public Equity Offering

At any time prior to December 15, 2013, upon not less than 30 nor more than 60 days' written notice, the Issuer may on any one or more occasions redeem (i) up to 35% of the aggregate principal amount of the Dollar Senior Notes issued under the Senior Indenture on the Issue Date at a redemption price equal to 110.500% of the principal amount of the Dollar Senior Notes being redeemed and (ii) up to 35% of the aggregate principal amount of the Euro Senior Notes issued under the Senior Indenture on the Issue Date at a redemption price equal to 110.875% of the principal amount of the Euro Senior Notes being redeemed, in each case plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the

redemption date (subject to the rights of holders of Senior Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds from one or more Public Equity Offerings. The Issuer may only do this, however, if:

- (a) at least 65% of the aggregate principal amount of the Dollar Senior Notes and Euro Senior Notes that were initially issued under the Senior Indenture (excluding Senior Notes held by TopCo or any of its Subsidiaries) would remain outstanding immediately after the occurrence of such proposed redemption; and
- (b) the redemption occurs within 180 days after the closing of such Public Equity Offering.

Notice of any redemption upon any Public Equity Offering may be given prior to the completion thereof, and any such redemption or notice may, at the Issuer’s discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Public Equity Offering.

Optional redemption of Dollar Senior Notes prior to December 15, 2014

At any time prior to December 15, 2014, upon not less than 30 nor more than 60 days’ written notice, the Issuer may also redeem all or part of the Dollar Senior Notes, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium of the Dollar Senior Notes plus accrued and unpaid interest on the Dollar Senior Notes to, but not including, the redemption date. Any such redemption or notice may, at the Issuer’s discretion, be subject to one or more conditions precedent.

Optional redemption of Dollar Senior Notes on or after December 15, 2014

At any time on or after December 15, 2014 and prior to maturity, upon not less than 30 nor more than 60 days’ written notice, the Issuer may redeem all or part of the Dollar Senior Notes. These redemptions will be in amounts of \$200,000 or integral multiples of \$1,000 in excess thereof at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest, if any, to, but not including, the redemption date, if redeemed during the 12-month period commencing on December 15 of the years set forth below. This redemption is subject to the right of holders of record on the relevant regular record date that is prior to the redemption date to receive interest due on an interest payment date.

Year	Dollar Senior Notes Redemption Prices
2014	105.250%
2015	102.625%
2016 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Dollar Senior Notes or portion thereof called for redemption on the applicable redemption date. Any such redemption or notice may, at the Issuer’s discretion, be subject to one or more conditions precedent.

Optional redemption of Euro Senior Notes prior to December 15, 2014

At any time prior to December 15, 2014, upon not less than 30 nor more than 60 days’ written notice, the Issuer may also redeem all or part of the Euro Senior Notes, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium of the Euro Senior Notes plus accrued and unpaid interest on the Euro Senior Notes to, but not including, the redemption date. Any such redemption or notice may, at the Issuer’s discretion, be subject to one or more conditions precedent.

Optional redemption of Euro Senior Notes on or after December 15, 2014

At any time on or after December 15, 2014 and prior to maturity, upon not less than 30 nor more than 60 days’ written notice, the Issuer may redeem all or part of the Euro Senior Notes. These redemptions will be in amounts of €100,000 or integral multiples of €1,000 in excess thereof at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest, if any, to, but not including, the redemption date, if redeemed during the 12-

month period commencing on of the years set forth below. This redemption is subject to the right of holders of record on the relevant regular record date that is prior to the redemption date to receive interest due on an interest payment date.

Year	Euro Senior Notes Redemption Prices
2014	105.438%
2015	102.719%
2016 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Euro Senior Notes or portion thereof called for redemption on the applicable redemption date. Any such redemption or notice may, at the Issuer’s discretion, be subject to one or more conditions precedent.

Redemption upon changes in withholding taxes

The Issuer may redeem the Senior Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days’ prior notice to the holders of the Senior Notes (which notice will be irrevocable), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a “**Tax Redemption Date**”) and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Senior Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Senior Notes, the Issuer is or would be required to pay Additional Amounts, and the Issuer cannot avoid any such payment obligation by taking reasonable measures available, and the requirement arises as a result of:

- (1) any amendment to, or change in, the laws (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction which change or amendment is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or
- (2) any amendment to, or change in, an official written interpretation or application of such laws, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date).

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer would be obligated to make such payment or withholding if a payment in respect of the Senior Notes was then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Senior Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel (the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld)) to the effect that there has been such amendment or change which would entitle the Issuer to redeem the Senior Notes hereunder. In addition, before the Issuer publishes or mails notice of redemption of the Senior Notes as described above, it will deliver to the Trustee an Officer’s Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Issuer taking reasonable measures available to it.

The Trustee will accept and shall be entitled to rely on such Officer’s Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of Senior Notes.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Issuer is incorporated or organized, engaged in business or resident for tax purposes or any jurisdiction from or through which payment is made by or on behalf of such Person on the Senior Notes and any political subdivision thereof or therein.

Sinking fund; offers to purchase; open market purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Senior Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Senior Notes as described under the captions “—Purchase of Senior Notes upon a Change of Control” and “—Certain covenants—Limitation on sale of certain assets.” TopCo and any Restricted Subsidiaries may at any time and from time to time purchase Senior Notes in the open market or otherwise.

Purchase of Senior Notes upon a Change of Control

If a Change of Control occurs at any time, then the Issuer must make an offer (a “**Change of Control Offer**”) to each holder of Senior Notes to repurchase all or any part (equal to, in the case of the Dollar Senior Notes, \$200,000 or in integral multiples of \$1,000 in excess thereof or, in the case of the Euro Senior Notes, €100,000 or in integral multiples of €1,000 in excess thereof) of such holder’s Senior Notes, at a purchase price (the “**Change of Control Purchase Price**”) in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the date of purchase (the “**Change of Control Purchase Date**”) (subject to the rights of holders of record on relevant regular record dates that are prior to the Change of Control Purchase Date to receive interest due on an interest payment date). Purchases made under a Change of Control Offer will also be subject to other procedures set forth in the Senior Indenture.

Unless the Issuer has unconditionally exercised its right to redeem all the Senior Notes in accordance with the Senior Indenture and all conditions to such redemption have been satisfied or waived, within 30 days following any Change of Control, the Issuer will deliver a notice to each holder of the Senior Notes at such holder’s registered address or otherwise deliver a notice in accordance with the procedures described under “—Selection and notice,” stating that a Change of Control Offer is being made and offering to repurchase Senior Notes on the Change of Control Purchase Date, and the notice will state:

- (i) that a Change of Control has occurred, and the date it occurred and offering to purchase the Senior Notes on the date specified in the notice;
- (ii) the circumstances and relevant facts regarding such Change of Control (including, but not limited to, applicable information with respect to pro forma historical income, cash flow and capitalization after giving effect to the Change of Control);
- (iii) the Change of Control Purchase Price and the Change of Control Purchase Date, which will be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with requirements under the Exchange Act and any applicable securities laws or regulations;
- (iv) that any Senior Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Purchase Date unless the Change of Control Purchase Price is not paid;
- (v) that any Senior Note (or part thereof) not tendered will continue to accrue interest; and
- (vi) any other procedures that a holder of Senior Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Paying Agent will promptly mail (or cause to be delivered) to each holder of Senior Notes properly tendered the Change of Control Purchase Price for such Senior Notes. The Trustee (or the authenticating agent appointed by it) will promptly authenticate and deliver (or cause to be transferred by book-entry) to each holder a new Senior Note or Senior Notes equal in principal amount to any unpurchased portion of Senior Notes surrendered, if any, to the holder of Senior Notes in global form or to each holder of certificated Senior Notes; *provided* that each new Dollar Senior Note will be in a principal amount of \$200,000 or in integral multiples of \$1,000 in excess thereof and each new Euro Senior Note will be in a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer will publicly announce the results of a Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The ability of the Issuer to repurchase Senior Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that would constitute a Change of Control could constitute a default under the Senior Facility Agreement. In addition, certain events that may constitute a change of control under the Senior Facility Agreement may not constitute a Change of Control under the Senior Indenture. TopCo’s future indebtedness and the future

indebtedness of its Subsidiaries may also require such indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Senior Notes of their right to require a repurchase of the Senior Notes upon a Change of Control could cause a default under such indebtedness, even if the Change of Control itself does not, due to the possible financial effect on the Issuer of such repurchase.

If a Change of Control Offer is made, the Issuer cannot provide any assurance that it will have available funds sufficient to pay the Change of Control Purchase Price for all the Senior Notes that might be delivered by holders of the Senior Notes seeking to accept the Change of Control Offer. If the Issuer fails to make or consummate a Change of Control Offer or pay the Change of Control Purchase Price when due, such failure would result in an Event of Default and would give the Trustee and the holders of the Senior Notes the rights described under “—Events of Default.”

Even if sufficient funds were otherwise available, the terms of the other indebtedness of TopCo and its Subsidiaries may prohibit the prepayment of the Senior Notes prior to their scheduled maturity. If the Issuer was not able to prepay any indebtedness containing any such restrictions or obtain requisite consents, the Issuer would be unable to fulfill its repurchase obligations to holders of Senior Notes who exercise their right to redeem their Senior Notes following a Change of Control, which would cause a Default under the Senior Indenture. A Default under the Senior Indenture, unless waived by holders, would result in a cross default under certain of the financing arrangements described under “Description of certain financing arrangements.”

The Issuer will not be required to make a Change of Control Offer if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Notes validly tendered and not withdrawn under such Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Senior Indenture as described above under the caption “—Optional redemption,” unless and until there is a default in payment of the applicable redemption price. The Change of Control provisions described above will be applicable whether or not any other provisions of the Senior Indenture are applicable. Except as described above with respect to a Change of Control, the provisions of the Senior Indenture will not give holders the right to require the Issuer to repurchase the Senior Notes in the event of certain highly leveraged transactions, or certain other transactions, including a reorganization, restructuring, merger or similar transaction that may adversely affect holders of the Senior Notes, if such transaction is not a transaction defined as a Change of Control. Any such transaction, however, would have to comply with the applicable provisions of the Senior Indenture, including the “—Limitation on Debt” covenant. The existence of a holder of the Senior Notes’ right to require the Issuer to repurchase such holder’s Senior Notes upon a Change of Control may deter a third party from acquiring TopCo or its Subsidiaries in a transaction which constitutes a Change of Control.

Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws and regulations in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Senior Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under the Senior Indenture by virtue of such conflict.

“Change of Control” means the occurrence of any of the following events:

- (a) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any person or group, other than one or more Permitted Holders, is or as a result of such transaction becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of TopCo;
- (b) the sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) of all or substantially all the assets (other than Capital Stock, Debt or other securities of any Unrestricted Subsidiary) of TopCo and its Restricted Subsidiaries, taken as a whole, to any person other than to one or more Permitted Holders;
- (c) the adoption of a plan relating to the liquidation or dissolution of TopCo (other than a transaction which complies with the provisions described under “Certain covenants—Consolidation, merger and sale of assets”); or

- (d) TopCo or any Surviving Entity ceases to beneficially own, directly or indirectly, 100% of the Voting Stock of the Issuer (other than directors' qualifying shares).

For the purposes of this definition, (i) "person" and "group" have the meanings they have in Sections 13(d) and 14(d) of the Exchange Act; (ii) "beneficial owner" is used as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time; and (iii) a person or group will be deemed to beneficially own all Voting Stock of an entity held by a parent entity, if such person or group is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of such parent entity.

The provisions under the Senior Indenture relating to the Issuer's obligation to make an offer to repurchase the Senior Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in principal amount of the Senior Notes prior to the occurrence of the Change of Control.

If and for so long as the Senior Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will release notice relating to a Change of Control Offer through the Company Announcements Office of the ISE or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (www.ise.ie).

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 "all or substantially all" of the property or assets of a Person.

Selection and notice

Notices of redemption may be made subject to conditions precedent.

If fewer than all the Senior Notes are to be redeemed at any time, the Trustee or the Registrar will select the Senior Notes for redemption by a method that complies with the requirements, as certified to the Trustee and the Paying Agents by the Issuer, of the principal securities exchange, if any, on which the Senior Notes are listed at such time or, if the Senior Notes are not listed on a securities exchange, *pro rata*, by lot or by such other method as the Trustee or the applicable Registrar in its sole discretion shall deem fair and appropriate, unless otherwise required by law; *provided, however*, that no such partial redemption shall reduce the portion of the principal amount of a Dollar Senior Note not redeemed to less than \$200,000 or of a Euro Senior Note not redeemed to less than €100,000. Neither the Trustee nor the Registrars shall be liable for any selections made by it in accordance with this paragraph.

No Dollar Senior Notes of \$200,000 or less and no Euro Senior Notes of €100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Senior Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Senior Notes or a satisfaction and discharge of the Senior Indenture.

If any Senior Note is to be redeemed in part only, the notice of redemption that relates to that Senior Note will state the portion of the principal amount of that Senior Note that is to be redeemed. While the Senior Notes are held in certificated form, a new Senior Note in principal amount equal to the unredeemed portion of the original Senior Note will be issued in the name of the holder of Senior Notes upon cancellation of the original Senior Note. Senior Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Notes or portions of Senior Notes redeemed.

For Senior Notes which are represented by global certificates held on behalf of DTC, Euroclear or Clearstream, notices may be given by delivery of the relevant notices to DTC, Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Senior Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, any such notice to the holders of the relevant Senior Notes shall also be released through the Company Announcements Office of the ISE or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (www.ise.ie) and, in connection with any redemption, the Issuer will notify the Irish Stock Exchange of any change in the principal amount of Senior Notes outstanding.

Suspension of certain covenants when Senior Notes rated investment grade

If on any date following the Issue Date, the Senior Notes have an Investment Grade Rating from both of the Rating Agencies and no Default or Event of Default has occurred and is continuing under the Senior Indenture (a “**Suspension Event**”), beginning on the day of the Suspension Event and continuing until such time (the “**Suspension Period**”), if any, at which the such Senior Notes cease to have an Investment Grade Rating from each Rating Agency (the “**Reversion Date**”), the provisions of the Senior Indenture summarized under the following captions, and, in each case, any related default provision of the Senior Indenture, will not apply to the Senior Notes:

- (1) “—Certain covenants—Limitation on Debt”;
- (2) “—Certain covenants—Limitation on Restricted Payments”;
- (3) “—Certain covenants—Limitation on transactions with Affiliates”;
- (4) “—Certain covenants—Limitation on sale of certain assets”;
- (5) “—Certain covenants—Limitation on guarantees of Debt by Restricted Subsidiaries”;
- (6) “—Certain covenants—Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries”;
- (7) “—Certain covenants—Designation of Unrestricted and Restricted Subsidiaries”; and
- (8) “—Certain covenants—Consolidation, merger and sale of assets” (but only clause (c) of the first paragraph of such covenant).

Such covenants and any related default provisions will again apply according to their terms on and after the Reversion Date. Such covenants will not, however, be of any effect with regard to actions of TopCo or the Restricted Subsidiaries properly taken during the Suspension Period, and the “—Certain covenants—Limitation on Restricted Payments” covenant will be interpreted as if it had been in effect since the Issue Date except that no default will be deemed to have occurred solely by reason of a Restricted Payment made during the Suspension Period. On the Reversion Date, all Debt incurred during the continuance of the Suspension Period will be classified as having been incurred pursuant to clause (2)(d) of the covenant described under “—Certain covenants—Limitation on Debt.” Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

Upon the occurrence of a Suspension Event, the Issuer will notify the Trustee.

Certain covenants

The Senior Indenture will contain, among others, the following covenants:

Limitation on Debt

- (1) TopCo will not, and will not permit any Restricted Subsidiary to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to “**incur**” or, as appropriate, an “**incurrence**”), any Debt (including any Acquired Debt); *provided* that TopCo, the Issuer and any other Guarantor will be permitted to incur Debt (including Acquired Debt) if, after giving effect to the incurrence of such Debt and the application of the proceeds thereof, on a *pro forma* basis, the Consolidated Fixed Charge Coverage Ratio for the four full fiscal quarters for which financial statements are available immediately preceding the incurrence of such Debt, taken as one period, would be greater than 2.0 to 1.0.
- (2) This covenant will not, however, prohibit the following (collectively, “**Permitted Debt**”):
 - (a) the incurrence by the Issuer and the Guarantors of Debt represented by (i) the Senior Notes issued on the Issue Date and the related Guarantees and (ii) the Secured Notes and the related guarantees;

- (b) the incurrence by TopCo or any Restricted Subsidiary of Debt under Credit Facilities in an aggregate principal amount at any time outstanding and any Permitted Refinancing Debt incurred to renew, refund, replace, refinance, defease or discharge any Debt incurred pursuant to this clause (b), not to exceed (i) \$1,600 million plus (ii) up to an additional \$500.0 million of secured Debt; *provided* that following the incurrence of such additional amount of secured Debt pursuant to this clause (ii) and after giving effect to the application of proceeds therefrom, on a pro forma basis, the Consolidated Secured Leverage Ratio for the period of the most recent four consecutive quarters for which financial statements are available would be less than 4.0 to 1.0;
- (c) the incurrence by TopCo or any Restricted Subsidiary of intercompany Debt between TopCo and any Restricted Subsidiary or between or among Restricted Subsidiaries; *provided* that:
 - (i) if the Issuer or any Guarantor is the obligor on any such Debt and the payee is not the Issuer or a Guarantor, such Debt (i) except in respect of the intercompany current liabilities incurred in connection with cash management positions of TopCo and its Restricted Subsidiaries and (ii) only to the extent legally permitted (TopCo and its Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Debt) is subordinated in right of payment to the Senior Notes or the related Guarantees, as applicable; and
 - (ii) (x) any disposition, pledge or transfer of any such Debt to a Person (other than a disposition, pledge or transfer to TopCo or a Restricted Subsidiary) and (y) any transaction pursuant to which any Restricted Subsidiary that has Debt owing by TopCo or another Restricted Subsidiary ceases to be a Restricted Subsidiary, will, in each case, be deemed to be an incurrence of such Debt not permitted by this clause (c);
- (d) any Debt of TopCo or any Restricted Subsidiary (other than Debt described in clauses (a) and (b) of this paragraph) outstanding on the Issue Date after giving effect to the Transactions on the Issue Date;
- (e) guarantees of TopCo's Debt or Debt of any Restricted Subsidiary by TopCo or any Restricted Subsidiary; *provided* that (i) the incurrence of the Debt being guaranteed was permitted by another provision of this covenant and (ii), if the Debt being guaranteed is subordinated to the Senior Notes or the Guarantees then such guarantee must be subordinated to the same extent as the Debt being guaranteed;
- (f) the incurrence by TopCo or any Restricted Subsidiary of Debt arising from customary agreements providing for guarantees, indemnities or obligations in respect of earnouts or other purchase price adjustments or, in each case, similar obligations, in connection with the acquisition or disposition of any business or assets or Person or any shares of Capital Stock of a Subsidiary, other than guarantees or similar credit support given by TopCo or any Restricted Subsidiary of Debt incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Debt permitted pursuant to this clause (f) will at no time exceed the net proceeds, including the Fair Market Value of non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received from such disposition;
- (g) the incurrence by TopCo or any Restricted Subsidiary of Debt under Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements, in each case entered into not for speculative purposes (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer) (collectively, "**Hedging Obligations**");
- (h) the incurrence by TopCo or any Restricted Subsidiary of Debt represented by Capitalized Lease Obligations, Purchase Money Obligations, mortgage financings or other Debt, in each case, incurred in connection with the financing of all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, (real or personal) plant or equipment used in a Permitted Business of TopCo and its Restricted Subsidiaries, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Debt incurred to renew, refund, replace, refinance, defease or discharge any Debt incurred pursuant to this clause (h) in an aggregate principal amount not to exceed the greater of \$50 million and 1.0% of Total Assets at any time outstanding;

- (i) the incurrence by TopCo or any of its Restricted Subsidiaries of Debt in the form of customer deposits and advance payments received in the ordinary course of business from customers for services purchased in the ordinary course of business;
- (j) the incurrence by any Restricted Subsidiary of Debt in any Qualified Securitization Financing;
- (k) the incurrence by TopCo or any Restricted Subsidiary of Debt in respect of workers' compensation and claims arising under similar legislation, captive insurance companies, or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;
- (l) the incurrence by TopCo or any Restricted Subsidiary of Debt arising from (i) the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business; *provided* that such Debt is extinguished within ten Business Days of incurrence, (ii) bankers' acceptances, performance, surety, judgment, appeal or similar bonds, instruments or obligations, (iii) completion guarantees or performance or appeal bonds provided or letters of credit obtained by TopCo or any Restricted Subsidiary in the ordinary course of business, (iv) VAT or other tax guarantees in the ordinary course of business, (v) self insurance obligations or captive insurance company obligations or the financing of insurance premiums in the ordinary course of business and (vi) any customary cash management, cash pooling or netting or setting off arrangements;
- (m) Debt of any Person incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary of TopCo or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) TopCo or any Restricted Subsidiary (other than Debt incurred (i) to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by TopCo or a Restricted Subsidiary or (ii) otherwise in connection with or contemplation of such acquisition); *provided, however*, with respect to this clause (m), that at the time of such acquisition or other transaction pursuant to which such Debt is deemed to be incurred, (x) TopCo could incur at least \$1.00 of additional Debt under paragraph (1) of this covenant, after giving *pro forma* effect to such acquisition or other transaction or (y) the Consolidated Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction;
- (n) the incurrence by TopCo or any Restricted Subsidiary of Permitted Refinancing Debt incurred to renew, refund, replace, refinance, defease or discharge Debt incurred by it pursuant to, or described in, paragraph (1) and clauses 2(a), 2(d), 2(m) and this 2(n) of this covenant, as the case may be;
- (o) Contribution Debt;
- (p) the incurrence by TopCo or any Restricted Subsidiary of Debt represented by guarantees of any Management Advances; and
- (q) the incurrence by TopCo or any Restricted Subsidiary of Debt (other than and in addition to Debt permitted under clauses (a) through (p) above) in an aggregate principal amount at any one time outstanding, including all Permitted Refinancing Debt incurred to renew, refund, replace, refinance, defease or discharge any Debt incurred pursuant to this clause (q), not to exceed \$175 million.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Debt, the payment of dividends on Preferred Stock or Redeemable Capital Stock in the form of additional shares of Preferred Stock or Redeemable Capital Stock or the reclassification of commitments or obligations not treated as Debt due to a change in U.S. GAAP, including a change of U.S. GAAP to IFRS, will not be deemed to be an incurrence of Debt for purposes of this covenant.

- (1) For purposes of determining compliance with any restriction on the incurrence of Debt in dollars where Debt is denominated in a different currency, the amount of such Debt will be the Dollar Equivalent determined on the date of such determination; *provided* that if any such Debt denominated in a different currency is subject to a Currency Agreement (with respect to dollars) covering principal amounts payable on such Debt, the amount of such Debt expressed in dollars will be adjusted to take into account the effect of such Currency Agreement. The principal amount of any Permitted Refinancing Debt incurred in the same currency as the Debt being refinanced will be the Euro Equivalent of the Debt refinanced determined on the date such Debt being refinanced was initially incurred,

except to the extent that such Dollar Equivalent was determined based on a Currency Agreement (with respect to dollars), in which case, the amount of such Permitted Refinancing Debt will be adjusted to take into account the effect of such Currency Agreement. Notwithstanding any other provision of this covenant, for purposes of determining compliance with this “—Limitation on Debt” covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies or currency values will not be deemed to exceed the maximum amount that TopCo or a Restricted Subsidiary may incur under the “—Limitation on Debt” covenant.

- (2) For purposes of determining any particular amount of Debt under this “—Limitation on Debt” covenant:
 - (a) obligations with respect to letters of credit, guarantees or Liens, in each case supporting Debt otherwise included in the determination of such particular amount will not be included; and
 - (b) any Liens granted pursuant to the equal and ratable provisions referred to in the “—Limitation on Liens” covenant will not be treated as Debt.
- (3) The amount of any Debt outstanding as of any date will be:
 - (a) in the case of any Debt issued with original issue discount, the accreted value of such Debt;
 - (b) the principal amount of the Debt or the liquidation preference thereof, as applicable, in the case of any other Debt determined in accordance with U.S. GAAP; and
 - (c) in respect of Debt of another Person secured by a Lien on the assets of the specified Person, the lesser of:
 - (i) the Fair Market Value of such assets at the date of determination; and
 - (ii) the amount of the Debt of the other Person.
- (4) If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Debt of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of TopCo as of such date (and, if such Debt is not permitted to be incurred as of such date under this “—Limitation on Debt” covenant, the Restricted Subsidiary shall be in Default of this covenant).
- (5) In the event that an item of Debt meets the criteria of more than one of the types of Debt described in this “—Limitation on Debt” covenant, TopCo, in its sole discretion, will classify items of Debt and will only be required to include the amount and type of such Debt in one of such clauses and, except with respect to Debt incurred under the Senior Facility Agreement incurred under clause (2)(b) above, which may not be reclassified, TopCo will be entitled to divide and classify an item of Debt in more than one of the types of Debt described in this “—Limitation on Debt” covenant, and may change the classification of an item of Debt (or any portion thereof) to any other type of Debt described in this “—Limitation on Debt” covenant at any time. Debt under the Senior Facility Agreement (and under any Credit Facility or other facility or instrument utilized to refinance, replace, restate or extend the Senior Facility Agreement) will be deemed to have been incurred on such date in reliance on clause (2)(b) above up to the maximum amount permitted under such clause on such date and may not be reclassified. For the avoidance of doubt the foregoing will not prohibit TopCo or any of its Restricted Subsidiaries from incurring Debt in an amount in excess of the amount permitted to be incurred under clause (2)(b) so long as such Debt is otherwise incurred in compliance with clause (1) or (2) of this covenant.

Limitation on Restricted Payments

- (1) TopCo will not, and will not permit any Restricted Subsidiary to, directly or indirectly, take any of the following actions (each of which is a “**Restricted Payment**” and which are collectively referred to as “**Restricted Payments**”):
 - (a) declare or pay any dividend on or make any distribution (whether made in cash, securities or other property) with respect to any of TopCo’s or any Restricted Subsidiary’s Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving TopCo or any Restricted Subsidiary) (other than (i) to TopCo or any Restricted Subsidiary or (ii) to all holders of Capital Stock of such Restricted Subsidiary on a *pro rata* basis or on a basis that results in the receipt by TopCo or a

Restricted Subsidiary of dividends or distributions of greater value than TopCo or such Restricted Subsidiary would receive on a *pro rata* basis); except for dividends or distributions payable solely in shares of TopCo's Qualified Capital Stock or in options, warrants or other rights to acquire such shares of Qualified Capital Stock or in Deeply Subordinated Funding;

- (b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation), directly or indirectly, any shares of TopCo's Capital Stock or any Capital Stock of any direct or indirect parent company of TopCo held by persons other than TopCo or a Restricted Subsidiary or any options, warrants or other rights to acquire such shares of Capital Stock;
- (c) make any principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Debt (excluding any intercompany debt between or among TopCo or any of its Restricted Subsidiaries) except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Debt purchased in anticipation of satisfying a scheduled sinking fund obligation, principal installment or scheduled maturity, in each case, due within one year of the date of such purchase, repurchase or other acquisition;
- (d) make any cash interest payment or principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value, any Deeply Subordinated Funding;
- (e) make any cash interest payment or principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value, any of the PECs; or
- (f) make any Investment (other than any Permitted Investment) in any Person.

If any Restricted Payment described above is not made in cash, the amount of the proposed Restricted Payment will be the Fair Market Value of the asset to be transferred as of the date of transfer.

(2) Notwithstanding paragraph (1) above, TopCo or any Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed Restricted Payment:

- (a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
- (b) TopCo could incur at least \$1.00 of additional Debt under paragraph (1) of the “—Limitation on Debt” covenant; and
- (c) the aggregate amount of all Restricted Payments declared or made after the Issue Date (including Restricted Payments permitted by clauses (3)(a) and (h) below, but excluding all other Restricted Payments described in paragraph (3) below) does not exceed the sum of (without duplication):
 - (i) 50% of aggregate Consolidated Adjusted Net Income on a cumulative basis during the period beginning on October 1, 2010 and ending on the last day of TopCo's most recently ended fiscal quarter for which financial statements are available at the date of such proposed Restricted Payment (or, if such aggregate cumulative Consolidated Adjusted Net Income shall be a negative number, minus 100% of such negative amount); *plus*
 - (ii) the aggregate net cash proceeds and the Fair Market Value of property or assets or marketable securities received by TopCo after the Issue Date as capital contributions or from the issuance or sale (other than to any Subsidiary) of shares of TopCo's Qualified Capital Stock or Deeply Subordinated Funding (including upon the exercise of options, warrants or rights) or warrants, options or rights to purchase shares of TopCo's Qualified Capital Stock or Deeply Subordinated Funding (except, in each case to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock or Deeply Subordinated Funding as set forth in clause (b) or (c) of paragraph (3) below) (excluding the net cash proceeds from the issuance of TopCo's Qualified Capital Stock or Deeply Subordinated Funding financed, directly or indirectly, using funds borrowed from TopCo or any Subsidiary until and to the extent such borrowing is repaid); *plus*

- (iii) (x) the amount by which TopCo's Debt or Debt of any Restricted Subsidiary is reduced on TopCo's consolidated balance sheet after the Issue Date upon the conversion or exchange (other than by TopCo or its Restricted Subsidiary) of such Debt into TopCo's Qualified Capital Stock or Deeply Subordinated Funding, and (y) the aggregate net cash proceeds and the Fair Market Value of property or assets or marketable securities received after the Issue Date by TopCo from the issuance or sale (other than to any Restricted Subsidiary) of Redeemable Capital Stock that has been converted into or exchanged for TopCo's Qualified Capital Stock or Deeply Subordinated Funding, to the extent such Redeemable Capital Stock was originally sold for cash or Cash Equivalents, together with, in the case of both clauses (x) and (y), the aggregate net cash proceeds and the Fair Market Value of property or assets or marketable securities received by TopCo at the time of such conversion or exchange (excluding Excluded Contributions and the net cash proceeds from the issuance of TopCo's Qualified Capital Stock or Deeply Subordinated Funding financed, directly or indirectly, using funds borrowed from TopCo or any Restricted Subsidiary until and to the extent such borrowing is repaid); *plus*
 - (iv) (x) in the case of any Investment that is sold, disposed of or otherwise cancelled, liquidated or repaid, constituting a Restricted Payment made after the Issue Date, an amount equal to 100% of the aggregate amount received in cash and the Fair Market Value of the property or assets and marketable securities received by TopCo or any Restricted Subsidiary and (y) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or if an Unrestricted Subsidiary is merged or consolidated into TopCo or a Restricted Subsidiary or the assets of an Unrestricted Subsidiary are transferred to TopCo or a Restricted Subsidiary (as long as the designation of such Subsidiary as an Unrestricted Subsidiary was deemed a Restricted Payment), the Fair Market Value of TopCo's interest in such Subsidiary as of the date of such redesignation or at the time of such merger, consolidation or transfer of assets; *plus*
 - (v) to the extent that any Investment constituting a Restricted Payment that was made after the Issue Date is made in an entity that subsequently becomes a Restricted Subsidiary, the Fair Market Value of such Investment of TopCo and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*
 - (vi) 100% of any dividends or distributions received by TopCo or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Adjusted Net Income of TopCo for such period.
- (3) Notwithstanding paragraphs (1) and (2) above, TopCo and any Restricted Subsidiary may take the following actions so long as (with respect to clauses (h) and (q) below) no Default or Event of Default has occurred and is continuing:
- (a) the payment of any dividend within 60 days after the date of its declaration if at such date of its declaration such payment would have been permitted by the provisions of this covenant;
 - (b) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of TopCo's Capital Stock or Deeply Subordinated Funding, or from the substantially concurrent contribution of common equity capital to TopCo; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (2)(c)(ii) above;
 - (c) the purchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Debt in exchange for, or out of the net cash proceeds of an incurrence (other than to a Subsidiary) of, Permitted Refinancing Debt;
 - (d) the purchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Debt of TopCo or the Issuer (other than any Subordinated Debt held by Affiliates of the Issuer) upon a Change of Control or Asset Sale to the extent required by the agreements governing such Debt; *provided* that the Issuer shall have complied with the "Change of Control" or "Limitation on sale of certain assets" covenant, as the case may be, and the Issuer repurchased all Senior Notes tendered pursuant to the offer required by such covenants prior to offering to purchase, purchasing or repaying such Debt;

- (e) the repurchase of Capital Stock deemed to occur upon the exercise of stock options to the extent such Capital Stock represents a portion of the exercise price of those stock options;
- (f) payments of cash, dividends, distributions, advances or other Restricted Payments by TopCo or any of its Restricted Subsidiaries to allow the payment of cash in lieu of issuing fractional shares upon (i) the exercise of options or warrants or (ii) the exchange or conversion of Capital Stock of any such Person;
- (g) cash payments, advances, loans or expense reimbursements made to any direct or indirect parent company of TopCo to permit any such company to pay (i) general operating expenses, customary directors' fees, accounting, legal, corporate reporting and administrative expenses incurred in the ordinary course of business to the extent such costs and expenses are attributable to the ownership or operation of TopCo and its Restricted Subsidiaries, (ii) any taxes, duties or similar governmental fees of any such parent company to the extent such tax obligations are directly attributable to its ownership of TopCo and its Restricted Subsidiaries or its funding or holding Deeply Subordinated Funding; *provided* that in each case the amount of such payments, advances, loans or expense reimbursements in any fiscal year does not exceed the amount that TopCo and its Restricted Subsidiaries would be required to pay in respect of federal, state and local taxes for such fiscal year if TopCo and its Restricted Subsidiaries paid such taxes, duties or similar governmental fees separately from any such direct or indirect parent entity, (iii) costs (including all professional fees and expenses) incurred by any direct or indirect parent company of TopCo in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Senior Indenture or any other agreement or instrument relating to Debt of TopCo or any of its Restricted Subsidiaries and (iv) fees and expenses of any direct or indirect parent company of TopCo incurred in relation to any public offering or other sale of Capital Stock or Debt (x) where the net proceeds of such offering or sale are intended to be received by or contributed to TopCo or any of its Restricted Subsidiaries or (y) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed;
- (h) following a Public Equity Offering of TopCo or any direct or indirect parent company of TopCo, the declaration or payment of dividends or distributions, or the making of any cash payments, advances, loans or expense reimbursements on the Qualified Capital Stock, common stock or common equity interests of TopCo or any direct or indirect parent company of TopCo; *provided* that the aggregate amount of all such dividends or distributions under this clause (h) shall not exceed in any fiscal year 6% of the net cash proceeds received from such Public Equity Offering or subsequent Public Equity Offering by TopCo or contributed to the capital of TopCo, any of the Parent Guarantors or the Issuer by any direct or indirect parent company of TopCo in any form other than Debt or Excluded Contributions;
- (i) the payment of any Securitization Fees and purchases of Securitization Assets and related assets pursuant to a Securitization Repurchase Obligation in connection with a Qualified Securitization Financing;
- (j) Restricted Payments that are made with Excluded Contributions;
- (k) advances or loans to (i) any future, present or former officer, director, employee or consultant of the Parent or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Capital Stock of TopCo or a Restricted Subsidiary, or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (ii) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of TopCo or a Restricted Subsidiary; *provided* that the total aggregate amount of Restricted Payments made under this clause (k) does not exceed \$5 million in any calendar year (with any unused amounts in any calendar year carried over to the next two succeeding calendar years);
- (l) the repurchase, redemption or other acquisition or retirement for value of any Qualified Capital Stock of TopCo held by any current or former officer, director, employee or consultant of TopCo or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Qualified Capital Stock may not exceed \$7.5 million in any calendar years (with unused amounts in any calendar year being carried over to the next two

- succeeding calendar years); and *provided, further*, that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Qualified Capital Stock of TopCo or a Restricted Subsidiary received by TopCo or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of TopCo or any of its Restricted Subsidiaries or any direct or indirect parent company of TopCo to the extent the cash proceeds from the sale of Qualified Capital Stock have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clauses (b), or (c) or (i) of this paragraph;
- (m) the declaration and payment of dividends to holders of any class or series of Redeemable Capital Stock, or of any Preferred Stock of a Restricted Subsidiary, incurred in accordance with the terms of the “Limitation on Debt” covenant;
 - (n) without duplication of any payment made pursuant to clause (g) above, payments or other transactions pursuant to any tax sharing agreement or arrangement among TopCo or any of its Restricted Subsidiaries and any other Person with which TopCo or any of its Restricted Subsidiaries files or filed a consolidated tax return or with which TopCo or any of its Restricted Subsidiaries is or was part of a consolidated group for tax purposes; *provided, however*, that such payments, and the value of such transactions, shall not exceed the amount of tax that TopCo or such Restricted Subsidiaries would owe without taking into account such other Person;
 - (o) the making of any payments and any reimbursements as contemplated in the section entitled “Use of proceeds” in this Offering Memorandum;
 - (p) cash dividends or other distributions on TopCo’s Capital Stock used to, or the making of loans to any direct or indirect parent company of TopCo to, fund the payment of fees and expenses owed by TopCo or its Restricted Subsidiaries to Affiliates, to the extent permitted by clauses (vii), (ix) (xiii), (xiv), (xv) or (xvi) of the “—Limitation on transactions with Affiliates” covenant; and
 - (q) any other Restricted Payment; *provided* that the total aggregate amount of Restricted Payments made under this clause (q) since the Issue Date does not exceed \$50 million.

Limitation on transactions with Affiliates

TopCo will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets or property or the rendering of any service) for the benefit of, any Affiliate of TopCo or any Restricted Subsidiary’s Affiliate involving aggregate payments or consideration in excess of \$10 million unless:

- (a) such transaction or series of transactions is on terms that, taken as a whole, are not materially less favorable to TopCo or such Restricted Subsidiary, as the case may be, than those that could have been obtained in a comparable arm’s length transaction with third parties that are not Affiliates (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer);
- (b) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or provision of services, in each case having a value greater than \$25 million, TopCo will deliver a resolution of its board of directors (set out in an Officer’s Certificate to the Trustee) certifying that such transaction complies with clause (a) above and that the fairness of such transaction has been approved by a majority of the Disinterested Directors (or in the event there is only one Disinterested Director, by such Disinterested Director) of TopCo’s board of directors; and
- (c) (i) in the case that there are no Disinterested Directors or (ii) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or the provision of services, in each case having a value greater than \$50 million, TopCo will obtain a written opinion of an accounting, appraisal, investment banking or advisory firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of transactions is (i) fair to TopCo or such Restricted Subsidiary from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm’s length basis from a Person who is not an Affiliate.

Notwithstanding the foregoing, the restrictions set forth in this description will not apply to:

- (i) customary directors' fees, indemnification and similar arrangements (including the payment of directors' and officers' insurance premiums), consulting fees, employee salaries, bonuses, employment agreements and arrangements, compensation or employee benefit arrangements, including stock options or legal fees (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer);
- (ii) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, consultant, officer or director of TopCo or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;
- (iii) any Restricted Payments not prohibited by the "—Limitation on Restricted Payments" covenant and Permitted Investments; *provided* that, in the case of a Permitted Investment described in clause (c)(iii) of the definition thereof, such Permitted Investment shall be in accordance with clause (a) of the first paragraph of this covenant;
- (iv) transactions pursuant to, or contemplated by any agreement or arrangement in effect on the Issue Date and transactions pursuant to any amendment, modification, supplement or extension thereto; *provided* that any such amendment, modification, supplement or extension to the terms thereof is not more materially more disadvantageous to the holders of the Senior Notes than the original agreement or arrangement as in effect on the Issue Date;
- (v) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of TopCo solely because TopCo owns, directly or through a Restricted Subsidiary, Capital Stock in, or controls, such Person;
- (vi) transactions between or among TopCo and the Restricted Subsidiaries or between or among Restricted Subsidiaries and any guarantees issued by TopCo or a Restricted Subsidiary for the benefit of TopCo or a Restricted Subsidiary, as the case may be, in accordance with the "Limitation on Debt" covenant;
- (vii) payments or other transactions pursuant to any tax sharing agreement or arrangement among TopCo or any of its Restricted Subsidiaries and any other Person with which TopCo or any of its Restricted Subsidiaries files or filed a consolidated tax return or with which TopCo or any of its Restricted Subsidiaries is or was part of a consolidated group for tax purposes; *provided, however*, that such payments, and the value of such transactions, shall not exceed the amount of tax that TopCo or such Restricted Subsidiaries would owe without taking into account such other Person;
- (viii) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Senior Indenture that are fair to TopCo or the Restricted Subsidiaries or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person, in each case, as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer;
- (ix) the payment of reasonable fees and indemnities to employees, officers, consultants and directors of TopCo and its Restricted Subsidiaries in the ordinary course of business;
- (x) any issuance of Redeemable Capital Stock of TopCo to Affiliates of TopCo which is permitted under the "—Limitation on Debt" covenant;
- (xi) the granting and performance of registration rights for TopCo's securities;
- (xii) (A) issuances or sales of Qualified Capital Stock of TopCo (or any options, warrants or other rights to acquire Qualified Capital Stock of TopCo) or Deeply Subordinated Funding and (B) any amendment, waiver or other transaction with respect to any Deeply Subordinated Funding in compliance with the other provisions of the Senior Indenture;
- (xiii) any transaction effected as part of or in connection with a Qualified Securitization Financing;
- (xiv) Management Advances;

- (xv) (a) the entering into any agreement to pay, and the payment of, customary annual management, consulting, monitoring and advisory fees to Permitted Holders or their Affiliates in an amount not to exceed \$5 million in any consecutive four-quarter period and (b) customary payments by TopCo or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any direct or indirect parent company of TopCo) for financial advisory, financing underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments pursuant to this clause (b) are approved by the board of directors or a member of senior management of TopCo or the Issuer; and
- (xvi) any of the Transactions, including the use of proceeds from the Offering as contemplated in the section entitled “Use of proceeds” in this Offering Memorandum.

Limitation on Liens

TopCo will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind (except for Permitted Liens) securing Debt upon any of their property or assets, whether owned at or acquired after the Issue Date unless:

- (a) in the case of any Lien securing Subordinated Debt, the Issuer’s obligations in respect of the Senior Notes (or the Guarantees in the case of Liens securing Subordinated Debt of the Guarantors) are directly secured by a Lien on such property, assets or proceeds that is senior in priority to the Lien securing the Subordinated Debt until such time as the Subordinated Debt is no longer secured by a Lien; and
- (b) in the case of any other Lien, the Issuer’s obligations in respect of the Senior Notes (or the Guarantees in the case of Liens securing Debt of the Guarantors), and all other amounts due under the Senior Indenture are equally and ratably secured with the obligation or liability secured by such Lien until such time as such obligations are no longer secured by a Lien.

Any such Lien created in favor of the Senior Notes will be automatically and unconditionally released and discharged (i) upon the release and discharge of the initial Lien to which it relates under clause (a) or (b) of the second paragraph above and (ii) otherwise as set forth under “—Release of Liens.”

Limitation on sale of certain assets

- (1) TopCo will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale unless:
 - (a) the consideration TopCo or such Restricted Subsidiary receives for such Asset Sale is not less than the Fair Market Value of the assets sold or Capital Stock issued or sold or otherwise disposed of; and
 - (b) at least 75% of the consideration TopCo or such Restricted Subsidiary receives in respect of such Asset Sale consists of (i) cash; (ii) Cash Equivalents; (iii) any securities, notes or other obligations received by TopCo or any such Restricted Subsidiary from such transferee that are converted by TopCo or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion; (iv) the assumption by the purchaser of any liabilities, as recorded on the balance sheet of TopCo or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Senior Notes or the Guarantees), that are assumed by the transferee of any such assets and as a result of which TopCo and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities; (v) Debt of TopCo or any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that TopCo and each other Restricted Subsidiary are released from any Guarantee of such Debt in connection with such Asset Sale; (vi) any Capital Stock or assets of the kind referred to in clauses (2)(e), (f) or (g) of this covenant; (vii) consideration consisting of Debt (or the cancellation of Debt) of TopCo or any Restricted Subsidiary received by TopCo or any Guarantor from Persons who are not TopCo or any Restricted Subsidiary; (viii) any Designated Non-cash Consideration received by TopCo or any of its Restricted Subsidiaries in such Asset Sale; *provided* that the aggregate Fair Market Value of such Designated Non-cash Consideration, taken together with the Fair Market Value at the time of receipt of all other Designated Non-cash Consideration received and designated as such pursuant to this clause (viii), is less than (with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value) the greater of \$50 million and 1.0% of Total Assets; or (ix) a combination of the consideration specified in clauses (i) to (viii).

- (2) If TopCo or any Restricted Subsidiary consummates an Asset Sale, the Net Cash Proceeds from such Asset Sale, within 365 days after the consummation of such Asset Sale, may be used or committed in a binding commitment to be used (*provided* that such Net Cash Proceeds are actually used within the later of 365 days from the consummation of the Asset Sale or 180 days from the date of such binding commitment) at the option of TopCo or such Restricted Subsidiary:
- (a) to purchase the Senior Notes pursuant to an offer to all holders of Senior Notes at a purchase price equal to 100% of the principal amount of the Senior Notes, plus accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase (a “**Senior Notes Offer**”);
 - (b) to purchase, or permanently prepay or redeem or repay, any Debt of any Restricted Subsidiary (other than the Issuer or a Subsidiary Guarantor) (*provided* that in connection with any revolving credit borrowings under Credit Facilities, the related commitment will not be required to be reduced);
 - (c) to purchase, or permanently prepay or redeem or repay, any Debt that is secured by a Lien on assets or property and to effect a corresponding commitment reduction of such Debt (*provided* that in connection with any revolving credit borrowings under Credit Facilities, the related commitment will not be required to be reduced);
 - (d) to purchase, or permanently prepay or redeem or repay, any *Pari Passu* Debt so long as TopCo or such Restricted Subsidiary makes an offer on a *pro rata* basis to all holders of Senior Notes at a purchase price equal to 100% of the principal amount of the Senior Notes, plus accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase;
 - (e) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;
 - (f) to make a capital expenditure;
 - (g) to acquire other assets (other than Capital Stock) that are used or useful in a Permitted Business; or
 - (h) any combination of the foregoing.
- (3) Pending the final application of any Net Cash Proceeds (including cash or Cash Equivalents received from the conversion of any securities, notes or other obligations), TopCo (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the Senior Indenture.
- (4) Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clause (2) of this covenant will constitute “**Excess Proceeds.**” TopCo may also at any time, and TopCo will within ten Business Days after the aggregate amount of Excess Proceeds exceeds \$30 million, make an offer to purchase (an “**Excess Proceeds Offer**”) from all holders of Senior Notes and from the holders of any *Pari Passu* Debt, to the extent required by the terms thereof, on a *pro rata* basis, in accordance with the procedures set forth in the Senior Indenture or the agreements governing any such *Pari Passu* Debt, the maximum principal amount (expressed as a multiple of \$1,000 with respect to the Dollar Senior Notes and as a multiple of €1,000 with respect to the Euro Senior Notes) of the Senior Notes and any such *Pari Passu* Debt that may be purchased with the amount of the Excess Proceeds (plus in each case all accrued interest on the Debt and the amount of all fees and expenses, including premiums, incurred in connection therewith). The offer price as to each Senior Note and any such *Pari Passu* Debt will be payable in cash in an amount equal to (solely in the case of the Senior Notes) 100% of the principal amount of such Senior Note and (solely in the case of *Pari Passu* Debt) no greater than 100% of the principal amount (or accreted value, as applicable) of such *Pari Passu* Debt, plus in each case accrued and unpaid interest, if any, to the date of purchase and Additional Amounts, if any, to the date of purchase, prepayment or redemption.

To the extent that the aggregate principal amount of Senior Notes and any such *Pari Passu* Debt tendered pursuant to an Excess Proceeds Offer is less than the aggregate amount of Excess Proceeds, TopCo may use the amount of such Excess Proceeds not used to purchase Senior Notes and *Pari Passu* Debt for general corporate purposes that are not otherwise prohibited by the Senior Indenture. If the aggregate principal amount of Senior Notes and any such *Pari Passu* Debt validly tendered and not withdrawn by holders thereof exceeds the aggregate amount of Excess

Proceeds, the Senior Notes and any such *Pari Passu* Debt to be purchased will be selected by the Trustee on a *pro rata* basis (based upon the principal amount of Senior Notes and the principal amount or accreted value of such *Pari Passu* Debt tendered by each holder) or in the manner described under “—Selection and notice.” Upon completion of each such Excess Proceeds Offer, the amount of Excess Proceeds will be reset to zero.

- (5) If TopCo is obligated to make an Excess Proceeds Offer, TopCo will purchase the Senior Notes and *Pari Passu* Debt, at the option of the holders thereof, in whole or in part in integral multiples of \$1,000 (with respect to the Dollar Senior Notes) or of €1,000 (with respect to the Euro Senior Notes), on a date that is not earlier than 30 days and not later than 60 days from the date the notice of the Excess Proceeds Offer is given to such holders, or such later date as may be required under the Exchange Act; *provided* that no Dollar Senior Note of less than \$200,000 and no Euro Senior Note of less than €100,000 remains outstanding thereafter.
- (6) If TopCo is required to make an Excess Proceeds Offer, TopCo will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws and regulations. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this covenant, TopCo will comply with such securities laws and regulations and will not be deemed to have breached our obligations described in this covenant by virtue thereof.

Limitation on Guarantees of Debt by Restricted Subsidiaries

TopCo will not permit any Restricted Subsidiary that is not the Issuer or a Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of (i) any Debt of TopCo or any other Restricted Subsidiary under any Credit Facilities incurred pursuant to clause (2)(b) of the covenant “—Limitation on Debt” or (ii) any Public Debt of the Issuer or any Guarantor (other than the Senior Notes) unless:

- (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Senior Indenture providing for a Guarantee of payment of the Senior Notes by such Restricted Subsidiary on the same terms as the guarantee of such Debt; and
- (b) with respect to any guarantee of Subordinated Debt by such Restricted Subsidiary, any such guarantee shall be subordinated to such Restricted Subsidiary’s Guarantee with respect to the Senior Notes at least to the same extent as such Subordinated Debt is subordinated to the Senior Notes.

The immediately preceding paragraph will not be applicable to any guarantees of any Restricted Subsidiary:

- (i) existing on the date of the Senior Indenture;
- (ii) arising solely due to the granting of a Permitted Lien; or
- (iii) given to a bank or trust company having combined capital and surplus and undivided profits of not less than €500 million, whose debt has a rating, at the time such guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody’s, in connection with the operation of cash management programs established for TopCo’s benefit or that of any Restricted Subsidiary.

In addition, notwithstanding anything to the contrary herein:

- (i) no Guarantee shall be required if such Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to TopCo or such Restricted Subsidiary or (C) any significant cost, expense, liability or obligation (including with respect of 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 (B) undertaken in connection with, such Guarantee, which cannot be avoided through measures reasonably available to TopCo or the Restricted Subsidiary; and
- (ii) each such Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate

purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries

- (1) TopCo will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:
- (a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock or any other interest or participation in, or measured by, its profits;
 - (b) pay any Debt owed to TopCo or any other Restricted Subsidiary;
 - (c) make loans or advances to TopCo or any other Restricted Subsidiary; or
 - (d) transfer any of its properties or assets to TopCo or any other Restricted Subsidiary;

provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to TopCo or any Restricted Subsidiary to other Debt incurred by TopCo or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

- (2) The provisions of the covenant described in paragraph (1) above will not apply to encumbrances or restrictions existing under or by reason of:
- (a) the Senior Notes (including Additional Senior Notes), the Secured Notes (including any additional Secured Notes), the indenture governing the Secured Notes, the Senior Indenture, the Senior Facility Agreement and the security documents related thereto or by other indentures or agreements governing other Debt we incur ranking equally with the Senior Notes; *provided* that the encumbrances or restrictions imposed by such other indentures or agreements are not materially more restrictive, taken as a whole, than the encumbrances or restrictions imposed by the Senior Indenture;
 - (b) any agreements with respect to Debt of TopCo or any Restricted Subsidiary permitted to be incurred subsequent to the Issue Date pursuant to the provisions of “—Limitation on Debt,” and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that such encumbrances or restrictions are not materially less favorable, taken as a whole, to the holders of the Senior Notes than is customary in comparable financings (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer);
 - (c) any agreement in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer);
 - (d) customary non-assignment and similar provisions in contracts, leases and licenses entered into in the ordinary course of business;
 - (e) any agreement or other instrument of a Person (including its Subsidiaries), acquired by TopCo or any Restricted Subsidiary in effect at the time of such acquisition (but 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, or the property or assets of the Person, so acquired (including its Subsidiaries);

- (f) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;
- (g) Liens permitted to be incurred under the provisions of the covenant described above under the caption “—Limitation on Liens” that limit the right of the debtor to dispose of the assets subject to such Liens;
- (h) applicable law, rule, regulation or order or the terms of any governmental licenses, authorizations, concessions, franchises or permits;
- (i) encumbrances or restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into the ordinary course of business;
- (j) customary limitations on the distribution or disposition of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment), which limitations are applicable only to the assets that are the subject of such agreements;
- (k) Purchase Money Obligations and mortgage financings for property acquired in the ordinary course of business and Capitalized Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (1)(d) of the preceding paragraph;
- (l) any Qualified Securitization Financing; and
- (m) any agreement that extends, renews, amends, modifies, restates, supplements, refunds, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (2)(a) through (l), or in this clause (2)(m); *provided* that the terms and conditions of any such encumbrances or restrictions are not materially less favorable, taken as a whole, to the holders of the Senior Notes than those under or pursuant to the agreement so extended, renewed, amended, modified, restated, supplemented, refunded, refinanced or replaced (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer).

Designation of Unrestricted and Restricted Subsidiaries

- (1) The board of directors of TopCo may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by TopCo and its Restricted Subsidiaries in the Subsidiary designated as Unrestricted will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption “—Limitation on Restricted Payments” or under one or more clauses of the definition of Permitted Investments, as determined by TopCo. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The board of directors of TopCo may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.
- (2) Any designation of a Subsidiary of TopCo as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the board of directors giving effect to such designation and an Officer’s Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption “—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 Senior Indenture and any Debt of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of TopCo as of such date and, if such Debt is not permitted to be incurred as of such date under the covenant described under the caption “—Limitation on Debt,” TopCo will be in default of such covenant. The board of directors of TopCo may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Debt by a Restricted Subsidiary of any outstanding Debt of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Debt is permitted under the covenant described under the caption “—Limitation on Debt,” calculated on a *pro forma* basis as if such designation had occurred at the beginning of the

applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

Provision of information

So long as any Notes are outstanding, TopCo will furnish to the Trustee:

- (a) within 120 days after the end of TopCo's fiscal year beginning with the fiscal year ended December 31, 2010, annual reports containing the following information with a level of detail that is substantially comparable in all material respects to this Offering Memorandum (with appropriate revisions, as reasonably determined by TopCo to reflect changes in segment reporting): (i) audited consolidated balance sheets of TopCo as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of TopCo for the two most recent fiscal years, including complete footnotes to such financial statements and the report of its independent auditors on the financial statements; (ii) *pro forma* income statement and balance sheet information of TopCo, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clause (b)(ii) or (b)(iii) below (*provided* that such *pro forma* financial information need be provided only to the extent available without unreasonable expense); (iii) an operating and financial review of the audited financial statements, including a discussion of the results of operations (including a discussion of net sales by business segment), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies, capital expenditures and critical accounting policies; (iv) a description of the business, management and shareholders of TopCo, material affiliate transactions and material debt instruments; and (v) material risk factors and material recent developments;
- (b) within 60 days (90 days in the case of the fiscal quarter ending March 31, 2011) following the end of the first three fiscal quarters in each fiscal year of TopCo beginning with the quarter ending March 31, 2011, all quarterly financial statements of TopCo containing the following information: (i) 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 (which may be presented on a *pro forma* basis), together with condensed footnote disclosure; (ii) *pro forma* income statement and balance sheet information of TopCo, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clause (b)(i) or (b)(iii) (*provided* that such *pro forma* financial information need be provided only to the extent available without unreasonable expense); (iii) an operating and financial review (containing information with a level of detail that is substantially comparable in all material respects to the interim period in this Offering Memorandum (with appropriate revisions, as reasonably determined by TopCo to reflect changes in segment reporting)) of the unaudited financial statements, including a discussion of the consolidated financial condition and results of operations, and material changes in liquidity and capital resources of TopCo and any material change between the year-to-date period and the corresponding period of the prior year; and (iv) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and
- (c) promptly after the occurrence of any material acquisition, disposition or restructuring of TopCo and the Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at TopCo or the Issuer or change in auditors of TopCo, or any other material event that TopCo or the Issuer announces publicly, a report containing a description of such event.

All historical financial statements shall be prepared in accordance with U.S. GAAP on a consistent basis for the periods presented. Except as provided for above, no report need include separate financial statements for TopCo or any Subsidiaries of TopCo or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

Contemporaneously with the furnishing of each such report discussed above, TopCo will also (i) file a press release with the appropriate internationally recognized wire services (including, without limitation, through the newswire service of Bloomberg, or if Bloomberg does not then operate, any similar agency) in connection with such report and (ii) post each such report on such website as may be then maintained by TopCo.

The Senior Indenture will also provide that, so long as any of the Senior Notes remain outstanding, TopCo will make available to any prospective purchaser of Senior Notes or beneficial owner of Senior Notes in connection with any sale thereof the information required by Rule 144A(d)(4) under the Securities Act.

At any time that any of TopCo's Subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by the first paragraph of this "Provision of information" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of TopCo and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of TopCo.

So long as any Senior Notes are outstanding, TopCo will also:

- (1) within 10 Business Days after furnishing to the Trustee the annual and quarterly reports required by clause (a) and (b) of the first paragraph of this covenant, hold a conference call to discuss such reports and the results of operations for the relevant reporting period;
- (2) issue a press release to an internationally recognized wire service no fewer than three Business Days prior to the date of the conference call required by the foregoing clause (2) of this paragraph, announcing the time and date of such conference call and either including all information necessary to access the call or directing holders of the Senior Notes, prospective investors, broker dealers and securities analysts to contact the appropriate person at the Issuer to obtain such information; and
- (3) from and after the filing of the first annual report required by clause (a) of the first paragraph of this covenant maintain a website (which may be password protected so long as the password is made promptly available by TopCo to holders of the Senior Notes and prospective investors of the Senior Notes, broker dealers and securities analysts who contact the appropriate person at TopCo or the Issuer to obtain such information) to which all the Senior Facility Agreement, the Intercreditor Agreement and press releases (which are required by this covenant) are posted.

Consolidation, merger and sale of assets

None of the Parent Guarantors or the Issuer will, directly or indirectly: (i) consolidate or merge with or into another Person (whether or not such Parent Guarantor is the surviving corporation), or (ii) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of TopCo and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

- (a) at the time of, and immediately after giving effect to, any such transaction or series of transactions, either (i) such Parent Guarantor or the Issuer (as applicable) will be the surviving corporation or (ii) the Person (if other than such Parent Guarantor or the Issuer, as applicable) formed by or surviving any such consolidation or merger or to which such sale, assignment, conveyance, transfer, lease or disposition of all or substantially all the properties and assets of such Parent Guarantor and the Restricted Subsidiaries on a consolidated basis has been made (the "**Surviving Entity**"):
 - (x) will be a corporation duly incorporated and validly existing under the laws of any member state of the European Union as in effect on December 31, 2003, Switzerland, Canada, the United States of America, any state thereof or the District of Columbia; and
 - (y) will expressly assume, by a supplemental indenture in form satisfactory to the Trustee, such Parent Guarantor's or the Issuer's, as applicable, obligations under the Senior Notes, the Senior Indenture and the Subordination Agreement (if applicable);
- (b) immediately after giving effect to such transaction or series of transactions on a *pro forma* basis, no Default or Event of Default will have occurred and be continuing;
- (c) such Parent Guarantor, the Issuer or the Person formed by or surviving any such consolidation or merger (if other than such Parent Guarantor or the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period

(i) be permitted to incur at least \$1.00 of additional Debt pursuant to the Consolidated Fixed Charge Coverage Ratio test set forth in the first paragraph of the “—Limitation on Debt” covenant or (ii) have a Consolidated Fixed Charge Coverage Ratio not less than it was immediately prior to giving effect to such transaction; and

- (d) such Parent Guarantor or the Issuer, as applicable, or the Surviving Entity will have delivered to the Trustee, in form and substance satisfactory to the Trustee, an Officer’s Certificate and an opinion of counsel, each stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this covenant.

A Subsidiary Guarantor (other than a Subsidiary Guarantor whose Subsidiary Guarantee is to be released in accordance with the terms of the Subsidiary Guarantee and the Senior Indenture as described under “—Guarantees”) will not, directly or indirectly (other than in connection with a transaction that does not constitute an Asset Sale or a transaction that is permitted by the covenant described under the caption “—Limitation on the sale of certain assets”): (1) consolidate or merge with or into another Person (whether or not such Subsidiary Guarantor is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of such Subsidiary Guarantor and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

- (1) immediately after giving effect to that transaction, no Default or Event of Default exists; and
- (2) either:
 - (a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee, the Senior Indenture and the Security Documents to which such Subsidiary Guarantor is a party pursuant to a supplemental indenture reasonably satisfactory to the Trustee; or
 - (b) the Net Cash Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Senior Indenture.

Nothing in the Senior Indenture will prevent and this covenant will not apply to (i) any Restricted Subsidiary (other than the Issuer) from consolidating with, merging into or transferring all or substantially all of its properties and assets to TopCo or any other Restricted Subsidiary, (ii) any Parent Guarantor from consolidating with, merging into or transferring all or substantially all of its properties and assets to the other Parent Guarantor or the Issuer (and upon any such transfer, the Guarantee of the non-surviving Parent Guarantor shall automatically be released) or (iii) the Issuer from consolidating with, merging into or transferring all or substantially all of its properties and assets to any Parent Guarantor. In addition, clause (c) above will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Issuer with or into an Affiliate solely for the purpose of reincorporating the Issuer in another jurisdiction for tax reasons.

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 “all or substantially all” of the property or assets of a Person.

Events of Default

- (1) Each of the following will be an “**Event of Default**” under the Senior Indenture:
 - (a) default for 30 days in the payment when due of any interest or any Additional Amounts on any Senior Note;
 - (b) default in the payment of the principal of or premium, if any, on any Senior Note at its Maturity (upon redemption or otherwise);
 - (c) failure by TopCo or the Issuer to (i) comply with the provisions of “—Consolidation, merger and sale of assets” or make or (ii) consummate a Change of Control Offer in accordance with the provisions of “—Purchase of Senior Notes upon a Change of Control;”

- (d) failure by TopCo or the Issuer for 60 days after the written notice specified in paragraph (2) below to comply with any covenant or agreement that is contained in the Senior Indenture or the Senior Notes (other than a covenant or agreement which is specifically dealt with in clauses (a), (b) or (c));
 - (e) default under the terms of any instrument evidencing or securing the Debt of TopCo or any Restricted Subsidiary, if that default: (x) results in the acceleration of the payment of such Debt or (y) is caused by a failure to pay principal of such Debt at final maturity thereof after giving effect to any applicable grace periods, and such failure to make any payment has not been waived or the maturity of such Debt has not been extended (a “**Payment Default**”), and in either case the total amount of such Debt unpaid or accelerated exceeds \$50 million;
 - (f) any Guarantee ceases to be, or shall be asserted in writing by any Guarantor, or any Person acting on behalf of any Guarantor, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Senior Indenture or any Guarantee);
 - (g) failure by TopCo or any of its Significant Subsidiaries or group of Restricted Subsidiaries that taken as a whole would constitute a Significant Subsidiary to pay final judgments, orders or decrees (not subject to appeal) entered by a court or courts of competent jurisdiction aggregating in excess of \$50 million (exclusive of any amounts that an insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days or more during which a stay of enforcement of such judgment, order or decree (by reason of pending appeal, waiver or otherwise) shall not have been in effect; and
 - (h) the occurrence of certain events of bankruptcy or insolvency described in the Senior Indenture with respect to TopCo or any of its Significant Subsidiaries or group of Restricted Subsidiaries that taken as a whole would constitute a Significant Subsidiary.
- (2) If an Event of Default (other than as specified in clause (1)(h) above) occurs and is continuing, the Trustee or the holders of not less than 25% in aggregate principal amount of the Senior Notes then outstanding by written notice to TopCo (and to the Trustee if such notice is given by the holders) may, and the Trustee, upon the written request of such holders, shall, declare the principal of, premium, if any, and any Additional Amounts and accrued interest on all the outstanding Senior Notes immediately due and payable, and upon any such declaration all such amounts payable in respect of the Senior Notes will become immediately due and payable.
- (3) If an Event of Default specified in clause (1)(h) above occurs and is continuing, then the principal of, premium, if any, and Additional Amounts and accrued and unpaid interest on all the outstanding Senior Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of Senior Notes.
- (4) At any time after a declaration of acceleration under the Senior Indenture, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of the outstanding Senior Notes, by written notice to TopCo and the Trustee, may rescind such declaration and its consequences if:
- (a) TopCo has paid or deposited with the Trustee a sum sufficient to pay:
 - (i) all overdue interest and Additional Amounts on all Senior Notes then outstanding;
 - (ii) all unpaid principal of and premium, if any, on any outstanding Senior Notes that has become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Senior Notes;
 - (iii) to the extent that payment of such interest is lawful, interest upon overdue interest and overdue principal at the rate borne by the Senior Notes; and
 - (iv) all sums paid or advanced by the Trustee under the Senior Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

- (b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and
- (c) all Events of Default, other than the non-payment of amounts of principal of, premium, if any, and any Additional Amounts and interest on the Senior Notes that has become due solely by such declaration of acceleration, have been cured or waived.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

- (5) The holders of not less than a majority in aggregate principal amount of the outstanding Senior Notes may, on behalf of the holders of all the Senior Notes, waive any past defaults under the Senior Indenture, except a continuing default in the payment of the principal of, premium, if any, and Additional Amounts or interest on any Senior Note held by a non-consenting holder (which may only be waived with the consent of holders of Senior Notes holding 90% of the aggregate principal amount of the Senior Notes outstanding under the Senior Indenture). Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power.
- (6) Subject to the provisions of the Senior Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Senior Indenture at the request or direction of any holders of Senior Notes unless such holders have made written request and offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except (subject to the provisions described under “—Amendment, supplement and waiver”) to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of any of the Senior Notes has any right to institute any proceedings with respect to the Senior Indenture or any remedy thereunder, unless the holders of at least 25% in aggregate principal amount of the outstanding Senior Notes have made a written request to, and offered indemnity and/or security satisfactory to, the Trustee to institute such proceeding as trustee under the Senior Notes and the Senior Indenture, the Trustee has failed to institute such proceeding within 30 days after receipt of such notice and indemnity or security and the Trustee within such 30-day period has not received directions inconsistent with such written request by holders of a majority in aggregate principal amount of the outstanding Senior Notes. Such limitations do not, however, apply to a suit instituted by a holder of a Senior Note for the enforcement of the payment of the principal of, premium, if any, and Additional Amounts or interest on such Senior Note on or after the respective due dates expressed in such Senior Note.
- (7) If a Default or an Event of Default occurs and is continuing and is known to the Trustee, the Trustee will mail to each holder of the Senior Notes notice of the Default or Event of Default within 15 Business Days after its occurrence. Except in the case of a Default or an Event of Default in payment of principal of, premium, if any, Additional Amounts or interest on any Senior Notes, the Trustee may withhold the notice to the holders of such Senior Notes if a committee of its trust officers in good faith determines that withholding the notice is in the interests of the holders of the Senior Notes.
- (8) TopCo is required to furnish to the Trustee annual statements regarding compliance with the Senior Indenture. Upon becoming aware of any Default or Event of Default, TopCo is required to promptly deliver to the Trustee a statement specifying such Default or Event of Default.

Legal defeasance or covenant defeasance of Senior Indenture

The Senior Indenture will provide that the Issuer may, at the option of its Board of Directors as evidenced by a resolution set forth in an Officer’s Certificate, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Senior Notes and Guarantees (“**Legal Defeasance**”). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Debt represented by the outstanding Senior Notes and Guarantees except as to:

- (a) the rights of holders of outstanding Senior Notes to receive payments in respect of the principal of, premium, if any, and interest on such Senior Notes when such payments are due from the trust referred to below;
- (b) the Issuer’s obligations to issue temporary Senior Notes, register, transfer or exchange any Senior Notes, replace mutilated, destroyed, lost or stolen Senior Notes, maintain an office or agency for payments in respect of the Senior Notes and segregate and hold such payments in trust;

- (c) the rights, powers, trusts, duties and immunities of the Trustee and the obligations of the Issuer and the Guarantors in connection therewith; and
- (d) the Legal Defeasance and Covenant Defeasance provisions of the Senior Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Senior Indenture (“**Covenant Defeasance**”), and thereafter any omission to comply with such covenants will not constitute a Default or an Event of Default with respect to the Senior Notes. In the event Covenant Defeasance occurs, certain events described under “—Events of Default” will no longer constitute an Event of Default with respect to the Senior Notes. These events do not include events relating to non-payment or, solely with respect to the Issuer, bankruptcy, insolvency, receivership and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether they previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (a) the Issuer must irrevocably deposit or cause to be deposited in trust with the Trustee, (i) for the benefit of the holders of the Dollar Senior Notes, cash in dollars, non-callable U.S. Government Obligations or a combination thereof or (ii) for the benefit of the holders of the Euro Senior Notes, cash in euros, non-callable European Government Obligations or a combination thereof, in each case in such amounts as will be sufficient, in the opinion of internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay and discharge the principal of, premium, if any, and interest, on the outstanding Senior Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must (x) specify whether the Senior Notes are being defeased to such Stated Maturity or to a particular redemption date; and (y) if applicable, have delivered to the Trustee an irrevocable notice to redeem all the outstanding Senior Notes of such principal, premium, if any, or interest;
- (b) in the case of Legal Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee stating that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the Issue Date, there has been a change in applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the beneficial owners of the outstanding Senior 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;
- (c) in the case of Covenant Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee to the effect that the beneficial owners of the outstanding Senior 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;
- (d) the Issuer must have delivered to the Trustee an Officer’s Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of the Senior Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and
- (e) the Issuer must have delivered to the Trustee an Officer’s Certificate and an opinion of counsel, reasonably acceptable to the Trustee, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

Satisfaction and discharge

The Senior Indenture, the Senior Notes, the Guarantees and the Subordination Agreement will be discharged and will cease to be of further effect when:

- (a) either:
 - (i) all the Senior Notes that have been authenticated and delivered (other than destroyed, lost or stolen Senior Notes that have been replaced or paid and Senior Notes for whose payment money has been deposited in

trust or segregated and held in trust and thereafter repaid to the Issuer or discharged from such trust as provided for in the Senior Indenture) have been delivered to the Trustee for cancellation; or

- (ii) all Senior Notes that have not been delivered to the Trustee for cancellation (x) have become due and payable (by reason of the mailing of a notice of redemption or otherwise) or (y) will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds (A) in trust solely for the benefit of the holders of the Dollar Senior Notes, cash in dollars, non-callable U.S. Government Obligations or a combination thereof or (B) in trust solely for the benefit of the holders of the Euro Senior Notes, cash in euros, non-callable European Government Obligations or a combination thereof, in each case in such amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Debt on the Senior Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption; and
- (b) the Issuer has paid or caused to be paid all sums payable by the Issuer under the Senior Indenture, the Senior Notes and the Guarantees; and
- (c) the Issuer has delivered irrevocable instructions to the Trustee under the Senior Indenture to apply the deposited money toward the payment of the Senior Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver to the Trustee an Officer's Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent provided in the Senior Indenture relating to the satisfaction and discharge of the Senior Indenture have been satisfied; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (a), (b) and (c)).

Amendments and waivers

Except as provided otherwise in the succeeding paragraphs, the Senior Indenture, the Senior Notes, the Subordination Agreement or any Guarantee, may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Senior Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes), and any existing Default or Event of Default or compliance with any provision of the Senior Indenture or the Senior Notes, the Subordination Agreement or the Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Senior Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes); *provided* that, if any amendment, waiver or other modification will only affect one series of the Senior Notes, only the consent of a majority in principal amount of the then outstanding Senior Notes of such series shall be required.

Unless (i) consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Senior Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes) or (ii) consented to by each holder of Notes adversely affected thereby, no amendment, supplement or waiver may:

- (a) change the Stated Maturity of the principal of, or any installment of or Additional Amounts or interest on, any Senior Note;
- (b) reduce the principal amount of any Senior Note (or Additional Amounts or premium, if any) or the rate of or change the time for payment of interest on any Senior Note;
- (c) change the coin or currency in which the principal of any Senior Note or any premium or any Additional Amounts or the interest thereon is payable;
- (d) impair the right of any holder of Senior Notes to institute suit for the enforcement of any payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date);
- (e) reduce the principal amount of Senior Notes whose holders must consent to any amendment, supplement or waiver of provisions of the Senior Indenture (except a rescission of acceleration of the Senior Notes by the holders of at

least a majority in aggregate principal amount of the then outstanding Senior Notes and a waiver of the Payment Default that resulted from such acceleration);

- (f) release any Guarantee other than in accordance with the terms of the Senior Indenture;
- (g) modify any of the provisions relating to supplemental indentures requiring the consent of holders of the Senior Notes or relating to the waiver of past defaults or relating to the waiver of certain covenants, except to increase the percentage of outstanding Senior Notes required for such actions or to provide that certain other provisions of the Senior Indenture cannot be modified or waived without the consent of the holder of each Senior Note affected thereby; or
- (h) make any change in the preceding amendment and waiver provisions.

Any amendment, supplement or waiver consented to by at least 90% of the aggregate principal amount of the then outstanding Senior Notes will be binding against any non-consenting holders.

Notwithstanding the foregoing, without the consent of any holder of the Senior Notes, the Guarantors, the Issuer and the Trustee may modify, amend or supplement the Senior Indenture, the Subordination Agreement or any Guarantee:

- (a) to cure any ambiguity, defect or inconsistency;
- (b) to provide for uncertificated Senior Notes in addition to or in place of certificated Senior Notes;
- (c) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Senior Notes and Guarantees by a successor to the Issuer or any Guarantor in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;
- (d) to make any change that would provide any additional rights or benefits to the holders of Senior Notes or that does not adversely affect the legal rights under the Senior Indenture of any such holder in any material respect;
- (e) to conform the text of the Senior Indenture, the Guarantees or the Senior Notes to any provision of this "Description of the Senior Notes" to the extent that such provision in this "Description of the Senior Notes" was intended to be a verbatim recitation of a provision of the Senior Indenture, the Senior Notes or the Guarantees;
- (f) to release any Guarantee in accordance with the terms of the Senior Indenture;
- (g) to allow any Guarantor to execute a supplemental indenture and/or a Guarantee with respect to the Senior Notes;
- (h) provide for uncertificated Senior Notes in addition to or in place of certificated Senior Notes (*provided* that the uncertificated Senior Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Senior Notes are described in Section 163(f)(2)(B) of the Code);
- (i) to evidence and provide the acceptance of the appointment of a successor Trustee under the terms of the Senior Indenture or to otherwise comply with any requirement of the Senior Indenture; or
- (j) to provide for the issuance of Additional Senior Notes in accordance with and if permitted by the terms of and limitations set forth in the Senior Indenture.

In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an opinion of counsel and an Officer's Certificate on which the Trustee may solely rely.

The consent of the holders of Senior Notes is not necessary under the Senior Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

For the purpose of calculating the aggregate principal amount of Senior Notes that have consented to or voted in favor of any amendment, supplement or waiver, the euro equivalent of the principal amount of any Dollar Senior Notes shall be as of the Issue Date. For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated August 10, 1915 on commercial companies, as amended shall not apply in respect of the Senior Notes.

Concerning the Trustee

The Issuer shall deliver written notice to the Trustee as soon as practicable of becoming aware of the occurrence of a Default or an Event of Default. If the Trustee becomes a creditor of the Issuer or any Guarantor, the Senior Indenture limits the right of the Trustee 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; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Senior Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Senior Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Senior Indenture at the request of any holder of Senior Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

The Guarantors and the Issuer jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with its duties.

Listing

Application has been made to list the Senior Notes on the Global Exchange Market of the Irish Stock Exchange. There can be no guarantee that the application to list the Senior Notes on the Global Exchange Market of the Irish Stock Exchange will be approved as of the Issue Date or at any time thereafter, and settlement of the Senior Notes is not conditioned on obtaining this listing. The Issuer has initially designated Arthur Cox Listing Services Limited as its listing agent (the “**Listing Agent**”). The address of the Listing Agent is Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland.

Listing and general information

So long as the Senior Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange shall so require, copies, current and future, of all of our annual audited consolidated and unconsolidated financial statements, our unaudited consolidated interim quarterly financial statements and this Offering Memorandum may be obtained, free of charge, during normal business hours at the registered office of the Issuer.

No personal liability of directors, officers, employees and shareholders

No director, officer, employee, incorporator, member or shareholder of the Issuer or any Guarantor will have any liability for any obligations of the Issuer or the Guarantors under the Senior Notes, the Guarantees, the Subordination Agreement or the Senior Indenture or for any claim based on, in respect of, or by reason of such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Notes. Such waiver and release may not be effective to waive liabilities under the U.S. federal securities laws.

Prescription

Claims against the Issuer or the Guarantors for the payment of principal or premium, if any, on the Senior Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or the Guarantors for the payment of interest on the Senior Notes will be prescribed five years after the applicable due date for payment of interest.

Governing law

The Senior Indenture, the Senior Notes and the Guarantees will be governed by and construed in accordance with the laws of the State of New York, and will provide for the submission of the parties to the jurisdiction of the courts in the State of New York.

Consent to jurisdiction and service

The Senior Indenture will provide that the Issuer and each Guarantor will irrevocably and unconditionally appoint CT Corporation System as their agent for service of process in any suit, action or proceeding with respect to the Senior Indenture, the Senior Notes and the Guarantees and for actions brought under U.S. Federal or state securities laws brought in any Federal or state court located in the City of New York and will submit to such jurisdiction.

Enforceability of judgments

Since a substantial portion of the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or certain Guarantors, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, redemption price and any purchase price with respect to the Senior Notes, may not be collectable within the United States.

Certain definitions

Set forth below are certain defined terms used in the Senior Indenture. Reference is made to the Senior Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

“**Acquired Debt**” means Debt of a Person:

- (a) existing at the time such Person becomes a Subsidiary or is merged into or consolidated with such specified Person whether or not such Debt is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; or
- (b) assumed in connection with the acquisition of assets from any such Person.

Acquired Debt will be deemed to be incurred on the date the acquired Person becomes a Restricted Subsidiary or the date of the related acquisition of assets from any Person.

“**Affiliate**” means, with respect to any specified Person any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling,” “controlled” have meanings correlative to the foregoing.

“**Applicable Redemption Premium**” means:

- (a) with respect to a Dollar Senior Note on any redemption date prior to December 15, 2014, the greater of:
 - (i) one percent of the principal amount of such Dollar Senior Note and
 - (ii) the excess of:
 - (x) the present value at such redemption date of the redemption price of such Dollar Senior Note at December 15, 2014, plus all required interest payments that would otherwise be due to be paid on such Dollar Senior Note during the period between the redemption date and December 15, 2014, excluding accrued but unpaid interest, computed using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points, over
 - (y) the principal amount of such Dollar Senior Note on such redemption date; and
- (b) with respect to a Euro Senior Note on any redemption date prior to December 15, 2014, the greater of:
 - (i) one percent of the principal amount of such Euro Senior Note and
 - (ii) the excess of:

- (x) the present value at such redemption date of the redemption price of such Euro Senior Note at December 15, 2014, plus all required interest payments that would otherwise be due to be paid on such Euro Senior Note during the period between the redemption date and December 15, 2014, excluding accrued but unpaid interest, computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points, over
- (y) the principal amount of such Euro Senior Note on such redemption date.

For the avoidance of doubt, calculation of the Applicable Redemption Premium shall not be a duty or obligation of the Trustee, the Registrars or any Paying Agent.

“**Asset Sale**” means any sale, issuance, conveyance, transfer, lease (other than an operating lease entered into in the ordinary course of business) or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback transaction) (collectively, a “**transfer**”), directly or indirectly, in one or a series of related transactions, of:

- (a) any Capital Stock of any Restricted Subsidiary (other than directors’ qualifying shares or shares required by applicable law to be held by a Person other than TopCo or a Restricted Subsidiary);
- (b) all or substantially all the properties and assets of any division or line of business of TopCo or any Restricted Subsidiary; or
- (c) any other of TopCo’s or any Restricted Subsidiary’s properties or assets.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (i) any transfer or disposition of assets that is governed by the provisions of the Senior Indenture described under “—Certain covenants—Consolidation, merger and sale of assets” and “—Purchase of Senior Notes upon a Change of Control”;
- (ii) any transfer or disposition of assets or Capital Stock between or among TopCo and any Restricted Subsidiary;
- (iii) any transfer or disposition of obsolete, worn-out or surplus equipment or facilities or other assets of TopCo or any Restricted Subsidiary that are no longer used or useful in the ordinary course of TopCo’s or any Restricted Subsidiary’s business;
- (iv) any single transaction or series of related transactions that involves assets or Capital Stock having a Fair Market Value of less than \$10 million;
- (v) for the purposes of “—Certain covenants—Limitation on sale of certain assets” only, a disposition of all or substantially all the assets of TopCo in accordance with the covenant described under “—Certain covenants—Consolidation, merger and sale of assets” or any disposition that constitutes a Change of Control;
- (vi) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (vii) a disposition that is made in connection with the establishment of a joint venture which is a Permitted Investment;
- (viii) the sale, lease or other disposition of equipment, inventory, property, stock-in-trade, goods, accounts receivable or other assets in the ordinary course of business;
- (ix) the lease, assignment, sublease, license or sublicense of any real or personal property in the ordinary course of business;
- (x) an issuance of Capital Stock by a Restricted Subsidiary to TopCo or to another Restricted Subsidiary;
- (xi) a Permitted Investment or a Restricted Payment (or a transaction that would constitute a Restricted Payment but for the exclusions from the definition thereof) that is not prohibited by the “—Limitation on Restricted Payments” covenant;

- (xii) foreclosure, condemnation or similar action with respect to property or other assets;
- (xiii) any disposition of Capital Stock, Debt or other securities of any Unrestricted Subsidiary;
- (xiv) any disposition of Securitization Assets and related assets in connection with any Qualified Securitization Financing and any factoring transaction in the ordinary course of business;
- (xv) sales of assets received by TopCo or any Restricted Subsidiary upon the foreclosure on a Lien granted in favor of TopCo or any Restricted Subsidiary;
- (xvi) the sale or other disposition of cash or Cash Equivalents;
- (xvii) any exchange of assets for assets (including a combination of assets and Cash Equivalents) related to a Permitted Business; provided that the Fair Market Value of the assets received by TopCo and its Restricted Subsidiaries is at least equal to the Fair Market Value of the assets exchanged by TopCo and its Restricted Subsidiaries;
- (xviii) the grant of licenses to intellectual property rights to third parties on an arms' length basis in the ordinary course of business;
- (xix) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by TopCo or any Restricted Subsidiary to such Person) related to such assets;
- (xx) the granting of Liens not otherwise prohibited by the Senior Indenture; or
- (xxi) the surrender, or waiver of contract rights or settlement, release or surrender of contract, tort or other claims.

“**Average Life**” means, as of the date of determination with respect to any Debt, the quotient obtained by dividing:

- (a) the sum of the products of:
 - (i) the numbers of years from the date of determination to the date or dates of each successive scheduled principal payment of such Debt; multiplied by
 - (ii) the amount of each such principal payment;
 by
- (b) the sum of all such principal payments.

“**Bund Rate**” means, as of any redemption date, the rate *per annum* equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

- (1) “Comparable German Bund Issue” means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to December 15, 2014, and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Euro Senior Notes and of a maturity most nearly equal to December 15, 2014, *provided, however*, that, if the period from such redemption date to December 15, 2014 is less than one year, a fixed maturity of one year shall be used;
- (2) “Comparable German Bund Price” means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) “Reference German Bund Dealer” means any dealer of German *Bundesanleihe* securities appointed by the Issuer in good faith; and

- (4) “Reference German Bund Dealer Quotations” means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt am Main, Germany time on the third Business Day preceding the relevant date.

“**Business Day**” means a day of the year on which banks are not required or authorized by law to close in Luxembourg, Grand Duchy of Luxembourg, Dublin, Ireland, New York City, United States or London, United Kingdom.

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, partnership interests (whether general or limited), participations, rights in or other equivalents (however designated) of such Person’s equity, any other interest or participation that confers the right to receive a share of the profits and losses, or distributions of assets of, such Person and any rights (other than debt securities convertible into or exchangeable for Capital Stock), warrants or options exchangeable for or convertible into or to acquire such Capital Stock, whether now outstanding or issued after the Issue Date.

“**Capitalized Lease Obligation**” means, with respect to any Person, any obligation of such Person under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed), which obligation is required to be classified and accounted for as a capital lease obligation under U.S. GAAP, and, for purposes of the Senior Indenture, the amount of such obligation at any date will be the capitalized amount thereof at such date, determined in accordance with U.S. GAAP and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“**Cash Contributions**” means the aggregate amount of cash contributions made to the equity capital of TopCo or any of its Restricted Subsidiaries described in the definition of “Contribution Debt” or cash payments to TopCo or any of its Restricted Subsidiaries in the form of Deeply Subordinated Funding.

“**Cash Equivalents**” means any of the following:

- (a) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union or the United States of America, Switzerland or Canada, as the case may be, and which are not callable or redeemable at TopCo’s option;
- (b) overnight bank deposits, time deposit accounts, certificates of deposit, banker’s acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by any lender party to a Credit Facility or by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union or of the United States of America or any state thereof, Switzerland or Canada; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of \$250 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated “P-1” or higher by Moody’s or “A-1” or higher by S&P or the equivalent rating category of another internationally recognized rating agency;
- (c) commercial paper having one of the two highest ratings obtainable from Moody’s or S&P or the equivalent rating category of another internationally recognized rating agency and, in each case, maturing within one year after the date of acquisition;
- (d) repurchase obligations of any lender party to a Credit Facility or of any commercial bank satisfying the requirements of clause (b) of this definition having a term of not more than 90 days with respect to securities issued or fully guaranteed by the United States of America, the United Kingdom or an agency thereof or any member state of the European Union from time to time; and
- (e) investments in money market mutual funds at least 95% of the assets of which constitute Cash Equivalents of the kind described in clauses (a) through (d) above.

“**Commission**” means the U.S. Securities and Exchange Commission.

“Commodity Hedging Agreements” means, in respect of a Person, any spot, forward, swap, option or other similar agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in commodity prices.

“Consolidated Adjusted Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary), as determined in accordance with U.S. GAAP and without any reduction in respect of preferred stock dividends; *provided that*:

- (a) any goodwill or other intangible asset impairment charges will be excluded;
- (b) the net income (loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;
- (c) solely for the purpose of determining the amount available for Restricted Payments under clause (2)(c)(i) of the “— Limitation on Restricted Payments” covenant, any net income (loss) of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to TopCo by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released, (ii) restrictions pursuant to the Senior Notes or the Senior Indenture, (iii) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the holders of the Senior Notes than such restrictions in effect on the Issue Date and (iv) any restriction listed under clauses (2)(a), (b) and (h) of the “Certain covenants—Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries” covenant), except that TopCo’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to TopCo or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);
- (d) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of TopCo or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer) or in connection with the sale or disposition of securities will be excluded;
- (e) (i) any extraordinary, exceptional or unusual gain, loss or charge, (ii) any asset impairments charges, the financial impacts of natural disasters (including fire, flood and storm and related events), (iii) any non-cash charges or reserves in respect of any restructuring, redundancy, integration or severance or (iv) any expenses, charges, reserves or other costs related to the Transactions, in each case, will be excluded;
- (f) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity-based awards will be excluded;
- (g) all deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Debt and any net gain (loss) from any write-off or forgiveness of Debt will be excluded;
- (h) any one time non-cash charges or any increases in amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of another Person or business or resulting from any reorganization or restructuring involving TopCo or its Subsidiaries will be excluded;
- (i) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;
- (j) any unrealized foreign currency transaction gains or losses in respect of Debt of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies will be excluded;

- (k) any unrealized foreign currency translation or transaction gains or losses in respect of Debt or other obligations of TopCo or any Restricted Subsidiary owing to TopCo or any Restricted Subsidiary will be excluded; and
- (l) the cumulative effect of a change in accounting principles will be excluded.

“**Consolidated EBITDA**” means, with respect to any specified Person for any period without duplication, the sum of Consolidated Adjusted Net Income, plus in each case to the extent deducted in computing Consolidated Adjusted Net Income for such period:

- (a) provision for taxes based on income, profits or capital of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*
- (b) the Consolidated Net Interest Expense of such Person and its Restricted Subsidiaries for such period; *plus*
- (c) any expenses, charges or other costs related to any equity offering, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business, *provided* that such payments are made at the time of such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), joint venture, disposition, recapitalization, Debt permitted to be incurred by the Senior Indenture, or the refinancing of any other Debt of such Person or any of its Restricted Subsidiaries (whether or not successful) (including such fees, expenses or charges related to the Transactions) and, in each case, deducted in such period in computing Consolidated Net Income; *plus*
- (d) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees), and other non-cash expenses (including without limitation write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on such Person and its Restricted Subsidiaries for such period), but excluding any non-cash items for which a future cash payment will be required and for which an accrual or reserve is required by U.S. GAAP to be made, to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Adjusted Net Income; *plus*
- (e) the minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on Capital Stock held by third parties; *plus*
- (f) to the extent actually paid during such period, the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the “—Limitation on transactions with Affiliates” covenant; *plus*
- (g) any charge (or minus any income) attributable to a post-employment benefit scheme other than the current service costs attributable to the scheme; *minus*
- (h) non-cash items increasing such Consolidated Adjusted Net Income for such period, other than (i) any items which represent the reversal in such period of any accrual of, or cash reserve for, anticipated charges in any prior period where such accrual or reserve is no longer required; or (ii) items related to percentage of completion accounting,

in each case, on a consolidated basis and determined in accordance with U.S. GAAP.

“**Consolidated Fixed Charge Coverage Ratio**” of TopCo means, for any period, the ratio of:

- (a) Consolidated EBITDA
- (b) to the sum of:
 - (i) Consolidated Net Interest Expense; and
 - (ii) cash and non-cash dividends due (whether or not declared) on the Redeemable Capital Stock of TopCo and any Restricted Subsidiaries and on the Preferred Stock of any Restricted Subsidiary (to any Person other than TopCo and any Restricted Subsidiary), in each case for such period;

provided that in calculating the Consolidated Fixed Charge Coverage Ratio or any element thereof for any period, *pro forma* calculations will be made in good faith by a responsible financial or accounting officer of TopCo (including any *pro forma* expenses and cost savings and cost reduction synergies that have occurred or, only with respect to any cost savings or cost reduction synergies that are attributable to an acquisition of another Person, are reasonably expected to occur within the next twelve months following the date of such calculation and that are reasonably identifiable and factually supportable including, without limitation, as a result of, or that would result from any actions taken by TopCo or any of its Restricted Subsidiaries including, without limitation, in connection with any cost reduction or cost savings plan or program or in connection with any transaction, investment, acquisition, disposition, restructuring, corporate reorganization or otherwise, in the good faith judgment of the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of TopCo (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared); *provided* that the aggregate amount of cost savings and cost reduction synergies that made be included in connection with an acquisition of another Person for any period shall not exceed 12.5% of Consolidated EBITDA calculated prior to any such additions for such period);

provided further, without limiting the application of the previous proviso, that:

- (1) if TopCo or any Restricted Subsidiary has incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio is an incurrence of Debt or both, Consolidated EBITDA and Consolidated Net Interest Expense for such period shall be calculated after giving effect on a *pro forma* basis to such Debt as if such Debt had been incurred on the first day of such period and the discharge of any other Debt repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Debt as if such discharge had occurred on the first day of such period; *provided however*, that the *pro forma* calculation of the Consolidated Fixed Charge Coverage Ratio shall not give effect to (i) any Debt incurred on the date of determination pursuant to the provisions described in clause (2) under the caption “—Certain covenants—Limitation on Debt” or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in clause (2) under the caption “—Certain covenants—Limitation on Debt”;
- (2) if, since the beginning of such period, TopCo or any Restricted Subsidiary shall have made any Asset Sale, Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Sale for such period, or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto, for such period and the Consolidated Net Interest Expense for such period shall be reduced by an amount equal to the Consolidated Net Interest Expense directly attributable to any Debt of TopCo or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to TopCo and the continuing Restricted Subsidiaries in connection with such Asset Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Net Interest Expense for such period directly attributable to the Debt of such Restricted Subsidiary to the extent TopCo and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);
- (3) if, since the beginning of such period, TopCo or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated EBITDA and Consolidated Net Interest Expense for such period shall be calculated after giving *pro forma* effect thereto (including the incurrence of any Debt) as if such Investment or acquisition occurred on the first day of such period; and
- (4) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into TopCo or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) above if made by TopCo or a Restricted Subsidiary during such period, Consolidated EBITDA and Consolidated Net Interest Expense for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Sale or Investment or acquisition occurred on the first day of such period.

If any Debt bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Debt shall 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 Interest Rate Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Agreement).

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Net Interest Expense and Consolidated Adjusted Net Income, calculations will be as determined in good faith by a responsible financial or accounting officer of TopCo.

“**Consolidated Net Interest Expense**” means, with respect to any specified Person for any period, without duplication and in each case determined on a consolidated basis in accordance with U.S. GAAP, the sum of:

- (a) TopCo’s and the Restricted Subsidiaries’ total interest expense for such period, including, without limitation:
 - (i) amortization of debt discount, but excluding amortization of debt issuance costs, fees and expenses and the expensing of any bridge or other financing fees;
 - (ii) the net payments (if any) of Interest Rate Agreements and Currency Agreements (excluding amortization of fees and discounts and unrealized gains and losses); and
 - (iii) the interest portion of any deferred payment obligation (classified as Debt under the Secured Indenture);
plus
- (b) the interest component of TopCo’s and the Restricted Subsidiaries’ Capitalized Lease Obligations accrued or scheduled to be paid or accrued during such period other than the interest component of Capitalized Lease Obligations between or among TopCo and any Restricted Subsidiary or between or among Restricted Subsidiaries;
plus
- (c) TopCo’s and the Restricted Subsidiaries non-cash interest expenses (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments) and interest that was capitalized during such period; *plus*
- (d) the interest expense on Debt of another Person to the extent such Debt is guaranteed by TopCo or any Restricted Subsidiary or secured by a Lien on TopCo’s or any Restricted Subsidiary’s assets, but only to the extent that such interest is actually paid by TopCo or such Restricted Subsidiary; *minus*
- (e) the interest income of TopCo and the Restricted Subsidiaries during such period.

Notwithstanding any of the foregoing, Consolidated Net Interest Expense shall not include (i) any interest accrued, capitalized or paid in respect of Deeply Subordinated Funding, (ii) any commissions, discounts, yield and other fees and charges related to Qualified Securitization Financing and (iii) any payments on any operating leases.

“**Consolidated Secured Leverage**” means, with respect to any Person, the sum of the aggregate outstanding Debt (other than (i) Capitalized Lease Obligations or Purchase Money Obligations and (ii) Debt of the type specified in clauses (2)(c), (f), (g), (i), (j) and (l) of the “—Limitation on Debt” covenant) of that Person and its Restricted Subsidiaries that is secured by Lien.

“**Consolidated Secured Leverage Ratio**” of TopCo means, as of the date of determination, the ratio of (a) the Consolidated Secured Leverage of TopCo to (b) the aggregate Consolidated EBITDA of TopCo for the period of the most recent four consecutive quarters for which financial statements are available, *provided* that the *pro forma* calculation of Consolidated Secured Leverage shall not give effect to (i) any Debt incurred on the date of determination pursuant to the provisions described in clauses (2)(b) and (2)(q) under the caption “—Certain covenants—Limitation on Debt” (but, for the avoidance of doubt, shall include any previously incurred Debt) or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in clause (2) under the caption “—Certain covenants—Limitation on Debt;” *provided further*, that in calculating the Consolidated Secured Leverage Ratio or any element thereof for any period, *pro forma* calculations will be made in good faith by a responsible financial or accounting officer of TopCo (including any *pro forma* expenses and cost savings and cost reduction synergies that have occurred or, only with respect to any cost savings or cost reduction synergies that are attributable to an acquisition of another Person, are reasonably expected to occur within the next twelve months following the date of such calculation and that are reasonably identifiable and factually supportable including, without limitation, as a result of, or that would result from any actions taken by TopCo or any of its Restricted Subsidiaries including, without limitation, in connection with any cost reduction or cost savings plan or program or in connection with any transaction, investment, acquisition, disposition, restructuring, corporate reorganization or otherwise, in the good faith judgment of the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of TopCo (regardless of whether these cost savings and

cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared) *provided* that the aggregate amount of cost savings and cost reduction synergies that may be included in connection with an acquisition of another Person for any period shall not exceed 12.5% of Consolidated EBITDA calculated prior to any such additions for such period); *provided, further*, that for purposes of calculating the Consolidated EBITDA for such period, if, as of such determination:

- (a) since the beginning of such period such Person or any Restricted Subsidiary thereof will have disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a “**Sale**”) or if the transaction giving rise to the need to calculate the Consolidated Secured Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period;
- (b) since the beginning of such period such Person or any Restricted Subsidiary thereof (by merger or otherwise) will have made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise acquires any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a “**Purchase**”) including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and
- (c) since the beginning of such period any other Person (that became a Restricted Subsidiary or was merged with or into the first Person or any Restricted Subsidiary thereof 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 first Person or a Restricted Subsidiary thereof since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For purposes of this definition whenever *pro forma* effect is to be given to any transaction or calculation under this definition, the *pro forma* calculations will be as determined in good faith by the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of the relevant Person including any *pro forma* expense and cost reductions and other operating improvements that have occurred or are reasonably expected to occur, in the good faith judgment of the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of TopCo (regardless of whether these cost savings or operating improvements could then be reflected in *pro forma* financial statements).

“**continuing**” means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

“**Contribution Debt**” means Debt of TopCo or any Restricted Subsidiary in an aggregate principal amount, together with any Debt refinancing such Indebtedness, not greater than the aggregate amount of Cash Contributions (other than Excluded Contributions) made to the equity capital of TopCo or such Restricted Subsidiary (other than by a Subsidiary of TopCo) after the Issue Date, to the extent such net cash proceeds or cash have not been applied to make Restricted Payments pursuant to paragraph (2) or clause (3)(b) of the “—Limitation on Restricted Payments” covenant; *provided* that such Contribution Debt:

- (1) is incurred within 180 days after the making of such Cash Contributions; and
- (2) is designated as Contribution Debt pursuant to an officer’s certificate signed by an officer or director of TopCo no later than the date incurred.

“**Credit Facility**” or “**Credit Facilities**” means one or more debt facilities (including, without limitation, under the Senior Facility Agreement) capital markets indentures, instruments or arrangements or commercial paper facilities, in each case with banks or other financial institutions or investors providing for revolving credit loans, term loans, receivables financings (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), letters of credit or other forms of guarantees and assurances, or other Debt, including overdrafts, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise), restructured, repaid or refinanced (whether by means of sales of debt securities to institutional investors and whether in whole or in part and whether or not with the original administrative agent or lenders or another administrative agent or agents or other bank or institutions and whether provided under the Senior Facility Agreement and one or more other credit or other agreements) and, for the avoidance of doubt, includes any agreement extending the maturity thereof or otherwise

restructuring all or any portion of the indebtedness thereunder or increasing the amount loaned or issued thereunder or altering the maturity thereof.

“**Currency Agreements**” means, in respect of a Person, any spot or forward foreign exchange agreements and currency swap, currency option or other similar financial agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in foreign currency exchange rates.

“**Debt**” means, with respect to any Person, without duplication:

- (a) the principal and premium amounts of any indebtedness of such Person in respect of borrowed money (including overdrafts) or for the deferred purchase price of property or services due more than one year after such property is acquired or such services are completed, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business;
- (b) any indebtedness of such Person evidenced by bonds, notes, debentures or other similar instruments;
- (c) all obligations, contingent or otherwise of such Person representing reimbursement obligations in respect of any letters of credit, bankers’ acceptances or other similar instruments (except to the extent such obligation relates to trade payables in the ordinary course of business), *provided* that any counter-indemnity or reimbursement obligation under a letter of credit shall be considered Debt only to the extent that the underlying obligation in respect of which the letter of credit has been issued would also be Debt;
- (d) any indebtedness representing Capitalized Lease Obligations of such Person;
- (e) all obligations of such Person in respect of Interest Rate Agreements, Currency Agreements and Commodity Hedging Agreements (the amount of any such Debt to be equal at any time to either (a) zero if such Hedging Obligation is incurred pursuant to clause (2)(h) of the covenant described under “—Certain covenants—Limitation on Debt” or (b) the mark-to-market value of such Hedging Obligation if not incurred pursuant to such clause or, if the mark-to-market value is not available at such time, the close-out amount that would be payable by such specified Person (or if no amount would be payable, zero) pursuant to such Hedging Obligation as a result of early liquidation or termination);
- (f) all Debt referred to in (but not excluded from) the preceding clauses (a) through (e) of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt (the amount of such obligation being deemed to be the lesser of the fair market value of such property or asset and the amount of the obligation so secured);
- (g) all guarantees by such specified Person of Debt referred to in this definition of any other Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business);
- (h) all Redeemable Capital Stock of such Person valued at the greater of its voluntary maximum fixed repurchase price and involuntary maximum fixed repurchase price plus accrued and unpaid dividends; and
- (i) Preferred Stock of any Restricted Subsidiary (but excluding any accrued dividends);

if and to the extent any of the preceding items (other than obligations under clauses (c) and (e) through (i)) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with U.S. GAAP; *provided* that the term “Debt” shall not include (i) non-interest bearing installment obligations and accrued liabilities incurred in the ordinary course of business that are not more than 90 days past due; (ii) Debt in respect of the incurrence by TopCo or any Restricted Subsidiary of Debt in respect of standby letters of credit, performance bonds or surety bonds provided by TopCo or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond; (iii) anything accounted for as an operating lease in accordance with U.S. GAAP as at the Issue Date; (iv) any pension obligations of TopCo or a Restricted Subsidiary; (v) Debt incurred by TopCo or one of the Restricted Subsidiaries in connection with a transaction where (x) such Debt is borrowed from a bank or trust company, having a combined capital and

surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (y) a substantially concurrent Investment is made by TopCo or a Restricted Subsidiary in the form of cash deposited with the lender of such Debt, or a Subsidiary or Affiliate thereof, in amount equal to such Debt; (vi) obligations under or in respect of Qualified Securitization Financings; (vii) contingent obligations incurred in the ordinary course of business; (viii) the PECs and (ix) Deeply Subordinated Funding.

For purposes of this definition, the "maximum fixed repurchase price" of any Redeemable Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Debt will be required to be determined pursuant to the Senior Indenture, and if such price is based upon, or measured by, the fair market value of such Redeemable Capital Stock, such fair market value will be determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer of such Redeemable Capital Stock; *provided*, that if such Redeemable Capital Stock is not then permitted to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Redeemable Capital Stock as reflected in the most recent financial statements of such Person.

"Deeply Subordinated Funding" means any funds provided to TopCo or the Issuer pursuant to an agreement, note, security or other instrument, other than Capital Stock, that pursuant to its terms, (i) is subordinated in right of payment to the Senior Notes (*provided* that the subordination terms with respect thereto are at least as favorable in all material respects to the holders of the Senior Notes and the Secured Notes as the subordination terms with respect to the PECs as in effect on the Issue Date), (ii)(A) does not mature or require any amortization, redemption or other repayment of principal (other than through conversion or exchange of such funding into Qualified Capital Stock of TopCo or any funding meeting the requirements of this definition), (B) does not require payment of any cash interest or any similar cash amounts and (C) contains no change of control or similar provisions and (D) 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 (other than as a result of insolvency proceedings of TopCo), in each case, prior to the 90th day following the Stated Maturity of the Senior Notes and all other amounts due under the Senior Indenture, (iii) does not provide for or require any security interest or encumbrance over any asset of TopCo or any Restricted Subsidiary and (iv) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Senior Notes or compliance by TopCo with its obligations under the Senior Notes and the Senior Indenture.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Designated Non-cash Consideration" means the Fair Market Value of non-cash consideration received by TopCo or any of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-cash Consideration" pursuant to an Officer's Certificate, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-cash Consideration.

"Disinterested Director" means, with respect to any transaction or series of related transactions, a member of TopCo's board of directors who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions or is not an Affiliate, or an officer, director or employee of any Person (other than TopCo or any Restricted Subsidiary) who has any direct or indirect financial interest in or with respect to such transaction or series of related transactions.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than dollars, at any time for the determination thereof, the amount of dollars obtained by converting such foreign currency involved in such computation into dollars at the spot rate for the purchase of euro with the applicable foreign currency as published under "Currency Rates" in the section of the *Financial Times* entitled "Currencies, Bonds & Interest Rates" on the date that is two Business Days prior to such determination.

"dollars" means the lawful currency of the United States of America.

"European Government Obligations" means direct obligations of, or obligations guaranteed by, a member state of the European Union as in effect on December 31, 2003, and the payment for which such member state of the European Union pledges its full faith and credit.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“Excluded Contributions” means the net cash proceeds received by TopCo after the Issue Date from (i) contributions to its common equity capital, and (ii) the sale (other than to a Subsidiary) of Capital Stock (other than Disqualified Stock), in each case designated as “Excluded Contributions” pursuant to an Officer’s Certificate (which shall be designated no later than the date on which such Excluded Contribution has been received), the net cash proceeds of which are excluded from the calculation set forth in the clause (2)(c)(ii) of the covenant described under “—Certain covenants—Limitation on Restricted Payments.”

“Fair Market Value” means, with respect to any asset or property, the sale value that would be obtained in an arm’s length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer.

“Guarantee” means any guarantee of the Issuer’s obligations under the Senior Indenture and the Senior Notes by the Guarantors, any Restricted Subsidiary or any other Person in accordance with the provisions of the Senior Indenture, including the Guarantees dated as of the Issue Date. When used as a verb, “Guarantee” shall have a corresponding meaning.

“guarantees” means, as applied to any obligation,

- (a) a guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation; and
- (b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of all or any part of such obligation, including, without limiting the foregoing, by the pledge of assets and the payment of amounts drawn down under letters of credit.

“Initial Investors” means (i) Nordic Capital Limited and Nordic Capital Fund VII and their respective Affiliates, and any funds or limited partnerships, any trust, fund, company, partnership or Person owned, managed or sponsored by Nordic Capital Limited, Nordic Capital Fund VII or any of their respective Affiliates or direct or indirect Subsidiaries, but not including, however, any portfolio operating companies of any of the foregoing and (ii) Avista Capital Partners, LP and Avista Capital Partners II, LP, and their respective Affiliates, and any funds or limited partnerships, any trust, fund, company, partnership or Person owned, managed or sponsored by Avista Capital Partners, LP, Avista Capital Partners II, LP and their respective Affiliates or direct or indirect Subsidiaries, but not including, however, any portfolio operating companies of any of the foregoing.

“Interest Rate Agreements” means, in respect of a Person, any interest rate protection agreements and other types of interest rate hedging agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) designed to protect such Person against or manage exposure to fluctuations in interest rates.

“Investment” means, with respect to any Person, any direct or indirect advance, loan or other extension of credit (including guarantees but excluding bank deposits, accounts receivable, trade credit, advances to customers, commission, travel and similar advances to officers and employees, in each case, made in the ordinary course of business) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase, acquisition or ownership by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Debt issued or owned by, any other Person and all other items, in each case that are required by U.S. GAAP to be classified on the balance sheet (excluding the footnotes) of the relevant Person 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. In addition, the portion (proportionate to TopCo’s equity interest in such Restricted Subsidiary) of the Fair Market Value of the net assets of any Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary will be deemed to be an “Investment” that TopCo made in such Unrestricted Subsidiary at such time. The portion (proportionate to TopCo’s equity interest in such Restricted Subsidiary) of the Fair Market Value of the net assets of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary will be considered a reduction in outstanding Investments. “Investments” excludes extensions of trade credit on commercially reasonable terms in accordance with normal trade practices.

“Investment Grade Rating” shall occur when the Senior Notes are rated Baa3 or better by Moody’s and BBB- or better by S&P, as applicable (or, if either such entity ceases to rate the Senior Notes, the equivalent investment grade credit rating from any other “nationally recognized statistical rating organization” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer as a replacement agency).

“Issue Date” means December 22, 2010.

“Lien” means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), privilege, security interest, hypothecation, assignment for security, standard security, assignment in security claim, or preference or priority or other encumbrance upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired. A Person will be deemed to own subject to a Lien any property which such Person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

“Management Advances” means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of TopCo or any Restricted Subsidiary:

- (1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;
- (2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or
- (3) in the ordinary course of business and (in the case of this clause (3)) not exceeding \$5 million in the aggregate outstanding at any time.

“Market Capitalization” means an amount equal to (i) the total number of issued and outstanding shares of Capital Stock of TopCo or any direct or indirect parent company of TopCo on the date of the declaration of the relevant dividend, multiplied by (ii) the arithmetic mean of the closing prices per share of such Capital Stock for the 30 consecutive trading days immediately preceding the date of the declaration of such dividend.

“Maturity” means, with respect to any indebtedness, the date on which any principal of such indebtedness becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to TopCo or any Restricted Subsidiary), net of:

- (a) brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel, accountants, investment banks and other consultants) related to such Asset Sale;
- (b) provisions for all taxes paid or payable, or required to be accrued as a liability under U.S. GAAP as a result of such Asset Sale;
- (c) all distributions and other payments required to be made to any Person (other than TopCo or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale; and
- (d) appropriate amounts required to be provided by TopCo or any Restricted Subsidiary, as the case may be, as a reserve in accordance with U.S. GAAP against any liabilities associated with such Asset Sale and retained by TopCo or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officer’s Certificate delivered to the Trustee.

“Officer’s Certificate” means a certificate signed by an officer of TopCo, the Issuer, a Guarantor or a Surviving Entity, as the case may be, and delivered to the Trustee.

“Pari Passu Debt” means (a) any Debt of the Issuer that ranks equally in right of payment with the Senior Notes or (b) with respect to any Guarantee, any Debt that ranks equally in right of payment to such Guarantee.

“**PECs**” means, collectively, (i) the Series 1 preferred equity certificates of ConvaTec Healthcare D S.à r.l. (formerly Cidron Healthcare D S.à r.l.) issued on July 28, 2008, (ii) the Series 2 preferred equity certificates of ConvaTec Healthcare D S.à r.l. (formerly Cidron Healthcare D S.à r.l.) issued on July 28, 2008 and (iii) the Series 1 preferred equity certificates of ConvaTec Healthcare D S.à r.l. (formerly Cidron Healthcare D S.à r.l.) issued on August 27, 2008, in each case, as amended, restated, modified, renewed, refunded or replaced from time to time (*provided* that any such amendment, restatement, modification, renewal, refund or replacement is not materially more disadvantageous to the holders of the Senior Notes than the agreement or arrangement in effect on the Issue Date).

“**Permitted Business**” means (a) any businesses, services or activities engaged in by TopCo or any of the Restricted Subsidiaries on the Issue Date and (b) any businesses, services and activities engaged in by TopCo or any of the Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“**Permitted Holders**” means collectively, (1) the Initial Investors and (2) any Related Parties. Any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“**Permitted Investments**” means any of the following:

- (a) Investments in cash or Cash Equivalents;
- (b) intercompany Debt to the extent permitted under clause (d) of the definition of “Permitted Debt”;
- (c) Investments in (i) the form of loans or advances to, or debt securities issued by, the Parent Guarantors or the Issuer, (ii) TopCo or a Restricted Subsidiary or (iii) another Person if as a result of such Investment such other Person becomes a Restricted Subsidiary of TopCo or such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, TopCo or a Restricted Subsidiary;
- (d) Investments made by TopCo or any Restricted Subsidiary as a result of or retained in connection with an Asset Sale permitted under or made in compliance with the covenant described under “—Certain covenants—Limitation on sale of certain assets” to the extent such Investments are non-cash proceeds permitted thereunder;
- (e) expenses or advances to cover payroll, travel, entertainment, moving, other relocation and similar matters that are expected at the time of such advances to be treated as expenses in accordance with U.S. GAAP;
- (f) Investments in the Senior Notes and any other Debt of TopCo or any Restricted Subsidiary;
- (g) Investments existing on the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Senior Indenture;
- (h) Investments in Hedging Obligations permitted under clause (2)(g) under “—Certain covenants—Limitation on Debt”;
- (i) any Investments received in compromise or resolution of litigation, arbitration or other disputes;
- (j) Investments in receivables owing to TopCo or any Restricted Subsidiary created or acquired in the ordinary course of business;
- (k) Investments in a Person to the extent that the consideration therefor consists of Capital Stock or the net proceeds of the issue and sale (other than to any Restricted Subsidiary) of shares of Capital Stock of TopCo or Deeply Subordinated Funding; *provided* that the net proceeds of such sale have been excluded from, and shall not have been included in, the calculation of the amount determined under clause (2)(c)(ii) of “—Certain covenants—Limitation on Restricted Payments”;

- (l) Investments of TopCo or the Restricted Subsidiaries described under item (v) to the proviso to the definition of “Debt”;
- (m) any guarantee of Debt permitted to be incurred by the covenant entitled “—Certain covenants—Limitation on Debt”;
- (n) Management Advances;
- (o) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (o) that are at the time outstanding not to exceed the greater of \$125 million and 2.75% of Total Assets, *provided*, that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to “Certain covenants—Limitation on Restricted Payments,” such Investment, if applicable, shall thereafter be deemed to have been made pursuant to (c)(ii) or (iii) of the definition of “Permitted Investments” and not this clause;
- (p) Investments resulting from the acquisition of a Person that at the time of such acquisition held instruments constituting Investments that were not acquired in contemplation of the acquisition of such Person;
- (q) any Investment in connection with a Qualified Securitization Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Securitization Financing or any related Debt; and
- (r) (i) stock, obligations or securities received in satisfaction of judgments, foreclosure of Liens or settlement of debts and (ii) any Investments received in compromise of obligations of such persons incurred in the ordinary course of trade creditors or customers that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer.

“**Permitted Liens**” means the following types of Liens:

- (a) Liens existing on the Issue Date;
- (b) Liens on any property or assets of a Restricted Subsidiary granted in favor of TopCo or any Restricted Subsidiary;
- (c) Liens on any of TopCo’s or any Restricted Subsidiaries’ property or assets securing the Secured Notes and the related Guarantees;
- (d) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by TopCo or any Restricted Subsidiary in the ordinary course of business;
- (e) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, employees, pension plan administrators or other like Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith or Liens arising solely by virtue of any statutory or common law provisions relating to attorney’s liens or bankers’ liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution;
- (f) Liens for taxes, assessments, government charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with U.S. GAAP, shall have been made;
- (g) Liens incurred or deposits made to secure the performance of tenders, bids or trade or government contracts, or to secure leases, statutory or regulatory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business (other than obligations for the payment of money);
- (h) zoning restrictions, easements, licenses, reservations, title defects, rights of others for rights-of-way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions, encroachments and other similar charges, encumbrances or title defects and incurred in the ordinary course of business that do not in the aggregate materially

interfere with in any material respect the ordinary conduct of the business of TopCo and its Restricted Subsidiaries on the properties subject thereto, taken as a whole;

- (i) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;
- (j) Liens on property or assets of, or on shares of Capital Stock or on Debt of, any Person existing at the time such Person becomes a Restricted Subsidiary; *provided* that such Liens (i) do not extend to or cover any property or assets of TopCo or any Restricted Subsidiary other than the property or assets of, or shares of Capital Stock or on Debt of, such acquired Restricted Subsidiary and (ii) were not created in connection with or in contemplation of such acquisition, merger or consolidation;
- (k) Liens on property or assets existing at the time such property or assets are acquired, including any acquisition by means of a merger with or into or consolidation with, TopCo or any Restricted Subsidiary; *provided* that such Liens (i) do not extend to or cover any property or assets of TopCo or any Restricted Subsidiary other than (A) the property or assets acquired or (B) the property or assets of the Person merged with or into or consolidated with TopCo or Restricted Subsidiary and (ii) were not in connection with or in contemplation of such acquisition, merger or consolidation;
- (l) Liens securing TopCo's or any Restricted Subsidiary's Hedging Obligations permitted under clause (2)(g) under "—Certain covenants—Limitation on Debt";
- (m) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance (including unemployment insurance) or deposits to secure public or statutory obligations of such Person or deposits of cash or government bonds to secure performance, bid, surety or appeal bonds and completion bonds and guarantees 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;
- (n) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;
- (o) Liens incurred in connection with a cash management program established in the ordinary course of business;
- (p) Liens on any property or assets of TopCo or any of its Restricted Subsidiaries securing Debt permitted to be incurred pursuant to clauses (b)(i), (c), (d) and (e) (to the extent such Guarantee is in respect of Debt otherwise permitted to be secured in this definition of "Permitted Liens") of paragraph (2) of the covenant described under "—Certain covenants—Limitation on Debt;"
- (q) Liens on any property or assets of TopCo or any of its Restricted Subsidiaries for the purpose of securing Capitalized Lease Obligations, Purchase Money Obligations, mortgage financings or other Debt, in each case, incurred in connection with the financing of all or any part of the purchase price, lease expense, rental payment or cost of design, construction, installation or improvement of assets or property; *provided*, that any such Lien may not extend to any assets or property owned by TopCo or any of its Restricted Subsidiaries at the time the Lien is incurred other than the assets and property acquired, improved, constructed, leased or financed (*provided* that to the extent that any such Capitalized Lease Obligations, Purchase Money Obligations, mortgage financings or other Debt relate to multiple assets or properties, then all such assets or properties may secure any such Capitalized Lease Obligation, Purchase Money Obligations, mortgage financings or other Debt); *provided, further*, that the aggregate principal amount of Debt secured by such Liens is otherwise permitted to be incurred under the Senior Indenture;
- (r) Liens incurred to secure Permitted Refinancing Debt permitted to be incurred under the Senior Indenture; *provided* that the new Lien shall be limited to all or part of the same property and assets that secured the original Lien (plus improvements and accessions to such property and assets and proceeds or distributions thereof);
- (s) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

- (t) leases, licenses, subleases and sublicenses of assets in the ordinary course of business;
- (u) 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;
- (v) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;
- (w) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of TopCo or any Restricted Subsidiary's business or operations as Liens only for Debt to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;
- (x) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by TopCo or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net cash proceeds of such disposal;
- (y) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;
- (z) Liens on any Proceeds Loan made by TopCo or any Restricted Subsidiary in connection with any future incurrence of Debt permitted under the Senior Indenture and securing that Debt; *provided* that such Proceeds Loan is otherwise unsecured;
- (aa) Liens over treasury stock of TopCo or a Restricted Subsidiary purchased or otherwise acquired for value by TopCo or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;
- (bb) Liens on Securitization Assets and related assets incurred in connection with any Qualified Securitization Financing;
- (cc) Liens incurred in the ordinary course of business of TopCo or any Restricted Subsidiary with respect to obligations that do not exceed \$50 million at any one time outstanding;
- (dd) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (bb); *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets;
- (ee) Liens securing the Secured Notes issued on the Issue Date and any Permitted Refinancing Debt incurred to refinance such Secured Notes incurred in compliance with clause (m) of paragraph (2) under the covenant described under “—Certain covenants—Limitation on Debt,” and the related Guarantees or guarantees of such Permitted Refinancing Debt; and
- (ff) Liens securing any Debt permitted under the covenant described under “—Certain covenants—Limitation on Debt”; *provided* that, following the incurrence of such Debt and after giving effect to the application of proceeds therefrom, on a pro forma basis, the Consolidated Secured Leverage Ratio for the period of the most recent four consecutive quarters for which financial statements are available would be less than 4.00 to 1.00.

“Permitted Refinancing Debt” means any renewals, extensions, substitutions, refinancings or replacements of any Debt of TopCo or a Restricted Subsidiary or pursuant to this definition, including any successive refinancings, so long as:

- (a) such Debt is in an aggregate principal amount (or if incurred with original issue discount, an aggregate issue price) not in excess of the sum of (i) the aggregate principal amount (or if incurred with original issue discount, the aggregate accreted value) then outstanding of the Debt being refinanced and (ii) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;
- (b) the Average Life of such Debt is equal to or greater than the Average Life of the Debt being refinanced;
- (c) the Stated Maturity of such Debt is no earlier than the Stated Maturity of the Debt being refinanced;

- (d) the new Debt is not senior in right of payment to the Debt that is being refinanced; and
- (e) such Debt is unsecured if the Debt being refinanced is unsecured;

provided that Permitted Refinancing Debt will not include (i) Debt of a Subsidiary of TopCo (other than the Issuer or a Guarantor) that refinances the Debt of a Parent Guarantor or the Issuer, (ii) Debt of a Subsidiary of the Issuer (other than a Guarantor) that refinances the Debt of the Issuer or any Guarantor or (iii) Debt of any Restricted Subsidiary that refinances Debt of an Unrestricted Subsidiary.

“Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Preferred Stock” means, with respect to any Person, Capital Stock of any class or classes (however designated) of such Person which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class of such Person whether now outstanding, or issued after the Issue Date, and including, without limitation, all classes and series of preferred or preference stock of such Person; *provided* that accrued non-cash dividends with respect to any Preferred Stock shall not constitute Preferred Stock for the purposes of “Certain covenants—Limitation on Debt.”

“Proceeds Loan” means an intercompany loan made by TopCo or any of its Restricted Subsidiaries out of the proceeds of an incurrence of Debt.

“Property” means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Capital Stock, and other securities of, any other Person. For purposes of any calculation required pursuant to the Senior Indenture, the value of any Property shall be its Fair Market Value.

“Public Debt” means any Debt 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 under the Securities Act or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such securities to registration thereof with the Commission for public resale.

“Public Equity Offering” means (1) any offering of Qualified Capital Stock of TopCo that is listed on a national exchange or that is publicly offered (which shall include any offering pursuant to Rule 144A and/or Regulation S under the Securities Act) or (2) any offering of Qualified Capital Stock of any direct or indirect parent company of TopCo that is listed on a national exchange or that is publicly offered (which shall include any offering pursuant to Rule 144A and/or Regulation S under the Securities Act), in the case of this clause (2), the proceeds of which are contributed as Deeply Subordinated Funding or to the equity (other than through an Excluded Contribution) of TopCo or any of its Restricted Subsidiaries.

“Purchase Money Obligations” means any Indebtedness incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

“Qualified Capital Stock” of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

“Qualified Securitization Financing” means any financing pursuant to which TopCo or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any other Person or grant a security interest in any accounts receivable (and related assets) in any aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of TopCo or any of its Restricted Subsidiaries, *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be on market terms (as determined in good faith by the board of directors or a member of senior management of TopCo or the Issuer) at the time such financing is entered into and (b) such financing shall be non-recourse to TopCo and its Restricted Subsidiaries except to a limited extent customary for such transactions.

“Redeemable Capital Stock” means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable, or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the Senior Notes or is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of TopCo in

circumstances in which the holders of the Senior Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity; *provided* that any Capital Stock that would constitute Qualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of any “asset sale” or “change of control” occurring prior to the Stated Maturity of the Senior Notes will not constitute Redeemable Capital Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in “—Certain covenants—Limitation on sale of certain assets” and “—Purchase of Senior Notes upon a Change of Control” described herein and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer’s repurchase of such Senior Notes as are required to be repurchased pursuant to “—Certain covenants—Limitation on sale of certain assets” and “—Purchase of Senior Notes upon a Change of Control.”

“**Related Parties**” with respect to any Permitted Holder, means:

- (1) any controlling equity holder or majority (or more) owned Subsidiary of such Person; or
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or
- (3) any trust, corporation, partnership or other Person for whom the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a 50.1% or more controlling interest therein, consist of such individuals and/or such other Persons referred to in the immediately preceding clause (1).
- (4) any investment fund or vehicle managed or sponsored by such Person or any successor thereto, or by any Affiliate of such Person or any such successor;

provided, however, that “Related Parties” shall not include any portfolio operating companies of the Initial Investors or of any of the foregoing

“**Restricted Investment**” means an Investment other than a Permitted Investment.

“**Restricted Subsidiary**” means any Subsidiary of TopCo other than an Unrestricted Subsidiary.

“**S&P**” means Standard and Poor’s Ratings Service, a division of The McGraw-Hill Companies, Inc. and its successors.

“**Secured Notes**” means the Issuer’s €300,000,000 aggregate principal amount of 7.375% Secured Notes due 2017.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“**Securitization Assets**” means any accounts receivable subject to a Qualified Securitization Financing.

“**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 TopCo or a Restricted Subsidiary in connection with, any Qualified Securitization Financing.

“**Securitization Repurchase Obligation**” means any obligation of a seller of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or a portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“**Senior Credit Facilities**” means any Credit Facility of TopCo or any Restricted Subsidiary, including the Senior Facility Agreement.

“**Senior Facility Agreement**” means the Credit Agreement, dated as of the Issue Date, among inter alios, ConvaTec Healthcare D S.à r.l. and ConvaTec Inc., as Borrowers, the several lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.

“**Significant Subsidiary**” means, at the date of determination, any Restricted Subsidiary of TopCo that together with its Subsidiaries which are Restricted Subsidiaries of TopCo (i) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of TopCo or (ii) as of the end of the most recent fiscal quarter, was the owner of more than 10% of the consolidated assets of TopCo.

“**Stated Maturity**” means, when used with respect to any note or any installment of interest thereon, the date specified in such note as the fixed date on which the principal of such note or such installment of interest, respectively, is due and payable, and, when used with respect to any other indebtedness, means the date specified in the instrument governing such indebtedness as the fixed date on which the principal of such indebtedness, or any installment of interest thereon, is due and payable.

“**Subordinated Debt**” means Debt of the Issuer or any of the Guarantors that is expressly subordinated in right of payment to the Senior Notes or the Guarantees of such Guarantors, as the case may be; *provided*, that no Debt will be deemed to be subordinated in right of payment to any other Debt solely by virtue of being unsecured or by virtue of being secured on a junior Lien basis.

“**Subordination Agreement**” means the subordination agreement, dated as of the Issue Date, between, among others, TopCo, ConvaTec C S.à r.l., ConvaTec D S.à r.l., the agent on behalf of the lenders under the Senior Facility Agreement, the Trustee on behalf of the holders of the Senior Notes and the trustee on behalf of the holders of the Secured Notes.

“**Subsidiary**” means, with respect to any Person:

- (a) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof; and
- (b) any other Person (other than a corporation), including, without limitation, a partnership, limited liability company, business trust or joint venture, in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Person performing similar functions).

“**Total Assets**” means the consolidated total assets of TopCo and its Restricted Subsidiaries as shown on the most recent consolidated balance sheet of TopCo.

“**Transactions**” means (i) the offering of the Secured Notes and the use of proceeds therefrom, (ii) the entering into the Senior Facility Agreement and the use of proceeds therefrom and (iii) the issuance of the Senior Notes and the use of proceeds therefrom.

“**Treasury Rate**” means, as of any redemption date, the yield to maturity of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market data selected by TopCo or the Issuer in good faith)) most nearly equal to the period from the redemption date to December 15, 2014; *provided, however*, that if the period from the redemption date to December 15, 2014 is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of U.S. Treasury securities for which such yields are given, except that if the period from such redemption date to December 15, 2014 is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

“**Trust Indenture Act**” means the U.S. Trust Indenture Act of 1939, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“**Unrestricted Subsidiary**” means:

- (a) any Subsidiary of TopCo that at the time of determination is an Unrestricted Subsidiary (as designated by TopCo’s board of directors pursuant to the “—Designation of Unrestricted and Restricted Subsidiaries” covenant); and
- (b) any Subsidiary of an Unrestricted Subsidiary.

“**U.S. GAAP**” means United States generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board, as in effect from time to time.

“**U.S. Government Obligations**” means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

“**Voting Stock**” means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees (or Persons performing similar functions) of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

Book-entry, delivery and form

General

The Dollar Notes sold to QIBs in reliance on Rule 144A will be represented by one or more global notes in registered form without coupons attached (the “**Dollar Rule 144A Global Notes**”). The Dollar Notes sold to persons outside the United States in reliance on Regulation S under the U.S. Securities Act (“**Regulation S**”) will be represented by one or more global notes in registered form without interest coupons attached (the “**Dollar Regulation S Global Notes**”). The Dollar Rule 144A Global Notes and the Dollar Regulation S Global Notes will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee for DTC. The Euro Notes sold to QIBs in reliance on Rule 144A will be represented by one or more global notes in registered form without interest coupons attached (the “**Euro Rule 144A Global Notes**” and, together with the Dollar Rule 144A Global Notes, the “**Rule 144A Global Notes**”). The Euro Notes sold to persons outside the United States in reliance on Regulation S will be represented by one or more global notes in registered form without interest coupons attached (the “**Euro Regulation S Global Notes**” and, together with the Dollar Regulation S Global Notes, the “**Regulation S Global Notes**”). The Rule 144A Global Notes and the Regulation S Global Notes are collectively referred to as the “**Global Notes**”. The Euro Rule 144A Global Notes and the Euro Regulation S Global Notes will be deposited with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Notes (“**Rule 144A Book-Entry Interests**”) and in the Regulation S Global Notes (the “**Regulation S Book-Entry Interests**” and, together with the Rule 144A Book-Entry Interests, the “**Book-Entry Interests**”) will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream, or persons that hold interests through such participants. DTC, Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, Book-Entry Interests will not be held in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in the book-entry form by DTC, Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of 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 be considered the owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, DTC, 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 Indentures governing the Notes. In addition, participants must rely on the procedures of DTC, Euroclear and/or Clearstream, and indirect participants must rely on the procedures of DTC, Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indentures.

Neither we nor the Trustee 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 any Global Note (or any portion thereof) is redeemed, DTC, Euroclear and/or Clearstream, as applicable, will redeem an equal amount 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 DTC, Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of DTC, Euroclear and Clearstream, if fewer than all of a series of Notes are to be redeemed at any time, DTC, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no Book-Entry Interest of less than €100,000 or \$150,000 as applicable 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 DTC or its nominee (in the case of the Dollar Rule 144A Global Notes and the Dollar Regulation S Global Notes) and to the common depository or its nominee for Euroclear and Clearstream (in the case of Euro Rule 144A Global Notes and Euro Regulation S Global Notes), which will distribute such payments to participants in accordance with their customary procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, levies, assessments or governmental charges of whatever nature, except as may be required by law and as described under “Description of the Secured Notes—Additional Amounts” and “Description of the Senior Notes—Additional Amounts”. If any such deduction or withholding is required to be made, then, to the extent described under Description of the Secured Notes—Additional Amounts” and “Description of the Senior Notes—Additional Amounts” above, we will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. 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 Indentures, the Issuer, the Trustee, the Paying Agents, Registrars and Transfer Agents (collectively, the “**Agents**”) will treat the registered holder of the Global Notes (e.g., DTC, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for any aspect of the records of DTC, 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 DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, or DTC, Euroclear, Clearstream or any participant or indirect participant.

Currency of payment for the global notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar Rule 144A Global Notes and the Dollar Regulation S Global Notes, will be paid to holders of interests in such Notes through DTC in dollars. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Rule 144A Global Notes and the Euro Regulation S 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

DTC, Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) 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. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Indentures, each of DTC, Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered notes in certificated form (“**Definitive Registered Notes**”) and to distribute Definitive Registered Notes to its participants.

Transfers

Transfers between participants in DTC, Euroclear and Clearstream will be effected in accordance with DTC, Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in jurisdictions that require physical delivery of securities

or to pledge such Notes, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of DTC, Euroclear and Clearstream and in accordance with the procedures set forth in the Indentures.

The Global Notes for Rule 144A Book-Entry Interests will have a legend to the effect set forth under “Notice to investors”. Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under “Notice to investors”.

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 Indentures) 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).

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 Notes and a corresponding increase in the principal amount of the Rule 144A Global Notes.

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 Indentures, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if DTC, Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depository and a successor depository 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 either DTC, Euroclear or Clearstream following an Event of Default under the applicable Indenture.

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 or \$200,000, as applicable, 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 applicable series of Notes, (ii) any date fixed for redemption of the applicable series of Notes or (iii) the date fixed for selection of the applicable series of Notes to be redeemed in part. Also, we are not required to register the transfer or exchange of any Notes selected for redemption. In the event of the transfer of any Definitive Registered Note, the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the applicable Indenture. We may require a holder to pay any taxes and fees required by law and permitted by the applicable Indenture and the applicable series of 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 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 us, the Trustee or the Paying Agent appointed pursuant to the Indentures from any loss which any of them may suffer if a Definitive Registered Note is replaced. The 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 Indentures, 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 only after the transferor first delivers to the Trustee a written certification (in the form provided in the Indentures) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See “Notice to investors”.

Information concerning DTC, Euroclear and Clearstream

DTC

DTC is:

- a limited purpose trust company organized under the New York Banking Law;
- a “banking organization” under the New York Banking Law;
- a member of the Federal Reserve System;
- a “clearing corporation” within the meaning of the New York Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations such as the Initial Purchaser. Others, such as banks, brokers, dealers, trust companies and clearing corporations, that clear through or maintain a custodial relationship with a direct participant also have access to the DTC system and are known as indirect participants.

Because DTC 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 DTC system or otherwise take actions in respect of such interest may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the DTC system will receive distributions attributable to the Dollar Rule 144A Global Note and the Dollar Regulation S Global Note only through DTC participants.

The address of DTC in New York is 55 Water Street, New York, New York 10041.

Euroclear and Clearstream

Our understanding with respect to the organization and operations of Euroclear and Clearstream is as follows. 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 custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Global clearance and settlement under the book-entry system

Subject to compliance with the transfer restrictions applicable to the Global Notes, cross market transfers between participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC’s rules on behalf of each of Euroclear or Clearstream by the common depository; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such

system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream will, if the transaction meets its settlement requirements, delivery instructions to the common depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not delivery instructions directly to the common depository.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the settlement date of DTC. Cash received in Euroclear and Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, 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 at any time. None of the Issuer, the Trustee or any Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Taxation

Certain United States federal income tax considerations

TO COMPLY WITH INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY PROSPECTIVE INVESTORS, FOR THE PURPOSES OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING BY US OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a U.S. holder (defined below), but does not purport to be a complete analysis of all potential tax effects. This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the “Code”), Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the Internal Revenue Service (“IRS”) have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances or to holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass through entities (or investors in such entities), persons liable for alternative minimum tax, persons holding the Notes as part of a “straddle,” “hedge,” “conversion transaction” or other integrated transaction and persons holding the Existing Credit Facilities that are being repaid with the proceeds of this Offering. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their “issue price” (as defined below) and who hold the Notes as capital assets within the meaning of section 1221 of the Code.

For purposes of this discussion, a “U.S. holder” is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have

the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person. If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws and state, local, foreign or other tax laws.

Characterization of the notes

In certain circumstances (see “Description of the Secured Notes—Optional redemption,” “Description of the Secured Notes—Purchase of Secured Notes upon a Change of Control,” “Description of the Secured Notes—Additional Amounts,” “Description of the Senior Notes—Optional redemption,” “Description of the Senior Notes—Purchase of Senior Notes upon a Change of Control,” and “Description of the Senior Notes—Additional Amounts”) we may be obligated to make payments on the Notes in excess of stated principal and interest. We intend to take the position that the foregoing contingencies should not cause the Notes to be treated as contingent payment debt instruments. Assuming such position is respected, a U.S. holder would be required to include in income the amount of any such additional payments at the time such payments are received or accrued in accordance with such U.S. holder’s method of accounting for U.S. federal income tax purposes. Our position is binding on a holder, unless the holder discloses in the proper manner to the IRS that it is taking a different position. If the IRS successfully challenged this position, and the Notes were treated as contingent payment debt instruments, U.S. holders could be required to accrue interest income at a rate higher than their yield to maturity, to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement or redemption of a Note, and to recognize foreign currency exchange gain or loss with respect to such income. This disclosure assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their own tax advisors regarding the potential application of the contingent payment debt instrument rules to the Notes and the consequences thereof.

Payments of stated interest

Payments of stated interest on the Notes generally will be taxable to a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder’s method of accounting for U.S. federal income tax purposes.

A U.S. holder of a Euro Note that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest will be required to include in ordinary income the U.S. dollar value of the euro interest payment (translated at the “spot rate” on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars. A cash method U.S. holder will not recognize exchange gain or loss with respect to the receipt of such payment, but may have exchange gain or loss attributable to the actual disposition of the euros so received.

A U.S. holder of a Euro Note that uses the accrual method of accounting for U.S. federal income tax purposes will be required to include in income the U.S. dollar value of the amount of interest income in euros that has accrued with respect to a Euro Note during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within each taxable year. A U.S. holder of a Euro Note may elect, however, to translate such accrued interest income using the rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the rate of exchange on the last day of the portion of the accrual period within each taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder may translate such interest at the “spot rate” on the date of receipt. The above election will apply to other obligations held by the U.S. holder and may not be changed without the consent of the IRS. A U.S. holder of a Euro Note that uses the accrual method of accounting for U.S. federal income tax purposes will recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (translated at the “spot rate” on the date such payment is received) in respect of such accrual period and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars. Such gain or loss will generally constitute ordinary income or loss and be treated as U.S. source income or as an offset to U.S. source income, respectively.

Original issue discount

The Secured Notes, the Senior Dollar Notes and/or the Senior Euro Notes may be issued with original issue discount (“**OID**”) for U.S. federal income tax purposes. In such event, U.S. holders will be subject to special rules relating to the accrual of income for tax purposes. U.S. holders of Notes issued with OID generally must include OID in gross income (as ordinary income) for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of tax accounting. As a result, U.S. holders of Notes issued with OID will include OID in income in advance of the receipt of cash attributable to such income.

The Secured Notes, the Senior Dollar Notes and/or the Senior Euro Notes will be treated as issued with OID if the stated principal amount of such Notes exceeds their “issue price” by more than a statutorily defined de minimis amount. Such excess will be de minimis if it is less than an amount equal to 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the “issue date.” The issue price of each series of Notes will be the first price at which a substantial amount of such Notes is sold for money. The issue date of each series of Notes will be the first settlement date or closing date, as applicable, upon which a substantial amount of such Notes is sold for money, and this disclosure assumes that the issue date will be the Issue Date. For purposes of determining the issue price and the issue date of the Notes, sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers are ignored.

In the event that any of the Notes are issued with OID, the amount of OID includible in income by an initial U.S. holder of a Note issued with OID is the sum of the “daily portions” of OID with respect to the Note for each day during the taxable year or portion thereof on which such U.S. holder holds such Note (“**accrued OID**”). A daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID that accrued in such period. The “accrual period” of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note’s “adjusted issue price” at the beginning of such accrual period and its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period is generally equal to its issue price, increased by the accrued OID for each prior accrual period.

OID, if any, on the Euro Notes will be determined for any accrual period in euros and then translated into U.S. dollars, in accordance with either of the two alternative methods described above in the third paragraph under “—Payments of stated interest.”

A U.S. holder of a Euro Note will recognize exchange gain or loss when OID is paid (including, upon the sale of a Euro Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the U.S. dollar value of the euro payment received (translated at the “spot rate” on the date such payment is received) and the U.S. dollar value of the accrued OID, as determined in the manner described above. For these purposes, all receipts on a Euro Note will be viewed:

- first, as payments of stated interest payable on the Euro Note;
- second, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and
- third, as the receipt of principal.

Exchange gain or loss generally will be treated as ordinary income or loss and generally will be treated as U.S. source income or as an offset to U.S. source income, respectively.

Foreign tax credit

Subject to the discussion of exchange gain or loss above, interest income and OID, if any, on a Note generally will constitute foreign source income and generally will be considered “passive category income” or, in the case of certain U.S. holders, “general category income” in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder’s particular circumstances. U.S. holders should consult their independent tax advisors regarding the availability of foreign tax credits.

Sale, exchange, redemption, retirement or other taxable disposition of notes

Generally, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will recognize taxable gain or loss equal to the difference between the amount realized on the disposition (less any amount attributable to accrued but unpaid stated interest not previously included in income, which will be taxable as such) and such U.S. holder's adjusted tax basis in the Note. If a U.S. holder receives foreign currency on such a sale, exchange, redemption, retirement or other taxable disposition of a Euro Note, the amount realized generally will be based on the U.S. dollar value of the foreign currency translated at the "spot rate" on the date of disposition. In the case of a Euro Note that is traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder will determine the U.S. dollar value of the amount realized by translating such amount at the "spot rate" on the settlement date of the disposition.

A U.S. holder's adjusted tax basis in a Note will generally equal the cost of such Note to such U.S. holder increased by any previously accrued OID. If a U.S. holder uses foreign currency to purchase a Euro Note, the cost of the Euro Note will be the U.S. dollar value of the foreign currency purchase price on the date of purchase (which generally will be the Issue Date). A U.S. Holder who purchases a foreign currency Note with previously owned foreign currency will recognize ordinary income or loss in an amount equal to the difference, if any, between such U.S. holder's tax basis in the foreign currency and the U.S. dollar fair market value of the foreign currency Note on the date of purchase. The conversion of U.S. dollars to a foreign currency and the immediate use of that currency to purchase a Euro Note generally will not result in taxable gain or loss for a U.S. holder.

If a Note is not traded on an established securities market (or, if a Note is so traded, but a U.S. holder is an accrual basis taxpayer that has not made the settlement date election), a U.S. holder will recognize foreign currency exchange gain or loss (taxable as ordinary income or loss) to the extent that the U.S. dollar value of the foreign currency received (based on the spot rate on the settlement date) differs from the U.S. dollar value of the amount realized.

The special election available to accrual basis U.S. holders in regard to the purchase and sale of Euro Notes traded on an established securities market, which is discussed in the preceding paragraphs, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Subject to the discussion of exchange gain or loss below, gain or loss recognized upon the sale, exchange, redemption, retirement or other taxable disposition of a Note (i) generally will be U.S. source gain or loss and (ii) generally will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, redemption, retirement or other disposition the Note has been held by such U.S. holder for more than one year. Long-term capital gain realized by a non-corporate U.S. holder will generally be subject to taxation at a reduced rate. The deductibility of capital losses is subject to limitation. Prospective purchasers should consult their tax advisors as to the foreign tax credit implications of the sale, exchange, redemption or other taxable disposition of the Notes.

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Euro Note, a U.S. holder may recognize gain or loss that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Euro Note. For these purposes, the principal amount of a Euro Note is the U.S. holder's purchase price of the Euro Note in euros. Gain or loss attributable to fluctuations in exchange rates with respect to the principal amount of such Euro Note generally will equal the difference between (i) the U.S. dollar value of the principal amount of the Euro Note, determined on the date such Euro Note is disposed of, and (ii) the U.S. dollar value of the principal amount of the Euro Note, determined on the date the U.S. holder acquired such Euro Note (or, in each case, on the settlement date, if the Euro Notes are traded on an established securities market and the holder is either a cash basis U.S. holder or an electing accrual basis U.S. holder). Such gain or loss will be treated as ordinary income or loss and generally will be treated as U.S. source income or as an offset to U.S. source income, respectively. In addition, exchange gain or loss may be realized with respect to accrued interest and accrued OID, if any, as discussed under "—Payments of stated interest" or "—Original issue discount," as applicable. However, upon a sale, exchange, redemption, retirement or other taxable disposition of a Euro Note, a U.S. holder will realize exchange gain or loss with respect to principal, accrued interest and accrued OID, if any, only to the extent of the total gain or loss realized on the disposition.

Exchange gain or loss with respect to foreign currency

A U.S. holder will have a tax basis in any euros received as interest or upon the sale, exchange, redemption, retirement or other taxable disposition of a Euro Note, equal to the U.S. dollar value thereof at the "spot rate" on the date the interest is received or, in the case of a payment received in consideration of the sale or other disposition, on the date used to compute exchange gain or loss with respect to such disposition (as discussed under "—Sale, exchange, redemption, retirement or other taxable disposition of notes"). Any gain or loss realized by a U.S. holder on a sale or other disposition of the euros, including

their exchange for U.S. dollars, will be ordinary income or loss and generally will be income from sources within the United States for U.S. foreign tax credit purposes.

Tax return disclosure requirement

Treasury regulations issued under the Code intended to require the reporting of certain tax shelter transactions cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note to the extent that any such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of a threshold amount. U.S. holders should consult their tax advisors to determine the tax return obligations, if any, with respect to an investment in the Euro Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Certain information reporting requirements

Under newly enacted legislation, certain U.S. holders who are individuals may be required to report information relating to an interest in our Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing rules. U.S. holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Notes.

Backup withholding and related information reporting requirements

In general, payments of interest, accruals of OID, if any, and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding (currently at a rate of 28% and scheduled to increase to 31% in 2011) unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

Luxembourg taxation

The following summary only describes under which circumstances withholding tax may become due in Luxembourg on payments under the Notes. This summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisors as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding tax

Non-resident holders of notes

Under Luxembourg general tax laws currently in force and subject to the laws of June 21, 2005 (the "**June 2005 Laws**") implementing the Council Directive 2003/48/EC of June 3, 2003 on the taxation of savings income in the form of interest payments (the "**EU Savings Directive**") and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU member states (the "**Territories**"), as described below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the June 2005 Laws, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the June 2005 Laws, that is a resident of, or established in, an EU member state (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide

details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it is currently levied at a rate of 20% and will be levied at a rate of 35% as of July 1, 2011. Responsibility for the withholding of the tax will be assumed by the Luxembourg Paying Agent. Payments of interest under the Notes coming within the scope of the June 2005 Laws would at present be subject to a withholding tax of 20%.

Resident holders of notes

Under Luxembourg general tax laws currently in force and subject to the law of December 23, 2005, as amended (the “**December 2005 Law**”), as described below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the December 2005 Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg Paying Agent. Payments of interest under the Notes coming within the scope of the December 2005 Law would be subject to a withholding tax of 10%.

EU Savings Directive

Under the EU Savings Directive, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead allowed (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

Certain ERISA considerations

General

The U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), imposes certain requirements on employee benefit plans subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans (collectively, “**ERISA Plans**”), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, “**Plans**”) and certain persons (referred to as “**parties in interest**” or “**disqualified persons**”) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non-U.S. plans, governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and

the Code (“**Similar Law**”). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such law or regulations.

Prohibited transaction exemptions

The fiduciary of a Plan that proposes to purchase and hold any Notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, the Issuer, the guarantors, the initial purchasers, Trustee or any of their respective affiliates. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, Section 408(b)(17) of ERISA or Prohibited Transaction Class Exemption (“**PTCE**”) 84-14 (relating to transactions effected by a “qualified professional asset manager”), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively the “**Class Exemptions**”) could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

By its purchase of any Note, the purchaser thereof will be deemed to have represented and warranted that either:

- (i) no assets of a Plan or non-U.S., governmental or church plan have been used to acquire such Notes or an interest therein or (ii) the purchase and holding of such Notes or an interest therein by such person do not constitute a non-exempt prohibited transaction under ERISA or the Code or violation of Similar Law.

Each Plan fiduciary (and each fiduciary for non-U.S., governmental or church plans subject to Similar Law) should consult with its legal advisor concerning the potential consequences to the plan under ERISA, the Code or such Similar Laws of an investment in the Notes.

Plan of distribution

Subject to the terms and conditions set forth in a purchase agreement (the “**Purchase Agreement**”) dated December 17, 2010 by and among the Issuer and the Initial Purchasers, we have agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from us, the principal amount of the Notes. The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Notes from us, are several and not joint.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel.

The Initial Purchasers propose to offer the Notes initially at the price(s) indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. One or more of the Initial Purchasers may use affiliates or other appropriately licensed entities for sales of the Notes in jurisdictions in which they are otherwise not permitted, including in the United States.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 90 days after the date the Notes are issued, to not, and to cause our subsidiaries to not, without having received the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any securities issued or guaranteed by the Issuer or the Guarantors having a term of more than one year (other than the Notes).

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act. Resales of the Notes are restricted as described under “Notice to investors.”

Each Initial Purchaser represents, warrants and agrees that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to us or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchaser that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering of the Notes, the distribution of this Offering Memorandum and resale of the Notes. See “Notice to investors.”

We and the Guarantors have also agreed that we will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the U.S. Securities Act or the safe harbor of Rule 144A and Regulation S under the U.S. Securities Act to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. We have applied, through our listing agent, to list the Notes on the Global Exchange Market of the Irish Stock Exchange and trade the Notes on the GEM, however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchaser without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Securities Exchange Act of 1934, as amended (the “**U.S. Exchange Act**”). Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

In connection with this Offering, the Stabilizing Managers may over-allot the Notes or effect transactions with a view to supporting the market price of the Dollar Notes, in the case of the Dollar Notes Stabilizing Manager, or the Euro Notes, in the case of the Euro Notes Stabilizing Manager, in each case at a level higher than that which might otherwise prevail. However, there is no assurance that such Stabilizing Manager (or persons acting on behalf of such Stabilizing Manager) will undertake such stabilization actions. Any stabilization action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but must end no later than the earlier of 30 calendar days after the Issue Date of the Notes and 60 calendar days after the date of the allotment of the Notes.

The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. An affiliate of J.P. Morgan is a lender under our Senior Facilities, which will be repaid in full out of the proceeds of this Offering. An affiliate of Goldman Sachs International is a lender under our Existing Credit Facilities, which will be repaid in full out of the proceeds of this Offering. All or a portion of the proceeds received by such affiliate may be reinvested in the Notes and the New Credit Facilities. See “Use of proceeds.” Mediobanca or its affiliate and Natixis or its affiliate are lenders under our Existing Credit

Facilities, which will be repaid in full out of the proceeds of this Offering. An affiliate of J.P. Morgan is the senior facility agent under the Senior Facilities and security agent under the Existing Credit Facilities. The Initial Purchasers will be bookrunners, an affiliate of J.P. Morgan will be Administrative Agent and each Initial Purchaser or one of its affiliates will be a lender under our New Credit Facilities. See “Description of certain financing arrangements—New Credit Facilities.”

Notice to investors

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act and in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

We use the terms “offshore transaction,” “U.S. person” and “United States” with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

(1) You understand and acknowledge that the Notes and the Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A under the U.S. Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not our “affiliate” (as defined in Rule 144 under the U.S. Securities Act) or acting on our behalf and you are either:

(a) a QIB, within the meaning of Rule 144A under the U.S. Securities Act and are aware that any sale of these Notes to you will be made in reliance on Rule 144A under the U.S. Securities Act, and such acquisition will be for your own account or for the account of another QIB; or

(b) you are purchasing the Notes in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

(3) You acknowledge that none of us, the Guarantors, or the Initial Purchasers, or any person representing any of them, has made any representation to you with respect to us or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise

transfer such Notes prior to the date (the “**Resale Restriction Termination Date**”) that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) only (i) to us, (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 you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the our and the trustee’s rights prior to any such offer, sale or transfer (I) pursuant to clauses (iv) and(v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS ACQUIRING THIS NOTE IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (“RULE 144A”), TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER’S AND THE TRUSTEE’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If the Notes are issued with original issue discount for U.S. federal income tax purposes, the Notes will bear the following legend:

ORIGINAL ISSUE DISCOUNT. THE NOTES HAVE BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES (“OID”). THE ISSUE PRICE, THE AMOUNT OF OID, THE ISSUE DATE AND THE YIELD TO MATURITY MAY BE OBTAINED BY CONTACTING TIM WINSTON, CONVATEC TREASURER, 200 HEADQUARTERS PARK DRIVE, SKILLMAN, NJ 08558, UNITED STATES.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(6) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(7) You acknowledge that until 40 days after the commencement of the Offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(8) You acknowledge that the Registrar will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with.

(9) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, it shall promptly notify the initial purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(10) You understand that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under “Plan of distribution.”

Legal matters

The validity of the Notes, the Notes Guarantees and certain other legal matters are being passed upon for us by Latham & Watkins (London) LLP with respect to matters of U.S. federal and New York state law and by Ober & Beerens with respect to matters of Luxembourg law. Certain legal matters will be passed upon for the Initial Purchasers by Cahill Gordon & Reindel LLP with respect to matters of U.S. federal and New York state law and by Allen & Overy Luxembourg with respect to matters of Luxembourg law.

Independent auditors

CHB’s consolidated financial statements as of December 31, 2009 and 2008 and for the year ended December 31, 2009 and five months ended December 31, 2008 (Successor), for the seven months ended July 31, 2008 and for the year ended December 31, 2007 (Predecessor) included in this Offering Memorandum have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report (which report expresses an unqualified opinion on the financial statements and includes explanatory paragraphs related to (a) the fact that through July 31, 2008 the Predecessor was a division of Bristol-Myers Squibb Company and following the sale of the Predecessor to the Company it continued to enter into transactions with Bristol-Myers Squibb Company and (b) the financial statements of the Predecessor include allocations of expenses from Bristol-Myers Squibb Company) appearing herein. Deloitte & Touche LLP is registered with the IAASA—Irish Auditing and Accounting Supervisory Authority under registration no. IE10011 and it is a registered public accounting firm with the Public Company Accounting Oversight Board.

Available information

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from us and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- (3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or each Note Guarantee offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to Tim Winston, ConvaTec Treasurer, 200 Headquarters Park Drive, Skillman, NJ 08558, United States.

We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. Pursuant to the Indenture that will govern the Notes, we will agree to furnish periodic information to the holders of the Notes. See “Description of the Secured Notes—Provision of Information” and “Description of the Senior Notes—Provision of Information.”

So long as the Notes are admitted to trading on and to listing on the Global Exchange Market of the Irish Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the registered office of the Issuer.

Service of process and enforcement of civil liabilities

The Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg. The Guarantors are incorporated in Denmark, Germany, Luxembourg, Singapore, Switzerland, the United Kingdom and the United States.

Many of our directors, officers and other executives are neither residents nor citizens of the United States. Furthermore, most of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or us or to enforce against them or us judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, we and the Guarantors have appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within Luxembourg, Denmark, Germany, Singapore, Switzerland, or England upon those persons or us or over our subsidiaries provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

If a judgment is obtained in a U.S. court against any of the Issuers or any Guarantor or any security provider, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which our Guarantors are located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

Luxembourg

We have been advised by our Luxembourg counsel that a contractual provision allowing the service of process against the Issuers or any Guarantor to any other party appointed to such effect could be overridden by Luxembourg statutory provisions allowing the valid service of process against the Issuers or any Guarantor in accordance with applicable laws at its registered office. A valid judgment against an issuer incorporated in Luxembourg with respect to the Notes obtained from a court of competent jurisdiction in the United States, which judgment remains in full force and effect after all appeals as 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 set out in Article 678 et seq. of the Luxembourg Nouveau Code de Procedure Civile being:

- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;
- the U.S. court order or judgment must not have been rendered subsequent to an evasion of Luxembourg law (*fraude à la loi*);
- the judgment is final and enforceable in the jurisdiction where the decision is rendered;
- the U.S. Court has applied the substantive law as designated by the Luxembourg conflict of laws rules;
- the U.S. Court has acted in accordance with its own procedural laws;
- the judgment was granted following proceedings where the counterparty had the opportunity to appear, and if appeared, to present a defense; and
- the consideration of the foreign order as well as the judgment does not contravene public policy as understood under the laws of Luxembourg or have been given in proceedings of a criminal nature.

We have also been advised by our Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law (i) if the choice of such law was not made bona fide and (ii) if its application contravenes Luxembourg public policy or is manifestly incompatible with Luxembourg international policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

Denmark

If a judgment is obtained in a U.S. court against the Issuer or any such persons, investors will need to enforce such judgment in jurisdictions where the Issuer or such person has assets. Under applicable Danish law, a judgment by a state or Federal court of the United States in respect of the notes or the Indenture will neither be recognized nor enforced by the courts of Denmark without a review of the merits underlying the judgment. You should consult with your own advisers in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

Germany

The following discussion with respect to the enforceability of certain U.S. court judgments in Germany is based upon advice provided to us by German legal advisors.

The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for a payment rendered by any court in the United States would not automatically be enforceable in Germany.

Notwithstanding the preceding, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability would generally be recognized in an action before a German court, and such German court generally will not investigate the merits of the original matter decided by a U.S. court. The recognition of the U.S. judgment by a German court would be conditional upon all of the following conditions:

- U.S. courts could take jurisdiction of the case in accordance with the principles on jurisdictional competence according to German law;
- the document introducing the proceedings was duly made known to the defendant in a timely manner that allowed for adequate defense;
- the judgment is not contrary to (i) any prior judgment which became *res judicata* rendered by a German court or (ii) any prior judgment which became *res judicata* rendered by a foreign court which is recognized in Germany and the procedure leading to the respective judgment is not in contradiction to any such prior judgment;
- the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. Federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are regarded to be in conflict with fundamental principles of German law. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages;
- the reciprocity of enforcement of judgments is guaranteed; and
- the judgment became *res judicata* in accordance with the law of the place where it was pronounced.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an enforcement decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be enforceable. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. Federal securities laws.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. Insofar as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

Singapore

The courts of Singapore will not register or enforce a judgement of the courts of the United States in respect of any legal proceedings arising out of or relating to the Notes or the Indentures.

A final and conclusive judgment on the merits properly obtained against (as the case may be) us or a Guarantor or a security provider in any competent court of the United States of America for a fixed sum of money in respect of any legal suit or proceeding and which could be enforced by execution against (as the case may be) us or a Guarantor or a security provider in the jurisdiction of the relevant court and has not been stayed or satisfied in whole may be sued on in Singapore as a debt due from (as the case may be) us or a Guarantor or a security provider if:

- the relevant court had jurisdiction over (as the case may be) us or a Guarantor or a security provider in that (as the case may be) us or a Guarantor or a security provider was, at the time such proceeding was instituted, resident in the jurisdiction in which such proceeding had been commenced or had submitted to the jurisdiction of the relevant court;
- that judgment was not obtained by fraud;
- the enforcement of that judgment would not be contrary to public policy of Singapore;

- that the judgment had not been obtained in contravention of the principles of natural justice;
- and
- that the judgment of the relevant court does not include the payment of taxes, a fine or
- penalty.

Switzerland

Our Swiss counsel has advised us that a United States judgment may be recognized and enforced upon request by the courts of Switzerland if certain requirements of the Swiss Federal Act on Private International Law are met, in particular, that:

- the foreign court had jurisdiction;
- the judgment of such foreign court has become final and non-appealable;
- the recognition of the foreign judgment is not contrary to public policy (*ordre public*) in Switzerland;
- the counterparty has been properly served with process according to the law of the state of his/her/its domicile or ordinary residence (if in Switzerland, through judicial aid granted by the Swiss authorities)
- or the counterparty has unconditionally joined the proceedings;
- the proceedings leading to the judgment have respected the principles of a fair trial (as understood in Switzerland) and, in particular, that the counterparty has been granted the right to be heard and the possibility to properly defend his/her/its case; and
- no action between the same parties and on the same subject matter has been commenced or decided first in Swiss court and no judgment between the same parties and on the same subject matter has been first rendered by a foreign court, which judgment may be recognized in Switzerland.

Subject to the foregoing, purchasers of the Notes may be able to enforce in Switzerland judgments in civil and commercial matters obtained from United States federal or state courts; however, we cannot assure you that those judgments will be enforceable. It is doubtful whether a Swiss court would accept jurisdiction and impose civil liability if proceedings were commenced in Switzerland predicated solely upon United States federal or state securities laws. In addition, in an action brought in a Swiss court on the basis of United States federal or state securities laws, the Swiss courts may not have the requisite power to grant the remedies sought. Awards of punitive damages awarded in original actions outside Switzerland may also not be enforceable in Switzerland.

England

The following summary with respect to the enforceability of certain U.S. court judgments in England is based upon advice provided to us by U.S. and English legal advisors. The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment 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 laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, an English court would not generally reinvestigate the merits of the original matter decided by the U.S. court and it would usually be possible to obtain summary judgment on such a claim. Recognition and enforcement of a U.S. judgment by an English court in such an action may be subject to (among other things) the following:

- the U.S. judgment (or enforcement thereof) not contravening English public policy;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;

- enforcement of the U.S. judgment not being restricted by provisions of the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- there not having been a prior inconsistent decision of an English court in respect of the same matter; and
- the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in England. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. Federal securities laws.

Dominican Republic

Our Dominican counsel has advised us that if a judgment is obtained in a foreign court against the Guarantors, a security provider or any such persons, investors will need to enforce such judgment in the jurisdictions of Dominican Republic (in case said judgment is related to the assets located in the Dominican Republic). First of all, the judgments obtained abroad in order to be considered enforceable in the Dominican Republic should be submitted to the so-called exequatur procedure undertaken in a Dominican Court. The elements that a local court will consider are the following:

- It is necessary that the sentences to be executed in the Dominican Republic have the characteristics needed for this purposes, namely that they are final, not contrary to public order and duly certified by the consular authorities of our country and preserve its force.
- The procedure shall be governed by the law of the country which grant the exequatur, in this case Dominican Republic, and the existence of a treaty or convention concluded between the foreign court and the local country, if any, where the sentence want to executed.
- The judge has no power to analyze the case known by the foreign court, or to verify whether the sentence was pronounced or not according to the facts and the law of the country of origin. Local judges are forbidden to examine and weigh merits of consideration, since its jurisdictional obligation is limited to grant or not to the foreign judgment is enforceability in the country, for which it must be noted, in addition to its compliance with the Dominican Constitution, the regularity and irrevocability of the same.
- National courts should be limited to verifying the regularity and irrevocability of the judgment, under the rules of the country of origin of the same, using our consular authorities and self-enforceability in the Dominican Republic in conformity with our constitutional principles.

Listing and general information

1. Application has been made to the Irish Stock Exchange for the approval of this document as Listing Particulars and for the Notes to be admitted to trading on the Global Exchange Market, which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.
2. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to trading on the Global Exchange Market of the Irish Stock Exchange.
3. So long as the Notes are outstanding and listed on the Global Exchange Market of the Irish Stock Exchange and are traded on the Global Exchange Market and the rules of such exchange shall so require, copies of our organizational documents including the articles of association of the Issuer, the organizational documents of the Guarantors, the Indentures, the Intercreditor Agreement and the Group's audited consolidated financial statements for the years ended December 31, 2009 and 2008 will be available in physical and/or electronic form free of charge at the registered office of the Issuer and the registered offices of the Guarantors during normal business hours on any weekday.

4. We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.

5. Except as disclosed in this Offering Memorandum, we have not been engaged in, nor have pending or threatened, any governmental, legal or arbitration proceedings which may have, or have had during the previous 12 months, a significant effect on our financial condition or profitability.

6. The issuance of the Notes was authorized by the Issuer by a resolution of its board of directors passed on December 17.

7. The Regulation S Global Secured Notes, the Rule 144A Global Secured Notes, the Euro Regulation S Global Senior Notes and the Euro Rule 144A Global Senior Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The Regulation S Global Secured Notes have the common code number 056804226 and an ISIN of XS0568042260. The Rule 144A Global Secured Notes have the common code number 056804307 and an ISIN of XS0568043078. The Regulation S Global Senior Euro Notes have the common code number 056804455 and an ISIN of XS0568044555. The Euro Rule 144A Global Senior Notes have the common code number 056804528 and an ISIN of XS0568045289. The Dollar Regulation S Global Senior Notes and the Dollar Rule 144A Global Senior Notes have been accepted for clearance through the facilities of DTC. The Dollar Regulation S Global Senior Notes have a CUSIP of L19698 AA4 and an ISIN of USL19698AA49. The Dollar Rule 144A Global Senior Notes have a CUSIP of 21244W AA9 and an ISIN of US21244WAA99.

8. The Issuer is a public limited liability company (*société anonyme*), having its registered office and principal business address at 5, rue Guillaume Kroll L-1882 Luxembourg, and registered with the Luxembourg Register of Commerce and Companies (R.C.S. Luxembourg) under number B 155248. ConvaTec's website is located at: www.convatec.com.

9. The Guarantors are: Papyro-Tex A/S; Unomedical A/S; Unomedical Holdings A/S; ConvaTec (Denmark) ApS; ConvaTec (Germany) GmbH; ConvaTec Healthcare B S.à r.l.; ConvaTec Healthcare C S.à r.l.; ConvaTec Healthcare D S.à r.l.; ConvaTec Singapore PTE Limited; ConvaTec International Services GmbH; ConvaTec Holdings U.K. Limited; ConvaTec International U.K. Limited; Unomedical Holdings Limited; Unomedical Limited; ConvaTec Limited; AMCARE Limited; ConvaTec Inc.; ConvaTec Dominican Republic, Inc.; ConvaTec Technologies Inc.

ConvaTec Holdings U.K. Limited has a registered address of GDC First Avenue, Deeside Industrial Park, Deeside, Flintshire CH5 2NU, United Kingdom, and was incorporated on June 17, 2008. ConvaTec Holdings U.K. Limited is a holding company used to acquire the shares of certain operating subsidiaries and assets.

ConvaTec Limited has a registered address of GDC First Avenue, Deeside Industrial Park, Deeside, Flintshire CH5 2NU, United Kingdom, and was incorporated as Squibb Surgicare Limited on April 21, 1977 and changed its name to ConvaTec Limited on February 27, 1989. ConvaTec Limited is an operating company that manufactures and sells ConvaTec products within the Group and to external customers.

ConvaTec International Services GmbH has a registered address of Muhlentalstrasse 36/38, 8200 Schaffhausen, Switzerland, and was incorporated on June 29, 2009. ConvaTec International Services GmbH is a Swiss Principal Company consolidating certain operational functions and risks, including but not limited to, global supply chain, logistics and customer service, and it also sells ConvaTec products to internal and external distributors around the world.

ConvaTec Technologies Inc. has a registered address of 6100 Neil Road, Suite 500, Reno, Nevada 89511, United States and was incorporated on October 21, 2008. ConvaTec Technologies Inc. is an intellectual property holding company formed to acquire the patented technology purchased from BMS and owns newly created patented technology.

10. There has been no material adverse change in our prospects since December 31, 2009, being the date of the last published audited financial statements. There has been no significant change in our financial or trading position since September 30, 2010, being the date of the last published financial statements.

11. The total fees and expenses in connection with the admission of the Notes to trading on the Global Exchange Market are expected to be approximately €5,782.40.

The Issuer

The Issuer is incorporated as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg, having its registered office at 5, rue Guillaume Kroll, L-1882 Luxembourg, and registered with the Luxembourg Register of Commerce and Companies (R.C.S. Luxembourg) under number B 155248.

The persons set forth below are the current members of the Issuer's Board of Directors. The address for each of the directors is 5, rue Guillaume Kroll, L-1882 Luxembourg.

<u>Name</u>	<u>Position</u>
Noëlla Antoine.....	Director
Ingrid Moinet.....	Director
Pascale Nutz.....	Director

There are no potential conflicts of interest between the duties to the Issuer of the Directors of the Issuer listed above and their private interests and/or duties.

The rights of ConvaTec Healthcare D S.à r.l. as a shareholder of the Issuer are contained in the articles of association of the Issuer and the Issuer will be managed in accordance with those articles and with the provisions of the laws of Luxembourg.

The Issuer is a wholly-owned subsidiary of CHB. The Issuer was established on August 23, 2010 and is a finance company with no independent business operations or significant assets. As a newly established entity, the Issuer has not yet produced financial statements and is not obliged under the laws of Luxembourg to produce independent audited financial statements.

The audited consolidated financial statements of CHB for the periods ended December 31, 2008 and December 31, 2009 are included elsewhere in this Offering Memorandum. The activities of the Issuer will also be represented in the consolidated financial statements of CHB going forward.

Glossary

ActiveLife/Colodress.....	ConvaTec one-piece ostomy systems: ActiveLife brand is sold primarily in the U.S. and Colodress brand is sold outside the U.S. These systems include closed-end, drainable and urostomy pouches
acute fecal incontinence or AFI.....	Also known as encopresis or soiling, and refers to the temporary involuntary passage of stool in adults or children, which occurs in the critical care setting and is most prevalent in ICUs, burn units, hospices and long-term care facilities
acute wound.....	Typically a surgical incision or traumatic wound whose causation is acute
Adhesive Coupling Technology.....	Proprietary ConvaTec adhesive fastening technology to connect the pouch to the skin barrier in a low profile design without a raised “snap on” ring; utilized by the Esteem <i>synergy</i> two-piece ostomy system
advanced wound care.....	Includes dressings, pastes, gels as well as off-loading, compression and negative pressure therapy devices that promote wound healing by a variety of methods (depending on the product) including effectively managing wound exudate, keeping the wound moist in an occlusive or semi-occlusive environment, protecting the wound, managing infection, improving circulation and so forth
alginate.....	Dressing made of non-woven fibers derived from seaweed/algae
Aloe Vesta.....	ConvaTec brand of skin care products
antimicrobial dressings.....	Wound dressings, gels or pastes that incorporate an antimicrobial agent, such as silver or iodine, for the treatment and/or prevention of infection
AQUACEL.....	ConvaTec advanced wound dressing, utilizing Hydrofiber Technology
AQUACEL Ag.....	ConvaTec silver-based antimicrobial advanced wound dressing, utilizing Hydrofiber Technology
CE mark.....	European regulatory marking to signify compliance with applicable regulatory standards

chronic wound	Complex wounds that are caused by repeated insults which do not heal rapidly in the absence of interventional therapies, and which include pressure, venous, arterial, and diabetic foot ulcers
closed-end pouches	Pouches collecting fecal output typically used as one-time disposable pouches for patients with formed to semi-formed stool
<i>Clostridium difficile</i> (<i>C.diff</i>)	Gram-positive, anaerobic bacteria which may cause severe infection of the colon causing diarrhea, easily transmitted and treated with anticlostridial antibiotics (e.g. metronidazole)
ConvaTec Moldable Technology.....	ConvaTec proprietary technology allowing for the skin barrier opening to be “molded” by hand (rather than cut with scissors) to customize the shape of the barrier for a patient’s unique stoma characteristics
collaborative purchasing hubs or CPH	Regional purchasing consortiums which procure healthcare products from manufacturers for distribution to Primary Care Trusts in the U.K.; work with the NHS Supply Chain to provide products to hospitals
colorectal cancer	Also known as colon/rectal cancer or bowel cancer, the surgery for which may result in the creation of a stoma
colostomy.....	The ostomy procedure in which the colon or the rectum is brought through the abdominal wall to allow for the passage of feces
conventional wound care	Generally involves products that provide “dry” healing if used as a primary dressing, or are supplementary to a primary moist wound healing product (serving as a secondary dressing to hold the primary dressing in place and/or absorb excess exudate). Examples include dressings such as gauze and bandages, and fixation products such as adhesive strips and tapes
Crohn’s disease.....	Chronic, inflammatory autoimmune disease and classified as a type of inflammatory bowel disease (IBD); Crohn’s disease may necessitate ostomy procedures
custom procedure pack	A pre-packaged bundle of supplies for a surgical procedure, which may contain items such as disposable drapes, gowns, suction devices, catheters, and other single-use sterile medical devices and supplies
customer interaction center or CIC.....	ConvaTec call center for healthcare providers and consumers to ask product-related questions, receive assistance in solving problems, facilitate product sampling and serve as a network to hear and respond to customer experiences
dispensing appliance contractor.....	U.K. distributors which are licensed to dispense and deliver ostomy products to patients
drainable pouches	Ostomy pouches possessing an opening at the bottom of the pouch for more frequent draining of liquid stool or urine; closed with either a clip or a Velcro-like integrated closure called InvisiClose
DuoDERM.....	A hydrocolloid dressing that provides a moist wound healing environment and self-adheres to the skin through ConvaTec’s patented Durahesive Technology
Durahesive	Proprietary ConvaTec skin adhesion technology with optimized properties to allow for longer-term adhesion (5-7 days)
effluent.....	Effluent generally refers to the feces or urine coming out of the body through an artificial opening such as a stoma
end colostomate	A colostomy patient who receives an end (permanent) colostomy, in which one end of the colon or rectum is brought out to the abdominal wall to create a stoma and the other end is either removed or permanently sewn closed
Esteem	ConvaTec one-piece ostomy system, closed-end or drainable pouch, with upgraded features similar to those found on two-piece systems
Esteem synergy	ConvaTec two-piece ostomy system employing the patented Adhesive Coupling Technology that allows for a low profile and flexibility typical of a one-piece system. This system also offers closed-end, drainable and urostomy pouches
exudate.....	Fluid, cells or cellular debris that has filtered from the circulatory system into a lesion or area of inflammation and deposited in tissues or on tissue surfaces and leaking out of the wound

film	Dressing with an adhesive, waterproof membrane that limits contaminants while allowing oxygen and water vapor access to the wound
Flexi-Seal fecal management system or FMS	ConvaTec fecal containment device designed to safely and effectively contain and divert liquid fecal matter to protect patients' wounds from fecal contamination and reduce risk of skin breakdown and the spread of infection
foam.....	Typically, polyurethane-based dressing with foam-like feel used for wounds with moderate to heavy exudate
hydrocolloid.....	Dressing containing a polymeric hydrocolloid material which dissolves, gels, swells (or exhibits some combination of these actions) upon interaction with water to provide a moist wound healing environment. Hydrocolloid dressings are typically used for wounds with light to moderate exudates
Hydrofiber Technology.....	ConvaTec proprietary technology based on the unique gelling properties of Hydrofiber materials; serves as the basis of the AQUACEL, AQUACEL Ag, and Versiva XC franchises
investigational device exemption or IDE...	A regulatory clearance required for certain devices to allow for human clinical studies
InvisiClose	Velcro-like integrated closure utilized in drainable ostomy pouches
key opinion leader.....	A medical industry term that refers to physicians who influence their peers' medical practice
moist wound care.....	The management of wounds with dressings/therapeutics which allow for a moist wound environment, in contrast to conventional wound care products (e.g. gauze, bandages) which provide for a "dry" healing environment
negative pressure device	Technology applying intermittent or continuous negative pressure (i.e. suction) to a specialized wound dressing for the removal of exudate to promote wound healing
new patient capture	Sales and marketing metric to track the number of new ostomy users accessed through the use of ostomy starter kits and support from WOC nurses
ostomate.....	Patient that has undergone an ostomy procedure and therefore has an artificial opening or stoma
one-piece ostomy system.....	A system that combines as a single, integrated unit the skin barrier surrounding the stoma and the pouch collecting the effluent
ostomy	A surgical procedure in which an opening for the passage of feces or urine is created through the abdominal wall in patients with decreased small intestine, colon, rectum or bladder function
ostomy starter kit	A marketing tool containing accessories vital to the instruction and routine use of ostomy products. The kit also includes a patient form and consent to enable ConvaTec to archive patient names in a database to serve as a foundation for a long-term relationship
pre-market approval or PMA.....	Regulatory clearance to market a medical device; usually reserved for higher-risk, Class III devices. The FDA will approve a PMA application if the application is found to have reasonable assurance that the device is safe and effective for its intended purpose
pre-market clearance/510(k).....	Regulatory process requiring the device be deemed as safe and effective as, or substantially equivalent to, a legally marketed device that is not subject to pre-market approval (i.e. the "predicate" device)
skin barrier (wafer)	The adhesive-backed barrier connecting to the ostomy pouch in either an integrated unit (one-piece ostomy system) or as a separate piece (two-piece ostomy system), which serves to secure the pouch to the body and surround the stoma opening, protecting the skin around the stoma from toxic effluent
stoma.....	The end of a shortened intestine that is surgically brought to and protrudes slightly from the abdominal surface in an ostomy procedure; the stoma lacks both sensation and sphincter control, hence preventing the patient from controlling the intestinal effluent

Stomahesive.....	ConvaTec proprietary skin adhesion technology for shorter-term adhesion properties (i.e. 2-4 days)
SUR-FIT Natura/S92	ConvaTec proprietary two-piece ostomy system; includes both closed-end, drainable and urostomy pouches
two-piece ostomy system.....	A system that consists of the skin barrier surrounding the stoma and a separate, detachable pouch collecting the effluent
ulcerative colitis.....	Non-specific inflammatory disease of the colon that is of unknown cause and is characterised by diarrhea with discharge of mucus and blood, cramping abdominal pain, and inflammation and edema of the mucous membrane with patches of ulceration; a major underlying condition among the ostomate patient population
urostomy	A surgically created opening in the abdominal wall to divert urine to the exterior. This can be done by either diverting, using a part of the urinary tract or via a loop of the ileum
urostomy pouches	Ostomy pouches collecting urine only, and which possess a special valve or spout which adapts to either a leg bag or night drain tube for overnight urine collection
Versiva XC	ConvaTec proprietary “gelling” foam wound dressing utilising Hydrofiber Technology
WOC nurses.....	Wound, Ostomy, Continence nurses; specialized nurse population caring for ostomates who are highly influential in the initial ostomy pouch brand selection for users

Index to financial statements

Page

Consolidated Financial Statements of ConvaTec Healthcare B S.à r.l. and Subsidiaries (“CHB” or the “Successor”) and Financial Statements of ConvaTec (a division of Bristol-Meyers Squibb Company (the “Predecessor”)):

Unaudited Condensed Consolidated Financial Statements of CHB as of September 30, 2010 and December 31, 2009 and for the nine months ended September 30, 2010 and 2009

Condensed Consolidated Balance Sheets of CHB (unaudited) as of September 30, 2010 and December 31, 2009	F-2
Condensed Consolidated Statement of Earnings of CHB (unaudited) for the nine months ended September 30, 2010 and 2009.....	F-3
Condensed Consolidated Statement of Changes in Stockholder’s Deficit of CHB (unaudited) for the nine months ended September 30, 2010	F-4
Condensed Consolidated Statements of Cash Flows of CHB (unaudited) for the nine months ended September 30, 2010 and 2009.....	F-5
Notes to the Condensed Consolidated Financial Statements (unaudited).....	F-6

Audited Consolidated Financial Statements as of December 31, 2009 and 2008 and for the year ended December 31, 2009 and five months ended December 31, 2008 (Successor), for the seven months ended July 31, 2008 and for the year ended December 31, 2007 (Predecessor)

Independent Auditors’ Report.....	F-22
Consolidated Balance Sheets of CHB as of December 31, 2009 and 2008	F-23
Consolidated Statement of Earnings of CHB for the year ended December 31, 2009 and the five months ended December 31, 2008 and Statements of Earnings of the Predecessor for the seven months ended July 31, 2008 and for the year ended December 31, 2007.....	F-24
Consolidated Statement of Changes in Stockholder’s Deficit of CHB for the year ended December 31, 2009 and the five months ended December 31, 2008 and Statements of Changes in Divisional Equity of the Predecessor for the seven months ended July 31, 2008 and for the year ended December 31, 2007	F-25
Consolidated Statements of Cash Flows of CHB for the year ended December 31, 2009 and the five months ended December 31, 2008 and Statements of Cash Flows of the Predecessor for the seven months ended July 31, 2008 and for the year ended December 31, 2007	F-26
Notes to the Financial Statements	F-27

ConvaTec Healthcare B S.a.r.l.
and subsidiaries condensed consolidated balance sheets
(in millions, except share and per share data)
(unaudited)

	September 30, 2010	December 31, 2009
Assets		
Current Assets:		
Cash and cash equivalents	\$98.3	\$102.5
Receivables, net of allowances of \$23.1 in 2010 and \$28.4 in 2009	262.0	253.7
Inventories, net	221.7	202.9
Deferred income taxes, net of valuation allowances.....	24.7	44.8
Prepaid expenses and other current assets	24.6	12.0
Total Current Assets	631.3	615.9
Property, plant and equipment, net	326.6	338.7
Goodwill.....	987.0	1,081.3
Other intangible assets, net	2,374.5	2,501.3
Deferred income taxes, net of valuation allowances.....	17.3	81.1
U.S. and foreign income taxes receivable.....	8.6	—
Restricted cash	14.2	14.9
Other assets	85.9	94.5
Total Assets	\$4,445.4	\$4,727.7
Liabilities and Stockholder's Deficit		
Current Liabilities:		
Accounts payable.....	\$82.5	\$109.2
Short-term portion of long-term debt.....	156.2	87.2
Accrued expenses	86.4	110.0
Accrued compensation.....	41.4	39.2
Accrued rebates and returns.....	9.8	8.1
Deferred income taxes	12.9	9.3
U.S. and foreign income taxes payable.....	—	0.3
Total Current Liabilities	389.2	363.3
Long-term debt	2,532.8	2,661.6
Mandatorily redeemable preferred equity certificates	1,758.3	1,857.0
Deferred income taxes	256.5	303.2
Accrued preferred equity certificates interest	554.9	365.4
Other liabilities	121.4	126.8
Total Liabilities	5,613.1	5,677.3
Commitments and contingencies (Note 16)		
Stockholder's Deficit:		
Preferred stock—EUR 1 (\$1.25) par value as of September 30, 2010 and December 31, 2009; 20,000 shares issued and outstanding at September 30, 2010 and December 31, 2009	—	—
Common stock—EUR 1 (\$1.25) par value as of September 30, 2010 and December 31, 2009; 112,157,883 shares issued and outstanding at September 30, 2010 and December 31, 2009	140.7	140.7
Additional paid-in capital	—	—
Retained deficit	(1,444.8)	(1,137.4)
Accumulated other comprehensive income (net of tax)	136.4	47.1
Total Stockholder's Deficit	(1,167.7)	(949.6)
Total Liabilities and Stockholder's Deficit	\$4,445.4	\$4,727.7

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ConvaTec Healthcare B S.a.r.l.
and subsidiaries condensed consolidated
statements of earnings
(in millions)
(unaudited)

	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009
Net sales.....	\$1,116.9	\$1,108.8
Cost of goods sold	528.1	528.5
Gross profit	588.8	580.3
Selling and marketing expenses.....	279.2	261.9
General and administrative expenses.....	161.1	203.7
Research and development expenses	37.9	44.4
Operating income	110.6	70.3
Interest expense	372.2	373.6
Foreign exchange gain	(7.3)	(10.1)
Other expense (income), net	0.4	(0.8)
Loss before income taxes.....	(254.7)	(292.4)
Provision (benefit) for income taxes.....	52.7	(9.7)
Net loss	\$(307.4)	\$(282.7)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ConvaTec Healthcare B S.a.r.l.
and subsidiaries condensed consolidated statement of changes in
stockholder's deficit
(in millions, except share data)
(unaudited)

	<u>Preferred stock</u>		<u>Common stock</u>		<u>Retained deficit</u>	<u>Accumulated other comprehensive income</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
January 1, 2010	20,000	\$—	112,157,883	\$140.7	\$(1,137.4)	\$ 47.1	\$(949.6)
Net loss	—	—	—	—	(307.4)	—	(307.4)
Unrealized gains on cash flow hedges	—	—	—	—	—	7.6	7.6
Foreign currency translation, net of tax of \$1.1 million	—	—	—	—	—	81.7	81.7
September 30, 2010	20,000	\$—	112,157,883	\$140.7	\$(1,444.8)	\$136.4	\$(1,167.7)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ConvaTec Healthcare B S.a.r.l.
and subsidiaries condensed consolidated statements of cash flows
(in millions)
(unaudited)

	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009
Cash flows from operating activities:		
Net loss	\$(307.4)	\$(282.7)
Charges (credits) to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	28.0	27.1
Amortization	108.8	105.5
Non-cash interest expense	235.1	218.1
Deferred tax valuation allowance	100.8	46.2
Amortization of deferred financing fees	10.0	10.8
Change in operating assets and liabilities, net of businesses acquired:		
Receivables, net	(7.2)	(3.1)
Inventories, net	(22.5)	(18.4)
Prepaid expenses and other assets	(11.0)	(0.9)
Accounts payable and accrued expenses	(23.5)	(19.9)
Income taxes	(64.4)	(98.8)
Other liabilities	(1.8)	(5.2)
Other, net	(5.2)	18.9
Net cash (used in) provided by operating activities	39.7	(2.4)
Cash flows from investing activities		
Additions to property, plant and equipment and capitalized software	(34.8)	(53.7)
Proceeds from business divestitures	3.5	26.1
Other, net	3.4	(2.4)
Net cash used in investing activities	(27.9)	(30.0)
Cash flows from financing activities		
Debt borrowings	75.4	18.8
Debt repayments	(69.7)	(38.3)
Other, net	(10.0)	(0.3)
Net cash used in financing activities	(4.3)	(19.8)
Effect of exchange rate changes on cash and cash equivalents	(11.7)	11.3
Net change in cash and cash equivalents	(4.2)	(40.9)
Cash and cash equivalents at beginning of the period	102.5	170.9
Cash and cash equivalents at end of the period	\$98.3	\$130.0
Supplemental cash flow information		
Income taxes (received)/paid	\$(0.5)	\$39.5
Interest paid	133.3	123.6
Accrued capital expenditures included in accounts payable	0.3	—
Conversion of note payable to Parent	—	140.7

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ConvaTec Healthcare B S.a.r.l. and Subsidiaries

Notes to condensed consolidated financial statements

(unaudited)

1. Basis of presentation, initial capitalization, and business description

Basis of presentation and initial capitalization

On August 1, 2008, ConvaTec was acquired by Cidron Healthcare Limited, an entity owned by Nordic Capital and Avista Capital Partners (the “Equity Sponsors”), from Bristol Myers Squibb Company (“BMS”), for approximately \$4.1 billion (the “ConvaTec Acquisition”). In connection with the ConvaTec Acquisition, Cidron Healthcare Limited formed a wholly owned subsidiary, ConvaTec Healthcare A S.a.r.l. (the “Parent”). The Parent, a Luxembourg domiciled holding company, then incorporated a wholly owned subsidiary, ConvaTec Healthcare B S.a.r.l. (“CHB”). CHB, a Luxembourg domiciled holding company, incorporated sub-holding companies to purchase the net assets / shares of ConvaTec. CHB and subsidiaries are collectively referred to herein as “the Company”. The Condensed Consolidated Financial Statements of the Company do not include the accounts of Cidron Healthcare Limited or the Parent.

On September 2, 2008, a wholly owned subsidiary of the Company acquired the stock of Unomedical Holdings a/s (“Unomedical”) for approximately \$0.6 billion, (the “Unomedical Acquisition”). The ConvaTec Acquisition and the Unomedical Acquisition required the application of the purchase method of accounting under accounting principles generally accepted in the United States of America (“U.S. GAAP”).

In conjunction with the ConvaTec Acquisition and the Unomedical Acquisition, the Company issued Series 1, 2 and 3 mandatorily redeemable preferred equity certificates for an aggregate amount of EUR 1,289.7 million (\$2,026.7 million) to the Parent. See Note 12—Mandatorily Redeemable Preferred Equity Certificates for further discussion. Additionally in connection with the ConvaTec Acquisition and the Unomedical Acquisition, the Company borrowed EUR 112.1 million (\$176.2 million) from the Parent and such borrowings were subsequently converted to common stock of the Company in February 2009. The Company also entered into the Senior Facilities Agreement and the Mezzanine Facilities Agreement. In relation to these agreements, the ConvaTec Acquisition was financed by borrowings from third parties of \$2,045.6 million and the Unomedical Acquisition was financed by borrowings from third parties of \$377.6 million and debt assumed and refinanced of \$166.2 million. See Note 11—Long-Term Debt for further discussion.

These financial statements have been prepared in accordance with U.S. GAAP. All intercompany balances and transactions have been eliminated. The financial information for the nine months ended September 30, 2010 and 2009 has not been audited, but in the opinion of management all normal and recurring adjustments considered necessary to present fairly such information have been included. The operating results for the nine months ended September 30, 2010 and 2009 are not necessarily indicative of the results to be expected for the full year. These unaudited Condensed Consolidated Financial Statements and the related notes should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2009.

The preparation of financial statements requires the use of management estimates and assumptions that affect the amounts reported and the related disclosures. Estimates, by their nature, are based on judgments and available information. Accordingly, actual results could differ from those estimates.

Business description

The Company manufactures, distributes and sells ostomy, hospital care, electrodes, urology, infusion devices, and modern wound care and skin care products. Principal brands include Natura[®], SUR-FIT[®], Esteem[™], AQUACEL[®], DuoDERM[®], Versiva[®] XC[®], Flexi-Seal[®], and Unomedical. These products are marketed worldwide, primarily to hospitals, medical professionals, and medical suppliers. The Company relies on an internal sales force, and sales are made through various distributors around the world. The Company manufactures these products in the United States (“U.S.”), the United Kingdom (the “U.K.”), the Dominican Republic, Denmark, Australia, Slovakia, Mexico, Belarus, and Malaysia.

2. Accounting policies

Critical accounting policies are those that require application of management's subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Presented within the section entitled "Accounting Policies" of the Company's 2009 Audited Financial Statements are the Company's critical accounting policies that the Company believes require subjective and/or complex judgments that may have an impact on the financial statements, including the periods reported herein. Such critical accounting policies include revenue recognition, sales rebates, chargebacks and returns, inventory valuation, goodwill and other indefinite-lived intangible assets, impairment of long-lived assets, income taxes, financial instruments and loss contingencies. There have been no significant changes to the accounting policies disclosed in the 2009 Audited Financial Statements nor has there been any change to the Company's assessment of which accounting policies would be considered critical accounting policies.

Recently issued accounting standards

In April 2010, the FASB issued a standard entitled, *Revenue Recognition—Milestone Method: Milestone Method of Revenue Recognition*. This standard provides guidance on defining a milestone and determines when it may be appropriate to apply the milestone method of revenue recognition to research and development transactions. Research and development arrangements frequently include payment provisions where a portion or all of the consideration is contingent upon milestone events such as successful completion of phases or upon achieving specific results during research and development efforts. The guidance allows companies to recognize the consideration that is contingent upon achievement of a milestone, in its entirety as revenue in the period the milestone is achieved, only if the milestone meets specified criteria to be considered substantive. The guidance is effective for the annual reporting period beginning January 1, 2011. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In January 2010, the FASB issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in an active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuances, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The guidance will become effective for the reporting period beginning January 1, 2010, except for the disclosure on the roll forward activities for Level 3 fair value measurements, which will become effective for the reporting period beginning January 1, 2011. The Company adopted this guidance on January 1, 2010 and there was no impact on its consolidated financial statements.

In June 2009, the FASB issued a standard entitled, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140*. This standard was issued to enhance financial statement disclosure related to a transfer of financial assets, the effects of a transfer on its financial position, financial performance, and cash flows, and a transferor's continuing involvement, if any, in the transferred financial assets. Among other items, the provision removes the concept of a qualifying special-purpose entity and provides clarification in determining whether a transferor and all of the entities included in the transferor's financial statements being presented have surrendered control over transferred financial assets. The Company adopted this guidance on January 1, 2010 and there was no impact on its consolidated financial statements.

In June 2009, the FASB issued a standard entitled, *Amending FASB interpretation No. 46(R)* ("FIN No. 46(R)"). This new standard provides guidance in determining whether an enterprise has a controlling financial interest in a variable interest entity. This determination identifies the primary beneficiary of a variable interest entity as the enterprise that has both the power to direct the activities of a variable interest entity that most significantly impacts the entity's economic performance and the obligation to absorb losses or the right to receive benefits of the entity that could potentially be significant to the variable interest entity. Further, this new standard requires ongoing reassessments of whether an enterprise is the primary beneficiary and eliminates the quantitative approach previously required for determining the primary beneficiary. The Company adopted this guidance on January 1, 2010 and there was no impact on its consolidated financial statements.

3. Comprehensive loss

Comprehensive loss considers net loss and the other comprehensive income components which include unrealized gains and losses from foreign currency translation and cash flow hedges. Foreign currency translation amounts are shown net of tax.

Comprehensive loss is summarized as follows:

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Net loss	\$(307.4)	\$(282.7)
Unrealized gains (losses) on cash flow hedges	7.6	(6.8)
Foreign currency translation, net of tax	81.7	(48.8)
Total comprehensive loss.....	\$(218.1)	\$(338.3)

4. Divestitures

In July 2010, the Company completed the divestiture of its Brazil business to Boston Med Device International, LLC. Proceeds from the sale totaled \$1.0 million which resulted in a loss of \$1.0 million.

In April 2010, the Company completed the divestiture of its Unomedical Custom Procedure Packs business to Paul Hartmann Pty Limited. Proceeds from the sale totaled \$0.9 million which resulted in a loss of \$3.5 million.

On February 27, 2009, the Company completed the divestiture of the Unomedical Wound Care and Ophthalmic business to Aspen Surgical Products Holding, Inc. for \$22.3 million (the "Unomedical U.K. Wound Care Sale"). The Unomedical U.K. Wound Care Sale was a requirement of the European Commission following the acquisition of Unomedical by the Company. Under the terms of the agreement, the Unomedical U.K. Wound Care Sale included the entire Unomedical Wound Care and Ophthalmic business, including all personnel and the continued use of the facilities in Redditch, U.K. Net proceeds from the Unomedical U.K. Wound Care Sale were used to prepay borrowings outstanding under the Senior Facilities Agreement. The sale resulted in a net gain of \$2.4 million, of which \$1.6 million was recorded during the nine months ended September 30, 2010 and \$0.8 million was recorded during the nine months ended September 30, 2009.

Net losses and gains from the Company's divestitures are reported within other (income) expense, net in the Condensed Consolidated Statement of Earnings for the nine months ended September 30, 2010 and 2009.

5. Related parties

In accordance with the ConvaTec Acquisition, the Parent entered into an agreement with the Equity Sponsors (the "Management Agreement"), whereby the Equity Sponsors provide certain management advisory services. For services rendered by the Equity Sponsors, an annual fee of \$3.0 million is payable in equal quarterly installments. The Company pays the fees connected to the Management Agreement to the Equity Sponsors on behalf of the Parent. The accompanying Condensed Consolidated Balance Sheets include a receivable from the Parent recorded in other assets in the amount of \$7.6 million and \$4.7 million as of September 30, 2010 and December 31, 2009, respectively.

6. Restructuring

2010 activities

In June 2010, the Company announced a global restructuring program to reduce its cost structure, increase efficiency, and enhance competitiveness. As part of the global restructuring program, the Company expects to eliminate employee positions across the Company by the end of 2010. The Company is also making greater use of resources, centralizing common activities, and consolidating and streamlining its operations, which will result in additional cost savings.

In addition, the Company's manufacturing division is further focusing its capabilities on plant rationalization. This program includes eliminating employee positions, re-engineering manufacturing capacity, and movement of machinery from certain manufacturing locations to other locations.

During the nine months ended September 30, 2010, the Company recorded pre-tax charges of \$14.2 million in termination benefits for workforce reductions. Costs related to reductions in global manufacturing operations totaled \$6.5 million. Costs related to sales and marketing, general and administrative and research and development workforce reductions totaled \$3.8 million, \$3.0 million and \$0.9 million, respectively. The Company expects to substantially complete these projects by the end of 2010.

2009 activities

During the nine months ended September 30, 2009, the Company recorded pre-tax charges of \$2.9 million in termination benefits for workforce reductions. Costs related to reductions in global manufacturing operations and general and administrative workforce reductions totaled \$3.0 million and \$0.2 million, respectively. These charges were decreased by \$0.3 million of adjustments reflecting changes in assumptions for restructuring actions taken in prior periods. The Company expects to substantially complete these projects by the end of 2010.

Roll-forward

Restructuring charges and spending against liabilities associated with prior and current actions are as follows:

	Employee termination liability
Balance as of December 31, 2009.....	\$3.0
Charges	14.2
Spending	(12.5)
Changes in estimate	—
Balance as of September 30, 2010.....	\$4.7

Liabilities above are included in Accrued expenses in the accompanying Condensed Consolidated Balance Sheets.

7. Income taxes

The Company conducts business in various countries throughout the world and is subject to tax in numerous jurisdictions. As a result of its business activities, the Company files a significant number of tax returns that are subject to examination by various federal, state and local tax authorities. Accordingly, management must determine the appropriate allocation of income to each of these jurisdictions based on current interpretations of complex income tax regulations.

The Company's effective tax rate for each of the nine months ended September 30, 2010 and 2009 was (20.7)% and 3.3%, respectively. These rates deviate from the U.S. Statutory rate of 35% primarily as a result of unfavorable permanent adjustments for valuation allowances recorded in connection with deferred tax assets in Luxembourg and the United States ("U.S.") that are not likely to be realized; along with various permanent adjustments including uncertain tax positions and differences in foreign income tax rates. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers projected future taxable income and tax planning strategies in making this assessment. At present, the Company does not have a sufficient history of income to conclude that it is more-likely-than-not that the Company will be able to realize all of its tax benefits in the near future. Accordingly, the Company has increased its valuation allowance by \$100.8 million as of September 30, 2010. A valuation allowance will be maintained until sufficient positive evidence exists to support the reversal of any portion or all of the valuation.

As of September 30, 2010, the total amount of the liability for unrecognized tax benefits was \$25.3 million along with \$2.5 million of accrued interest and penalties. As of December 31, 2009, the liability for unrecognized tax benefits was \$21.8 million along with \$4.1 million of accrued interest and penalties. The Company does not anticipate any material changes to its unrecognized tax benefits that will be settled within the next twelve months.

8. Inventories

The major categories of inventories follow:

	September 30, 2010	December 31, 2009
Finished goods	\$143.3	\$131.7
Work in process	30.2	24.2
Raw and packaging materials.....	48.2	47.0
Inventories, net.....	\$221.7	\$202.9

9. Goodwill

The following is a summary of the change in goodwill in total:

	Total
Balance as of December 31, 2009.....	\$1,081.3
Adjustments to goodwill acquired in prior periods.....	(3.9)
Changes in foreign exchange rates	(90.4)
Balance as of September 30, 2010.....	\$987.0

During the first nine months of 2010, adjustments were made to goodwill acquired in prior periods in relation to the ConvaTec Acquisition. The adjustments reduced the goodwill balance primarily for BMS indemnification reimbursements.

The Company performs its annual impairment test associated with goodwill in the fourth quarter of each year, or more frequently if required. See the 2009 Audited Financial Statements Note 2—Accounting Policies—Goodwill and Other Intangible Assets regarding the testing process for further details. Also see Note 15—Fair Value Measurements herein for a further discussion on the methods used in determining fair value as well as circumstances leading to the recognition of a \$277.3 million goodwill impairment loss in the fourth quarter of 2009. The Company had not recorded any impairments in goodwill prior to the fourth quarter of 2009 and there were no impairments recorded in the nine months ended September 30, 2010.

10. Other intangible assets

As of September 30, 2010 and December 31, 2009, other intangible assets consisted of the following:

September 30, 2010	Weighted average useful life	Cost	Accumulated amortization	Net
Amortized Intangible Assets:				
Patents/Trademarks	18 years	\$2,008.0	\$(241.7)	\$1,766.3
Technology	18 years	229.8	(29.0)	200.8
Capitalized Software	8 years	76.2	(19.1)	57.1
Contracts/customer relationships	15 years	113.6	(16.1)	97.5
Non-compete agreement	2 years	0.5	(0.5)	—
Unamortized Intangible Assets:				
Trade Names		252.8	—	252.8
Total intangibles assets		\$2,680.9	\$(306.4)	\$2,374.5
<hr/>				
December 31, 2009	Weighted average useful life	Cost	Accumulated amortization	Net
Amortized Intangible Assets:				
Patents/Trademarks	18 years	\$2,018.3	\$(158.5)	\$1,859.8
Technology	18 years	236.2	(19.5)	216.7
Capitalized Software	5 years	72.3	(11.2)	61.1
Contracts/customer relationships	15 years	120.1	(10.6)	109.5
Non-compete agreement	2 years	0.5	(0.2)	0.3
Unamortized Intangible Assets:				
Trade Names		253.9	—	253.9
Total intangibles assets		\$2,701.3	\$(200.0)	\$2,501.3

Capitalized interest included in Capitalized Software amounted to \$1.9 million for the year ended December 31, 2009, while no interest was capitalized in this account during the nine months ended September 30, 2010. The Company begins depreciating these amounts when the assets are placed in service.

Foreign currency translation resulted in a decrease of \$24.9 million for the nine months ended September 30, 2010 and an increase of \$71.9 million for the year ended December 31, 2009, in the gross carrying amount of intangible assets.

Amortization expense for other intangible assets for the nine months ended September 30, 2010 was \$108.8 million, of which \$100.8 million was recorded in Cost of goods sold, \$7.3 million was recorded in General and administrative expenses, \$0.4 million was recorded in Selling and marketing expenses, and \$0.3 million was recorded in Research and development expenses in the Condensed Consolidated Statement of Earnings. Amortization expense for other intangible assets for the nine months ended September 30, 2009 was \$105.5 million, of which \$102.3 million was recorded in Cost of goods sold, and \$3.2 million was recorded in General and administrative expenses in the Condensed Consolidated Statement of Earnings.

11. Long-term debt

Long-term debt consisted of:

	September 30, 2010	December 31, 2009
Senior Facilities Agreement:		
Term Loan Facilities	\$1,632.1	\$1,745.5
Capex Credit Facility	75.4	74.0
Revolving Credit Facility	54.9	—
Mezzanine Facilities Agreement:		
Term Loans	926.3	928.7
Capital Lease Obligations	0.3	0.6
Total Debt	2,689.0	2,748.8
Less: Current Portion of Long-Term Debt	(156.2)	(87.2)
Total Long-Term Debt	\$2,532.8	\$2,661.6

The Company entered into the Senior Facilities Agreement and the Mezzanine Facilities Agreement, as amended and restated in July 2008, the borrowings of which were used to fund the ConvaTec Acquisition and the Unomedical Acquisition, including fees and expenses, and to refinance all of the Unomedical debt obligations under its then existing bank agreement. The Company has incurred fees of \$29.2 million and EUR 51.1 million (\$73.5 million) in connection with the issuance of these borrowings, which have been capitalized as deferred financing fees and are being amortized to interest expense over the terms of the underlying borrowings under the effective interest method. The unamortized deferred financing fees totaled \$73.5 million and \$85.8 million as of September 30, 2010 and December 31, 2009, respectively, and are included in Other Assets in the accompanying Condensed Consolidated Balance Sheets. Total amortization expense amounted to \$10.0 million and \$10.8 million during the nine months ended September 30, 2010 and 2009, respectively.

The Senior Facilities Agreement

The Senior Facilities Agreement consists of (i) a consortium of term loans (the “Term Loan Facilities”), (ii) a capital expansion facility (the “Capex Facility”) due in annual installments of 16.66% of the total principal balance beginning December 31, 2011, with the remaining balance due August 1, 2014 and (iii) a revolving credit facility due 2014 (the “Revolving Credit Facility”) (collectively, the “Senior Facilities”). The Senior Facilities Agreement also allows for a lender to commit to future funding under an acquisition facility (the “Acquisition Facility”), for which any borrowings outstanding would be due in annual installments of 16.66% beginning December 31, 2011, with the balance due August 1, 2014.

The Term Loan Facilities consist of (i) facility A, comprised of U.S. Dollar and Euro term facilities, payable in escalating, semi-annual installments of 1.75% of the total principal balance beginning June 30, 2009, increasing to 8.00% on December 31, 2013, with the balance due 2014, (ii) a Euro denominated facility B due 2015, and (iii) facility C, comprised of U.S. Dollar and Euro term facilities, due 2016. Borrowings outstanding under the Term Loan Facilities denominated in U.S. Dollars and Euros are \$639.1 million and EUR 728.4 million (\$993 million) at September 30, 2010, and \$674.0 million and EUR 744.1 million (\$1,071.5 million) at December 31, 2009.

The Capex Facility is used for permitted capital expenditures and provides for availability through August 1, 2011. Based on a total commitment of EUR 65.7 million (\$89.5 million at September 30, 2010) and EUR 65.9 million (\$94.9 million at

December 31, 2009), availability under the Capex Facility amounted to \$14.1 million and \$20.9 million at September 30, 2010 and December 31, 2009, respectively.

The Revolving Credit Facility of EUR 82.4 million (\$112.4 million and \$118.6 million at September 30, 2010 and December 31, 2009, respectively) is available through its maturity date in certain currencies at the borrower's option and is used to provide for ongoing working capital requirements, letters of credit, and general corporate purposes of the Company. The Company may, at its option, establish bilateral Ancillary Credit Facilities with Lenders as permitted under the terms of the Senior Facilities Agreement. If an Ancillary Facility is established, it reduces the total credit commitment amount available under the Revolving Credit Facility by a like amount. In 2009, the Company established two Ancillary Credit facilities, which were comprised of a EUR 11 million (\$15.0 million and \$15.8 million as of September 30, 2010 and December 31, 2009, respectively) facility to support the cash management and credit needs for the Nordic region and a EUR 3.7 million (\$5.1 million and \$5.3 million as of September 30, 2010 and December 31, 2009) facility to support treasury related services for the Company's global operations. As a result, the total remaining credit commitment under the Revolving Credit Facility was EUR 67.7 million (\$92.3 million) as of September 30, 2010 and EUR 67.7 million (\$97.5 million) as of December 31, 2009. Letters of credit outstanding under the revolving credit facility and related ancillary credit facilities totaled \$9.4 million and \$5.4 million at September 30, 2010 and December 31, 2009, respectively. Availability as of September 30, 2010 amounted to \$48.1 million, after deducting both the outstanding letters of credit amount of \$9.4 million and amounts withdrawn of \$54.9 million. Availability as of December 31, 2009 amounted to \$113.2 million, after deducting the outstanding letters of credit amount of \$5.4 million.

Borrowings under the Senior Facilities Agreement bear interest at either a Euro (EURIBOR) or U.S. Dollar (LIBOR) base rate, consistent with the denomination of the borrowings, plus an applicable margin ranging from 3.00% to 4.25%, subject to reductions upon achievement of a certain leverage ratio. The weighted average interest rate for borrowings under the Senior Facilities Agreement was 4.01% and 4.35% at September 30, 2010 and December 31, 2009, respectively. These interest rates do not reflect the impact of the Company's interest rate swap agreements. As discussed in Note 14—Financial Instruments, the Company utilizes derivative financial instruments to minimize its exposure to the fluctuations in interest rates. The Senior Facilities Agreement requires the Company to pay commitment fees equal to 0.75% per annum on the available commitment for the following periods: (i) from June 27, 2008 through September 1, 2011 for the Capex Facility and (ii) from June 27, 2008 through a month prior to the maturity date of the Revolving Credit Facility. Commitment fees would apply to the Acquisition Facility from the initial date of the lender's commitment notice up to September 1, 2011. The revolving credit commitment may be used for cash borrowings or the issuance of letters of credit/guarantees. The Company paid a fronting fee to the letter of credit issuing bank in the amount of 0.125% of the notional amount of the letter of credit, payable in arrears, which was changed to a range of 0.25% to 0.50% in May 2010.

Borrowings under the Senior Facilities may be prepaid during certain periods without premium or penalty. Amounts under the Revolving Credit Facility may be borrowed, repaid and re-borrowed until the applicable maturity date, whereas other loans do not allow for re-borrowings once borrowings are repaid. Prepayments are applied to loans outstanding on a pro rata basis in accordance with the terms of the Senior Facilities Agreement, with the exception of facility A for which the Company may opt to apply prepayments to future installments payable. Borrowings under the Senior Facilities Agreement are secured by substantially all of the Company's assets.

The Mezzanine Facilities Agreement

The Mezzanine Facilities Agreement consists of \$220.0 million and EUR 448.2 (\$611.1 million and \$645.4 million at September 30, 2010 and December 31, 2009, respectively) million term loans (the "U.S. Dollar Term Loan" and the "Euro Term Loan", respectively) due 2017 (collectively, the "Mezzanine Facilities"). Borrowings outstanding, including capitalized paid-in-kind accrued interest, under the Mezzanine Facilities denominated in U.S. Dollars and Euros were \$244.4 million and EUR 500.1 million (\$681.9 million) as of September 30, 2010, and \$235.3 million and EUR 481.6 million (\$693.4 million), as of December 31, 2009. Borrowings under the Mezzanine Facilities Agreement bear interest at either a Euro (EURIBOR) or U.S. Dollar (LIBOR) base rate, consistent with the denomination of the borrowings, plus 4.50%. Interest shall also accrue on a compounding basis on borrowings equal to a paid-in-kind margin of 5.00% per annum, payable upon maturity. The applicable interest rate for borrowings under the Mezzanine Facilities Agreement was 10.03% and 10.39% at September 30, 2010 and December 31, 2009, respectively.

After all obligations are repaid under the Senior Facilities Agreement, the Mezzanine Facilities may be prepaid and are subject to a premium or penalty if prepayments are made prior to June 27, 2012. If prepaid, the Mezzanine Facilities Agreement does not allow for re-borrowings. Prepayments are applied to loans outstanding on a pro rata basis in accordance with the terms of the Mezzanine Facilities Agreement. The Mezzanine Facilities are secured by a second priority interest in substantially all of the Company's assets.

Borrowings and commitments under the Senior Facilities and the Mezzanine Facilities (after all obligations are repaid under the Senior Facilities Agreement) are subject to mandatory prepayment under specified circumstances, including 100% of the net proceeds arising from the sale of substantially all of the Company's business or assets, including an initial public offering, 100% of the proceeds from certain asset dispositions that are not reinvested, 100% of the receipt of certain insurance proceeds, 100% of the net proceeds from the sale of the Unomedical Wound Care business (as defined) in the United Kingdom and 50% of excess cash flow (as defined), subject to reductions depending upon the achievement of a leverage ratio.

The Senior Facilities Agreement and the Mezzanine Facilities Agreement contemplate a proportion of the funds borrowed being on-lent to the main operating companies in the Company. Repayments of these loans are permitted, unless a default would occur as a result of making the repayment. It is the Company's intention that certain on-lending arrangements are of a long-term-investment nature. In addition, any flow of funds from the Company to its Parent is not permitted, with the exception of management fees and other approved expenses, prior to the full repayment of borrowings under the Senior Facilities and the Mezzanine Facilities.

Accrued interest related to the Senior Facilities Agreement and the Mezzanine Facilities Agreement was \$15.0 million and \$14.0 million as of September 30, 2010 and December 31, 2009, respectively, and is recorded in Accrued expenses. Consolidated interest expense associated with the Company's outstanding debt obligations was \$165.3 million and \$167.7 million for the nine months ended September 30, 2010 and 2009, respectively.

The Company's borrowing arrangements contain a number of financial and non-financial covenants. The more significant financial covenants require a maximum leverage ratio (as defined), a minimum interest coverage ratio (as defined), a minimum cash flow coverage ratio (as defined) and a limitation on capital expenditures. The Company was in compliance with all financial covenants as of September 30, 2010 and December 31, 2009.

The aggregate maturities of debt including the Company's capital lease obligations as of September 30, 2010 are as follows:

Years Ending December 31,	
2010	\$108.0
2011	109.0
2012	135.2
2013	135.2
2014	267.6
2015	379.5
Thereafter.....	<u>1,554.5</u>
Total.....	\$2,689.0

12. Mandatorily redeemable preferred equity certificates

In conjunction with the ConvaTec Acquisition and the Unomedical Acquisition and related transactions, the Company issued Series 1, 2 and 3 preferred equity certificates ("PECs") for an aggregate amount of EUR 1,289.7 million (\$2,026.7 million) to the Parent. The PECs are mandatorily redeemable by the Company in 2057 or upon liquidation (which entails voluntary or involuntary liquidation, insolvency, dissolution, or winding up of the affairs of the company), or the Company has the option to voluntarily redeem any or all of the PECs, into cash, equity shares, new PECs or property that have an aggregate fair market value equal to the face value plus accrued unpaid dividends. The Company shall also redeem part or all of the PECs, if prior to the maturity date, part or all of the amounts that the Company lent to a subsidiary from the proceeds of these PECs are paid back by the subsidiary. If only part of the intercompany obligation is paid back by the subsidiary, then the PECs will be redeemed at an amount equal to lesser of (a) the pro rata portion of nominal principal and yield used to finance that portion of the subsidiary's obligation, or, (b) the maximum portion of these PECs that may be prepaid from the net proceeds from the subsidiary. The PECs can only be redeemed to the extent the Company will not become insolvent after making such payment. The PECs have been classified as debt as the PEC holders control a majority of the board of directors and, therefore, control the redemption rights. Further, under Luxembourg law the PECs, as structured, are considered debt instruments.

PECs have priority over the common and preferred stock in the distribution of dividends and are entitled to a dividend equivalent ranging from approximately 13% to 14% of the par value per annum on a cumulative basis. Total dividends accrued at September 30, 2010 and December 31, 2009 amounted to \$554.9 million and \$365.4 million, respectively, which are classified as Accrued preferred equity certificates interest in the accompanying Consolidated Balance Sheets. Total

dividends expensed during the nine months ended September 30, 2010 and 2009 were \$201.7 million and \$184.3 million, respectively, which were classified as Interest expense in the accompanying Condensed Consolidated Statements of Earnings. PECs are subordinate to borrowings under the Senior Facilities Agreement and the Mezzanine Facilities Agreement as well as present and future obligations of the Company whether secured or unsecured. The holders of the PECs do not have voting rights in respect to the Company by reason of ownership of the PECs. The Series 3 PECs cannot be transferred without prior consent of the Company or pursuant to the Company's third party debt agreements.

13. Employee stock benefit plans

The Company's Parent grants stock-based compensation to employees under the Annual Equity Program ("AEP"), the Management Executive Plan ("MEP") and the Management Incentive Plan ("MIP"). Additional information regarding these plans is provided below.

Annual Equity Program

The AEP allows for the issuance of units ("AEP Units") to employees for shares of common stock. The Company's Parent is authorized to grant up to 1.0 million AEP Units to purchase common stock under the AEP, representing 2.0% of the common stock in the Company's Parent. AEP Units are granted at the allocable fair market value of a share of stock on the date of grant and vest upon a liquidity event.

Management Executive Plan

The MEP, allows for the issuance of units ("MEP Units") by the Company's Parent to employees for shares of common stock in the Parent. The Company's Parent is authorized to grant up to 1.0 million MEP Units to purchase common stock under the MEP, representing 8.0% of the common stock in the Company's Parent. MEP Units are granted at the allocable fair market value of a share of stock on the date of grant and vest over five years or upon a liquidity event.

Management Incentive Plan

The MIP allows for the issuance of units ("MIP Units") to employees for common stock and PECs of the Company's Parent. The Company's Parent is authorized to grant up to 3.0 million MIP Units under the Plan, representing 0.3% of the common stock and 0.4% of the PECs in the Company's Parent. MIP Units are granted at the allocable fair market value of a share of stock or PECs on the date of grant and vest upon a liquidity event.

During the first nine months of 2010 a minimal amount of MEP units were granted and no AEP and MIP units were granted. The Company recognized total compensation expense for all plans of \$2.0 million and \$2.9 million for the nine months ended September 30, 2010 and 2009, respectively.

14. Financial instruments

In connection with the Company's risk management strategy, the Company enters into interest rate agreements with major financial institutions for other than trading purposes to reduce the impact of exchange rate and/or interest rate fluctuations related to debt payments.

Interest rate risk

In August 2008, the Company entered into an interest rate swap (the "Euro Interest Rate Swap"), whereby the Company pays its counterparties fixed interest rates ranging from 5.08% to 5.12% on a notional amount of EUR 800.0 million (\$1,117.0 million at December 31, 2008) through 2011. In exchange, the Company receives a floating interest rate of 3-month EURIBOR on an equivalent notional amount. The Euro Interest Rate Swap is recorded at fair value either as an asset or liability. Prior to February 2009, changes in the fair value of the swap, which was not designated as a hedging instrument, were recognized in Interest expense in the accompanying Condensed Consolidated Statements of Earnings.

In September 2008, the Company entered into an interest rate swap (the "U.S. Dollar Interest Rate Swap"), whereby the Company pays its counterparties fixed interest rates ranging from 3.29% to 3.33% on a notional amount of \$400.0 million through 2011. In exchange, the Company receives a floating interest rate of 3-month U.S. Dollar LIBOR on an equivalent notional amount. The U.S. Dollar Interest Rate Swap is recorded at fair value either as an asset or liability. Prior to February

2009, changes in the fair value of the swap, which was not designated as a hedging instrument, were recognized in Interest expense in the accompanying Condensed Consolidated Statements of Earnings.

The Euro Interest Rate Swap contains an option to extend the termination date (the “Euro Swaption”) whereby the Company would pay its counterparties fixed interest rates ranging from 5.08% to 5.12% on an aggregate notional amount of EUR 600.0 million from 2011 through 2012. In exchange the Company would receive a floating interest rate of 3-month EURIBOR on an equivalent notional amount. The Euro Swaptions are recorded at fair value either as an asset or a liability. Prior to February 2009, changes in the fair value of the swaption, which was not designated as a hedging instrument, were recognized in Interest expense in the accompanying Condensed Consolidated Statements of Earnings.

In February 2009, the Company amended the Euro Interest Rate Swap and the U.S. Dollar Interest Rate Swap to include one-month intervals on the interest reset dates. Based on the amended terms, the Company pays its counterparties fixed interest rates ranging from 4.92% to 5.00% on the Euro Interest Rate Swap and from 3.19% to 3.23% on the U.S. Dollar Interest Rate Swap. The Euro Interest Rate Swaption rates were amended in conjunction with the Euro Interest Rate Swap. All other terms remained unchanged. In conjunction with the amendment, the Company designated the Euro Interest Rate Swap, the Euro Interest Rate Swaption, and the U.S. Dollar Interest Rate Swap as qualifying hedging instruments. Subsequent to designating the aforementioned qualifying hedging instruments, changes in their respective fair values were recognized in AOCI, for the effective portion, and recorded in the Condensed Consolidated Statement of Earnings for the ineffective portion.

In September 2009, the Company entered into an additional interest rate swap to hedge an incremental amount of its U.S. Dollar denominated debt, whereby the Company pays its counterparties a fixed interest rate of 1.34% on a notional amount of \$225.0 million through January 1, 2012. In exchange, the Company receives a floating interest rate of 1-month U.S. Dollar LIBOR on an equivalent notional amount. The swap is recorded at fair value either as an asset or liability. The Company designated the swap as a qualifying hedging instrument; therefore, changes in the fair value were recognized in AOCI, for the effective portion, and recorded in the Condensed Consolidated Statement of Earnings for the ineffective portion.

In September 2009, the Company entered into an additional interest rate swap to hedge an incremental amount of its Euro denominated debt, whereby the Company pays its counterparties a fixed interest rate of 1.39% on a notional amount of EUR 150.0 million through January 1, 2012. In exchange, the Company receives a floating interest rate of 1-month EURIBOR on an equivalent notional amount. The swap is recorded at fair value either as an asset or liability. The Company designated the swap as a qualifying hedging instrument; therefore, changes in the fair value were recognized in AOCI, for the effective portion, and recorded in the Consolidated Statement of Earnings for the ineffective portion.

If the overall fair value of the financial instruments were determined to be in an asset position, the Company would be exposed to credit-related losses in the event of nonperformance by the counterparties that issued the Euro Interest Rate Swap, the U.S. Dollar Interest Rate Swap, and the Euro Swaption. The Company does not expect that these counterparties will fail to meet their obligations, given their high credit ratings. The Company generally does not require collateral on derivative instruments due to the credit rating of its counterparties.

The following table provides the fair value and balance sheet location of the Company’s derivative instruments as of September 30, 2010 and December 31, 2009:

Derivatives designated as hedging instruments:	Balance sheet location	Asset derivatives		Liability derivatives	
		Fair value as of:		Fair value as of:	
		September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
Interest Rate Swaps.....	Other assets and other liabilities	\$—	\$0.7	\$70.2	\$92.7

The following table provides the gains and losses reported in AOCI within Equity for the nine months ended September 30, 2010 and 2009:

Derivatives In cash flow hedging relationships:	Amount of gain or (loss) recognized in AOCI on derivatives and other financial instruments (effective portion)	
	Nine months ended September 30, 2010	Nine months ended September 30, 2009
	Interest Rate Swaps.....	\$7.6

In the nine months ended September 30, 2010 and 2009, no gains or losses were reclassified from AOCI into income.

The following table provides the gains and losses reported in the Condensed Consolidated Statements of Earnings for the nine months ended September 30, 2010 and 2009:

	Amount of gain or (loss) recognized in income on derivatives		Location of gain or (loss) recognized in income on derivatives
	Nine months ended September 30, 2010	Nine months ended September 30, 2009	
Derivatives not designated as hedging instruments:			
Interest Rate Swaps.....	\$8.6	\$(7.6)	Interest Expense

15. Fair value measurements

The Company applies the guidance related to fair value measurements for its financial assets and financial liabilities reported or disclosed at fair value. In addition, the Company applies certain provisions of the standard relating to its non-financial assets and liabilities recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

The Company's financial instruments and the methods used to determine fair value consist of the following:

- Cash and cash equivalents, receivables, accounts payable and certain accrued expenses—Carrying amounts approximate fair value due to the short-term maturities of these assets and liabilities.
- Long-term debt—The carrying value approximates its fair value due to the variability in the instruments' stated interest rate which fluctuates with the market.
- Preferred equity certificates—Carrying amounts approximate fair value due to the holders' ability to redeem the instruments at face value at issuance.

To increase consistency and comparability in fair value measures, the accounting standard relating to fair value measurements established a three-level fair value hierarchy to prioritize inputs used in valuation techniques between observable inputs that reflect quoted prices in active markets, inputs other than quoted market prices with observable market data, and unobservable data (e.g., the company's own data). The guidance requires disclosures detailing the extent to which companies' measure assets and liabilities at fair value, the methods and assumptions used to measure fair value and the effect of fair value measurements on earnings. Accordingly, the Company has applied the following valuation techniques to measure fair value:

- | | | |
|---------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | — | Quoted market prices in active markets for identical assets or liabilities |
| Level 2 | — | Significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs) |
| Level 3 | — | Unobservable inputs in which there is a little or no market data, which require the reporting entity to develop its own assumptions |

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis:

	Total	Recurring fair value measurements		
		Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
September 30, 2010				
<i>Liabilities</i>				
Interest Rate Swaps.....	\$70.2	\$—	\$70.2	\$—
December 31, 2009				
<i>Assets</i>				
Interest Rate Swaps.....	\$0.7	\$—	\$0.7	\$—
<i>Liabilities</i>				
Interest Rate Swaps.....	\$92.7	\$—	\$92.7	\$—

Derivative financial instruments are recorded at fair value in the Company's Condensed Consolidated Balance Sheets. The fair values of derivatives are based on quoted market prices from various banks for similar instruments. The valuation of these instruments reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs. In addition, fair values of the instruments consider credit risk of either the Company or the derivative counterparty.

There were no non-recurring fair value measurements during the nine months ended September 30, 2010.

The following table summarizes those assets and liabilities measured at fair value on a non-recurring basis as of December 31, 2009:

December 31, 2009	As of December 31, 2009	Non-recurring fair value measurements			Total gains (losses)
		Level 1	Level 2	Level 3	
<i>Assets:</i>					
Long-lived assets held and used	\$2,840.0	\$—	\$—	\$2,840.0	\$(4.3)
Goodwill	1,081.3	—	—	1,081.3	(277.3)
Total gains (losses)					\$(281.6)

Nonrecurring fair value measurements consist of goodwill and long-lived assets held and used. Goodwill is tested for possible impairment as of the beginning of the fourth quarter of each year. During the fourth quarter of 2009, management concluded that the carrying values of goodwill exceeded the respective fair value and, accordingly, recorded an impairment charge totaling \$277.3 million to write down goodwill to its fair value.

The goodwill nonrecurring fair value measurements were developed using significant unobservable inputs (Level 3). For goodwill, the primary valuation technique used was an income methodology based on management's estimates of forecasted cash flows for each reporting unit, with those cash flows discounted to present value using rates commensurate with the risks of those cash flows. In addition, management used a market-based valuation method involving analysis of market multiples of revenues and earnings before interest, taxes, depreciation and amortization ("EBITDA") for a group of comparable companies. Assumptions used by management were similar to those that would be used by market participants performing valuations of these reporting units.

Additionally, as part of the second step of the goodwill impairment analysis, the Company allocated the reporting unit fair value to all assets and liabilities as if the reporting unit had been acquired in a business combination at the date of the impairment test. A significant part of this step included the allocation of fair value to intangible assets using both the relief-from-royalty method and the multi-period excess earnings method, both of which are forms of the income approach. The fair value of an asset is derived from the relief-from-royalty method by discounting the value of the related forecasted royalty revenues using a royalty rate that an independent party would pay for use of that asset. Conversely, the fair value of an asset is derived from the multi-period excess earnings method by discounting the future estimated cash flows resulting from projected revenues and related costs of that asset.

For trade name intangible assets, management used the income-based relief-from-royalty valuation method in which fair value is the discounted value of forecasted royalty revenues arising from a trade name using a royalty rate that an independent party would pay for use of that trademark. Assumptions used by management were similar to those that would be used by market participants performing valuations of these assets.

Long-lived assets held and used with a carrying amount of \$2,840.0 million were written down to their fair value, resulting in an impairment charge of \$4.3 million, which was recorded within cost of goods sold for the year ended December 31, 2009. The impairment charge related to the relocation of Hundested, Denmark manufacturing operations to the existing manufacturing facility in Michalovce, Slovakia. Upon ceasing manufacturing operations in Hundested, Denmark during 2009, the expectation was that, more likely than not, the building would be sold or disposed of significantly before its previously estimated useful life. In determining the fair value of the building, management took into consideration quoted market prices and internal undiscounted cash flow estimates. For real estate, cash flow estimates are based on current market conditions and projected real estate sales. These assets are generally included in Level 3.

16. Commitments and contingencies

Post closing relationships with BMS

BMS has agreed to indemnify Cidron Healthcare Limited, the Parent, the Company and the Company's affiliates (collectively the "indemnified parties") for breaches of representations, warranties and covenants made by BMS, as well as for other specified matters, certain of which are described below. Cidron Healthcare Limited and the Company have agreed to indemnify BMS for breaches of representations, warranties and covenants made in the purchase agreement, as well as for certain other specified matters. Generally, all parties' indemnification obligations with respect to breaches of representations and warranties (except with respect to the matters described below) (i) are subject to up to a \$0.1 million to \$0.3 million occurrence threshold (depending on the type of claim), (ii) are not effective until the aggregate amount of losses suffered by the indemnified party exceeds up to \$40.8 million (and then only for the amount of losses exceeding \$61.2 million) and (iii) are limited to \$408.0 million of recovery. Generally, subject to certain exceptions of greater duration, the parties' indemnification obligations with respect to representations and warranties expired August 1, 2009, with the exception of those ConvaTec entities where the Company purchased stock, for which the parties' indemnification obligations with respect to representations and warranties will survive until August 1, 2013.

In connection with the ConvaTec Acquisition, the Company's ConvaTec operations entered into a master transition services agreement (the "Transition Agreement") with BMS, pursuant to which BMS would provide certain services to the Company's ConvaTec operations for different periods of time generally not exceeding 18 months from the closing of the ConvaTec Acquisition, renewable or terminable upon mutual agreement between the Company and BMS. Termination of the Transition Agreement was communicated on December 31, 2009 and was effective February 1, 2010. The termination occurred upon the mutual agreement of both BMS and ConvaTec with no termination penalties assessed.

Costs for services provided under the Transition Agreement varied based on the type of services provided and increased over the term of the agreement. Transition services included financial systems support, general accounting services, transaction processing services, warehousing and logistics services, and office occupancy and facilities services. In addition, BMS temporarily distributed products on the Company's behalf in certain markets in which the Company had not completed the legal registration process to distribute products in the market. Under the terms of the Transition Agreement, the Company had agreed to indemnify BMS and its affiliates from third party claims resulting from BMS or its affiliates providing (or failing to provide) these services, other than third party claims arising out of gross negligence or willful misconduct by BMS. In addition, BMS had agreed to indemnify the Company and its affiliates from any third party claims relating to gross negligence or willful misconduct on the part of BMS in performing these services. There were no indemnification expenses paid by either party in relation to the Transition Agreement. The expenses incurred by ConvaTec for Transition Agreement services were \$4.3 million and \$54.2 million for the nine months ended September 30, 2010 and 2009, respectively. The expenses are included in general and administrative expenses in the accompanying Condensed Consolidated Statements of Earnings.

Legal proceedings

In accordance with the accounting guidance related to Contingencies, the Company records accruals for loss contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. Legal costs related to litigation matters are expensed as incurred.

In the ordinary course of business, the Company is subject to various legal proceedings and claims, including, for example, product liability matters, environmental matters, employment disputes, disputes on agreements and other commercial disputes. In addition, the Company operates in an industry susceptible to patent legal claims. At any given time, in the ordinary course of business, the Company may be involved as either a plaintiff or defendant in patent infringement actions. If a third party's patent infringement claim were to be determined against the Company, the Company might be required to make significant royalty or other payments or might be subject to an injunction or other limitation on its ability to manufacture or distribute one or more products. If a patent owned by or licensed to the Company were to be determined to be invalid or unenforceable, the Company might be required to reduce the value of the patent on the Company's Consolidated Balance Sheet and to record a corresponding charge, which could be significant in amount. There are various lawsuits, claims, proceedings and investigations which are currently pending involving the Company.

The most significant of the Company's legal matters are described below.

Kinetic Concepts, Inc. (KCI), et al. vs. ConvaTec Inc., Boehringer Wound Systems, LLC and Boehringer Technologies, LP

This matter is in regards to alleged patent infringement, based upon the marketing and sale of the Boehringer Engenex[®] Negative Pressure Wound Therapy System, licensed to the Company in December 2008. The Company has the responsibility of defense of the action under the licensing agreement with Boehringer, subject to provisions of the agreement regarding the sharing of costs and liability and providing deductibles and caps upon certain Boehringer liabilities.

The Company and Boehringer take the position that the Engenex[®] device is patentably distinct from the KCI device and, therefore, that it does not infringe KCI patents, and/or that the KCI patents are not valid and enforceable. A vigorous defense is being provided. A claims construction or “Markman” hearing was conducted on June 2-3, 2010; disclaimer arguments made by defendants did not result in case dismissal. An appeal of the Markman ruling to Federal Circuit Court is intended. Two of the KCI patents in question were recently (October 19, 2010) found invalid in collateral patent litigation of KCI and Smith & Nephew, plc. That decision may be appealed and may have the effect of staying the ConvaTec litigation until the validity issue is settled. Trial of the matter, should it be required, is not anticipated to occur before the third quarter of 2011. The Company cannot reasonably estimate the nature or amount of monetary or other sanctions, if any, that might be imposed as a result of this matter.

Unomedical Australia environmental matter

Unomedical employed an ethylene oxide (ETO) sterilization process at its Mona Vale, Australia manufacturing site for the period November, 2002 through July, 2007. Following a government inspection in November of 2006, a report was rendered in May of 2007 suggesting that the ground level concentrations of ETO exceeded ambient levels. In July of 2007, Unomedical was asked to reduce the amount of sterilization cycles performed on site and then to cease ETO sterilization. It immediately complied and thereafter installed an abatement system designed to prevent any further discharges. Nevertheless, a criminal charge was filed against Unomedical under section 128(2) of the Australia Protection of the Environment Operations Act of 1997, contending a “failure to implement all practicable means as may have been necessary to prevent or minimize air pollution”. A plea of “Not Guilty” to the charge was entered on December 19, 2008. Non-jury hearing of the matter was conducted from June 29, 2009 through July 17, 2009. A judgment of “guilty” of the charged offense was returned on October 11, 2010 by the Australia Land and Environment Court. We do not expect the total costs and fines related to this matter to be material.

Medtronic recall of certain Unomedical produced infusion device sets

Unomedical a/s supplies Medtronic MiniMed, Inc. (Medtronic) with Quickset[®] infusion sets and proprietary connectors for use with Medtronic insulin infusion pumps in diabetes care. On July 7, 2009, Medtronic determined it would recall certain of these products due to potential malfunction. Effective October 2009, Unomedical a/s and Medtronic entered into a letter of understanding which provides for the allocation between them of costs and expenses incurred by Medtronic as a direct result of the recall and for expenses which Medtronic has incurred or may in the future incur as a result of present or future product liability claims relating to the Quickset[®] infusion sets. An amendment to the original letter of understanding was signed in June 2010. With respect to the Medtronic costs of recall, Unomedical agreed to pay an amount not to exceed \$22.5 million over a period of three years, in quarterly payments commencing January 1, 2010. In the event actual Medtronic recall costs exceed or are less than the current estimate, the recall costs will be adjusted at a “true-up” date within sixty (60) days after Unomedical a/s makes the final payment under the amended letter of understanding. With respect to Medtronic product liability costs, Unomedical a/s has agreed to reimburse Medtronic for the first \$5 million, or such lesser quantity of product liability costs as may be incurred and paid by Medtronic. In the event Medtronic product liability costs exceed \$5 million, Unomedical a/s has agreed to reimburse Medtronic for thirty-three percent (33%) of the costs incurred and paid by Medtronic in excess of \$5 million. As of September 30, 2010, the Company received invoices for product liability costs of \$0.2 million. The amended letter of understanding is a complete release and discharge of any claims of Medtronic and Unomedical a/s against each other relating to the subject matter of the recall. Unomedical a/s remains responsible for its own costs related to the recall and for its own potential product liability claims; no such product liability claims have yet been received. The accompanying Condensed Consolidated Balance Sheets include a liability for the Medtronic recall in the amount of \$15.6 million and \$12.0 million as of September 30, 2010 and December 31, 2009, respectively.

In addition to the matters discussed above, the Company is also involved in other claims and legal proceedings. The Company believes that it has adequately accrued for all legal matters or, for matters not requiring accrual, believes that it will not have a material adverse impact on the results of operations, financial position or cash flows based on information currently available. However, litigation is inherently unpredictable and, although the Company believes that its accruals are adequate and/or that it has valid defenses in these matters, unfavorable resolutions could occur, which could adversely impact

the Company's results of operations or cash flows in a particular reporting period. In addition, based on the information available currently, the Company does not believe that any of these proceedings and claims would have a material adverse effect on its business, results of operations, financial condition and/or liquidity.

Environmental proceedings

The Company is a party to proceedings and other matters under various state, Federal and foreign environmental laws, and from time to time incurs the costs of investigating and/or remediating contamination resulting from past industrial activity at current or former company sites, or at waste disposal or reprocessing facilities operated by third parties.

With respect to Environmental matters for which the Company is responsible under various state, Federal and foreign laws, the Company typically estimates potential costs based on information obtained from the U.S. Environmental Protection Agency (EPA), or counterpart state agency and/or studies prepared by independent consultants, including total estimated costs for the site and the expected cost-sharing, if any, with other "potentially responsible parties", and the Company accrues liabilities when they are probable and reasonably estimable. As of September 30, 2010 and December 31, 2009, the estimated total future costs for the sites listed below is considered minimal.

Rhymney

The Rhymney, South Wales site received a warning letter in March of 2006 from the UK Environmental Authority noting exceedences of certain permit parameters for water effluent. The site maintained an open dialogue with the Environmental Authority while the Company engineered a solution based on reduced process emissions. The site has implemented the solution and ceased all process water discharges.

Dominican Republic

The Haina, Dominican Republic site has an environmental permit which transferred with the purchase of the site from Nypro in 2007, as well as associated requirements for the monitoring of septic system discharges and emergency generators emissions. In 2007 and 2008, sampling results were reported to the Department of Natural Resources (the "Department") that were outside the established regulatory limits for these operations. The site petitioned the Department to discontinue septic monitoring requirements based on the lack of industrial discharges to those systems. The site has received verbal concurrence from the Department on this matter and is awaiting formal response to its request. With regard to diesel generators, the site has made certain modifications to covered units and re-sampled for all regulatory parameters. Analytical results show compliance with all regulatory parameters and subject information was forwarded to the Department.

Herlev, Denmark

Nineteen (19) underground storage tanks (USTs) were previously removed from Unomedical's Papyro-TEX operations site. Residual oil and solvent contamination from some leaking USTs (all now removed) is present on-site, but reported to be in some cases under buildings where remediation access is not possible. In-situ bio-ventilation/remediation of oil and di-2-ethylhexylphthalate (DEHP) is currently on-going at the site. It was reported that the previous regulatory authority, *Kobenhavns AMT* (the Greater Copenhagen Authority), confirmed that the residual contamination did not represent an environmental risk and in 2001 *Kobenhavns AMT* provided a written statement to Papyro-TEX stating that the site would not be listed as contaminated as long as the in-situ remediation continues until cleanup criteria are met. However, subsequent ground contamination legislation yielded soil quality criteria (contamination thresholds) which are more stringent than previous legislation. Region Hovedstaden corresponded with the site to report that they were planning to list parts of the site as contaminated under the Contaminated Land Legislation. In August 2010 the site responded back to Region Hovedstaden countering that listing parts of the site as contaminated would not be accurate as all available data was not considered. The site's response does recognize that there probably is contamination left under some of the building but also that it poses no environmental threat. A response from Region Hovedstaden is pending.

Mona Vale, Australia

The Unomedical Mona Vale site operates a sterilization unit under a license from the New South Wales Department of Environment, Climate Change, and Water (DECCW) which requires annual stack emissions monitoring. In February 2010, as part of the normal procedures for conducting this monitoring, the site observed higher than expected stack emissions and took a voluntary action of shutting the sterilization unit down until routine preventative maintenance can be completed and retesting verifies that stack emissions are within permitted limits. The site took immediate action to notify DECCW of these

actions and is awaiting their response. Prior to the completion of the divestiture of the Unomedical Custom Procedure Packs business in April 2010, the site formally decommissioned the sterilizer and rescinded the license to operate.

17. Subsequent events

The Company has evaluated subsequent events through December 3, 2010, the date the financial statements were available to be issued.

Independent auditors' report

To the Board of Directors of ConvaTec Healthcare B S.a.r.l.
Luxembourg

We have audited the accompanying consolidated balance sheet of ConvaTec Healthcare B S.a.r.l. and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of earnings, changes in stockholder's deficit, and cash flows for the year ended December 31, 2009 and five months from August 1, 2008 (commencement of operations) to December 31, 2008. We have also audited the statements of earnings, changes in divisional equity, and cash flows of ConvaTec (the "Predecessor") for the seven months from January 1, 2008 to July 31, 2008, and for the year ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Neither the Company nor the Predecessor is required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Predecessor's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2009 and 2008, and the consolidated results of the Company's operations and cash flows for the year ended December 31, 2009 and five months from August 1, 2008 to December 31, 2008, the results of the Predecessor's operations and cash flows for the seven months from January 1, 2008 to July 31, 2008, and for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 20 to the financial statements, through July 31, 2008 the Predecessor was a division of Bristol-Myers Squibb Company and following the sale of the Predecessor to the Company, it continued to enter into transactions with Bristol-Myers Squibb Company.

As discussed in Note 2 to the financial statements, the financial statements of the Predecessor include allocations of expenses from Bristol-Myers Squibb Company. These allocations may not be reflective of the actual level of costs or debt which would have been incurred had the Predecessor operated as a separate entity apart from Bristol-Myers Squibb Company.

/s/ Deloitte & Touche LLP

New York, New York
April 28, 2010

ConvaTec Healthcare B S.a.r.l.
and subsidiaries consolidated balance sheet
(in millions, except share and per share data)

	December 31, 2009	December 31, 2008
Assets		
Current Assets:		
Cash and cash equivalents	\$102.5	\$170.9
Receivables, net of allowances of \$28.4 in 2009 and \$33.7 in 2008	253.7	260.2
Inventories, net	202.9	184.1
Deferred income taxes, net of valuation allowances.....	44.8	68.7
Prepaid expenses and other current assets	12.0	15.4
Total Current Assets	615.9	699.3
Property, plant and equipment, net	338.7	326.3
Goodwill	1,081.3	1,350.8
Other intangible assets, net	2,501.3	2,537.7
Deferred income taxes, net of valuation allowances.....	81.1	183.0
Restricted cash	14.9	4.6
Receivables from Parent.....	4.7	—
Other assets	89.8	109.0
Total Assets	\$4,727.7	\$5,210.7
Liabilities and Stockholder's Deficit		
Current Liabilities:		
Accounts payable.....	\$109.2	\$155.7
Short-term portion of long-term debt.....	87.2	53.0
Accrued expenses	110.0	80.0
Accrued compensation.....	39.2	42.2
Accrued rebates and returns.....	8.1	8.9
Deferred income taxes	9.3	34.6
U.S. and foreign income taxes payable.....	0.3	20.4
Notes payable to Parent	—	156.6
Total Current Liabilities	363.3	551.4
Long-term debt	2,661.6	2,628.5
Mandatorily redeemable preferred equity certificates	1,857.0	1,800.9
Deferred income taxes	303.2	445.7
Accrued preferred equity certificates interest	365.4	99.8
Other liabilities	126.8	114.0
Total Liabilities	5,677.3	5,640.3
Commitments and contingencies (Note 20)		
Stockholder's Deficit:		
Preferred stock—EUR 1 (\$1.25) par value as of December 31, 2009 and EUR 50 (\$78.00) par value as of December 31, 2008; 20,000 and 400 shares issued and outstanding at December 31, 2009 and 2008, respectively	—	—
Common stock—EUR 1 (\$1.25) par value as of December 31, 2009 and EUR 50 (\$78.00) par value as of December 31, 2008; 112,157,883 and 250 shares issued and outstanding at December 31, 2009 and 2008, respectively	140.7	—
Additional paid-in capital	—	0.6
Retained deficit.....	(1,137.4)	(478.9)
Accumulated other comprehensive income (net of tax)	47.1	48.7
Total Stockholder's Deficit	(949.6)	(429.6)
Total Liabilities and Stockholder's Deficit	\$4,727.7	\$5,210.7

The accompanying notes are an integral part of these financial statements.

ConvaTec Healthcare B S.a.r.l.
and subsidiaries consolidated statements of earnings
and the predecessor statements of earnings
(in millions)

	The Company		The Predecessor	
	For the year ended December 31, 2009	For the five months ended December 31, 2008	For the seven months ended July 31, 2008	For the year ended December 31, 2007
Net sales.....	\$1,527.3	631.4	\$727.4	\$1,157.0
Cost of goods sold	734.2	454.7	218.6	349.7
Gross profit	793.1	176.7	508.8	807.3
Selling, general and administrative.....	642.2	254.6	304.2	441.3
Research and development expenses	60.2	37.7	33.1	56.6
Acquired in-process research and development.....	—	184.3	—	—
Goodwill Impairment.....	277.3	—	—	—
Operating income (loss)	(186.6)	(299.9)	171.5	309.4
Interest expense	503.7	292.0	7.6	12.5
Foreign exchange (gain) loss	1.9	(21.6)	3.5	2.3
Other (income) expense, net	(1.2)	(1.3)	(2.3)	0.1
(Loss)/earnings before income taxes	(691.0)	(569.0)	162.7	294.5
(Benefit)/provision for income taxes	(32.5)	(90.1)	58.7	115.6
Net (loss) earnings	\$(658.5)	\$(478.9)	\$104.0	\$178.9

The accompanying notes are an integral part of these financial statements.

ConvaTec Healthcare B S.a.r.l.
and subsidiaries consolidated statements of changes in stockholder's
deficit and the predecessor statements of changes in divisional equity
(in millions, except share data)

	Preferred stock		Common stock		Additional paid-in capital	Parent's investment	Retained deficit	Accumulated other comprehensive income	Total	Comprehensive income (loss)
	Shares	Amount	Shares	Amount						
The Predecessor										
January 1, 2007	—	\$—	—	\$—	\$—	\$374.0	\$—	\$9.7	\$383.7	
Comprehensive income:										
Net earnings	—	—	—	—	—	178.9	—	—	178.9	\$178.9
Foreign currency translation, net of tax of \$0.1	—	—	—	—	—	—	—	2.8	2.8	2.8
Total comprehensive income.....										\$181.7
Transfer to Bristol-Myers										
Squibb, net.....	—	—	—	—	—	(170.4)	—	—	(170.4)	
December 31, 2007	—	\$—	—	\$—	\$—	\$382.5	\$—	\$12.5	\$395.0	
Comprehensive income:										
Net earnings	—	—	—	—	—	104.0	—	—	104.0	\$104.0
Foreign currency translation, net of tax of \$3.1	—	—	—	—	—	—	—	4.3	4.3	4.3
Total comprehensive income.....										\$108.3
Transfer to Bristol-Myers										
Squibb, net.....	—	—	—	—	—	141.7	—	—	141.7	
July 31, 2008	—	\$—	—	\$—	\$—	\$628.2	\$—	\$16.8	\$645.0	
The Company										
August 1, 2008										
Incorporation of the										
Company	400	\$—	250	\$—	\$—	\$—	\$—	\$—	\$—	
Comprehensive loss:										
Net loss	—	—	—	—	—	—	(478.9)	—	(478.9)	\$(478.9)
Foreign currency translation, net of tax of \$21.2	—	—	—	—	—	—	—	48.7	48.7	48.7
Total comprehensive loss										\$(430.2)
Other	—	—	—	—	0.6	—	—	—	0.6	
December 31, 2008	400	\$—	250	\$—	\$0.6	\$—	\$(478.9)	\$48.7	\$(429.6)	
Conversion of note payable to										
Parent	—	\$—	112,145,383	\$140.7	\$—	\$—	\$—	\$—	\$140.7	
Increase in shares due to reduction in par value.....	19,600	—	12,250	—	—	—	—	—	—	
Comprehensive loss:										
Net loss	—	—	—	—	—	—	(658.5)	—	(658.5)	\$(658.5)
Unrealized gains (losses) on cash flow hedges	—	—	—	—	—	—	—	4.9	4.9	4.9
Foreign currency translation, net of tax of \$1.5	—	—	—	—	—	—	—	(6.5)	(6.5)	(6.5)
Total comprehensive loss										\$(660.1)
Other	—	—	—	—	(0.6)	—	—	—	(0.6)	
December 31, 2009	20,000	\$—	112,157,883	\$140.7	\$—	\$—	\$(1,137.4)	\$47.1	\$(949.6)	

The accompanying notes are an integral part of these financial statements.

ConvaTec Healthcare B S.a.r.l.
and subsidiaries consolidated statements of cash flows
and the predecessor statements of cash flows
(in millions)

	The Company		The Predecessor	
	For the year ended December 31, 2009	For the five months ended December 31, 2008	For the seven months ended July 31, 2008	For the year ended December 31, 2007
Cash flows from operating activities:				
Net (loss) earnings	\$(658.5)	\$(478.9)	\$104.0	\$178.9
Charges (credits) to reconcile net (loss) earnings to net cash (used in) provided by operating activities:				
Depreciation.....	38.5	12.5	11.3	19.9
Amortization.....	141.4	55.5	1.1	3.9
Acquired in-process research and development.....	—	184.3	—	—
Deferred income tax (benefit)/expense	(60.4)	(115.2)	2.9	(0.2)
Impairment and write off of property, plant and equipment	4.3	—	0.7	1.0
Unrealized losses on derivative contracts	7.6	126.5	—	—
Unrealized foreign exchange net gain on third party debt	(3.2)	(41.5)	—	—
Non-cash interest expense	297.8	116.8	—	—
Amortization of deferred financing fees	14.3	6.4	—	—
Stock compensation.....	2.3	0.6	—	—
Cost of goods sold on acquired inventory step-up.....	—	169.8	—	—
Litigation costs.....	13.3	—	—	—
Goodwill impairment charge.....	277.3	—	—	—
Restructuring and other charges	4.2	3.3	—	—
Change in operating assets and liabilities, net of businesses acquired:				
Receivables, net	12.6	(52.4)	(14.2)	11.1
Inventories, net	(4.1)	(9.0)	(4.0)	(20.1)
Prepaid expenses and other assets.....	(3.4)	(4.0)	(1.3)	0.9
Accounts payable and accrued expenses.....	(60.9)	(0.9)	25.7	17.7
Accrued interest	13.4	0.6	—	—
Other liabilities	7.2	1.9	0.2	3.7
U.S. and foreign income taxes payable.....	(19.1)	(9.2)	(12.0)	0.2
Receivable from parent.....	(4.7)	—	—	—
Other, net	(4.0)	0.7	—	(0.5)
Net cash (used in) provided by operating activities	15.9	(32.2)	114.4	216.5
Cash flows from investing activities				
Purchase of businesses, net of cash acquired	(7.6)	(2,442.0)	—	(21.7)
Post-closing working capital adjustment.....	10.0	—	—	—
Additions to property, plant and equipment and capitalized software	(74.7)	(32.1)	(37.5)	(21.0)
Proceeds from sale of plant and equipment.....	—	0.8	0.3	3.2
Investment in restricted cash	(10.3)	(4.6)	—	—
Proceeds from business divestitures.....	26.4	2.6	—	—
Additions to intangibles.....	(2.4)	(30.0)	—	—
Other, net	(1.0)	—	—	—
Net cash used in investing activities	(59.6)	(2,505.3)	(37.2)	(39.5)
Cash flows from financing activities				
Long-term debt (repayments to)/borrowings from Bristol-Myers Squibb	—	—	(172.6)	—
Debt borrowings from third parties.....	29.2	545.7	—	—
Debt repayments to third parties.....	(61.8)	(51.1)	—	—
Borrowings under notes payable to Parent.....	—	176.2	—	—
Borrowings under preferred equity certificates.....	—	2,026.7	—	—
Transfers from (to) Bristol-Myers Squibb.....	—	—	141.7	(170.4)
Other, net	0.1	(0.5)	—	—
Net cash provided by (used in) financing activities.....	(32.5)	2,697.0	(30.9)	(170.4)
Effect of exchange rate changes on cash and cash equivalents.....				
	7.8	(28.4)	(6.5)	(6.6)
Net change in cash and cash equivalents.....	(68.4)	131.1	39.8	—
Cash and cash equivalents at beginning of the period....	170.9	39.8	—	—
Cash and cash equivalents at end of the period.....	\$102.5	\$170.9	\$39.8	\$—
Supplemental cash flow information				
Income taxes paid	\$49.8	\$19.5	\$70.4	\$117.9
Interest paid	172.9	86.3	15.0	2.8
Accrued capital expenditures included in accounts payable.....	3.1	—	6.4	11.1
Conversion of note payable to Parent (See Note 15)	140.7	—	—	—
Non-cash debt borrowings in connection with ConvaTec and Unomedical acquisitions (See Note 3).....	—	2,211.8	—	—

The accompanying notes are an integral part of these financial statements.

ConvaTec Healthcare B S.a.r.l. and subsidiaries and the predecessor Notes to the financial statements

1. Basis of presentation and business description

Basis of presentation

On August 1, 2008, ConvaTec (“ConvaTec” or the “Predecessor”), formerly a division of Bristol-Myers Squibb Company (“BMS”), was acquired by Cidron Healthcare Limited, a newly formed company organized by Nordic Capital and Avista Capital Partners (the “Equity Sponsors”), pursuant to a purchase agreement dated May 2, 2008 (the “Acquisition Agreement”) for approximately \$4,103.0 million in cash, net of estimated closing adjustments (the “ConvaTec Acquisition”). In connection with the ConvaTec Acquisition, Cidron Healthcare Limited formed a wholly owned subsidiary named Cidron Healthcare A S.a.r.l., whose legal name was later changed in April 2009 to ConvaTec Healthcare A S.a.r.l. (Cidron Healthcare A S.a.r.l. and subsequently ConvaTec Healthcare A S.a.r.l. are hereinafter referred to as the “Parent”). The Parent, a Luxembourg domiciled holding company then incorporated a wholly owned subsidiary, named Cidron Healthcare B S.a.r.l., whose legal name was later changed in April 2009 to ConvaTec Healthcare B S.a.r.l. (Cidron Healthcare B S.a.r.l. and subsequently ConvaTec Healthcare B S.a.r.l. are hereinafter referred to as “CHB”) CHB, a Luxembourg domiciled holding company, incorporated sub-holding companies to purchase the net assets / shares of ConvaTec. CHB and subsidiaries are collectively referred to herein as “the Company”. The consolidated financial statements of the Company do not include the accounts of Cidron Healthcare Limited or the Parent. As discussed in Note 3—Acquisitions, the ConvaTec Acquisition required the application of the purchase method of accounting under accounting principles generally accepted in the United States of America (“U.S. GAAP”).

As a result of the ConvaTec Acquisition, the historical financial statements are separated into predecessor and successor periods. Predecessor refers to ConvaTec prior to August 1, 2008. Successor refers to the Company beginning August 1, 2008 and thereafter. For more detailed information regarding the Company’s and Predecessor’s consolidation policies, please refer to Note 2—Accounting Policies.

These financial statements have been prepared in accordance with U.S. GAAP. All amounts are stated in millions of dollars, unless otherwise stated.

Effective December 31, 2009, the Company adopted *The FASB Accounting Standards Codification (ASC or Codification) and the Hierarchy of Generally Accepted Accounting Principles (GAAP)* which establishes the Codification as the sole source for authoritative U.S. GAAP and will supersede all accounting standards in U.S. GAAP, aside from those issued by the Securities and Exchange Commission (“SEC”). Rules and interpretive releases of the SEC, under the authority of federal securities laws, will remain sources of authoritative U.S. GAAP for SEC registrants. All other accounting literature not included in the codification will become non-authoritative. As a result of the adoption of the ASC, the Company’s consolidated financial statements and related disclosures will no longer make specific reference to Statement of Financial Accounting Standards (SFAS) or other U.S. GAAP pronouncements.

Business description

The Company manufactures, distributes and sells ostomy, hospital care, electrodes, urology, infusion devices, and modern wound care and skin care products. Principal brands include Natura[®], SUR-FIT[®], Esteem[™], AQUACEL[®], DuoDERM[®], Versiva[®] XC[®], Flexi-Seal[®], and Unomedical. These products are marketed worldwide, primarily to hospitals, medical professionals, and medical suppliers. The Company relies on an internal sales force, and sales are made through various distributors around the world. The Company manufactures these products in the United States (“U.S.”), the United Kingdom (the “U.K.”), the Dominican Republic, Denmark, Australia, Slovakia, Mexico, Belarus, and Malaysia.

2. Accounting policies

Basis of consolidation

The consolidated financial statements include all subsidiaries controlled by the Company. The Predecessor financial statements include the accounts of ConvaTec on a carve-out basis. All intercompany balances and transactions within the Company and intra-division balances and transactions within ConvaTec have been eliminated.

Certain reclassifications of the Successor's 2008 amounts have been made for consistent presentation with 2009.

BMS allocations to predecessor

The Predecessor financial statements presented include the operating results and cash flows of ConvaTec, prepared on a carve-out basis using the historical results of the operations of ConvaTec. The Predecessor financial statements have been derived from the consolidated financial statements and accounting records of BMS, principally from statements and records representing the ConvaTec business.

The Predecessor Statements of Earnings also include expense allocations for certain functions historically provided by BMS, including market host expenses and general corporate expenses related to corporate functions such as finance, legal, information technology, human resources, shared services and employee benefits and incentives, including pension and other post retirement benefits and stock-based compensation arrangements. The allocations are primarily based on specific identification and the relative percentage of ConvaTec net sales and headcount to the total BMS comparable consolidated net sales and headcount. These allocations are primarily reflected in selling, general and administrative expenses in the Predecessor Statements of Earnings. Total expense allocations amounted to \$52.3 million and \$84.5 million on a pre-tax basis for the seven months ended July 31, 2008 and the year ended December 31, 2007 respectively. ConvaTec and BMS considered these allocations to be a reasonable reflection of the utilization of services provided or benefits received. The allocations may not, however, reflected the expense ConvaTec would have incurred as a stand-alone company. Actual costs that may have been incurred if ConvaTec had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology systems and infrastructure. Following the separation from BMS, the Company began incurring general corporate expenses using internal resources or purchased services, certain of which have been provided by BMS during a transitional period pursuant to a transition services agreement (see Note 20—Commitments and Contingencies—Post Closing Relationships with BMS).

Interest expense in the Predecessor's Statements of Earnings reflects interest cost related to specific net borrowings in the form of a promissory note to BMS for which an interest rate and repayment terms are specified. Because the promissory note is the only debt allocated to ConvaTec and BMS has not allocated a portion of its external debt to ConvaTec, interest expense recorded by ConvaTec may not have reflected the interest expense incurred for external debt as if it were a stand-alone company.

Use of estimates

Preparing financial statements in conformity with U.S. GAAP requires management to make certain estimations and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the financial statements and the reported amounts of revenues and expenses. Also, certain amounts in the Predecessor financial statements have been allocated in a way that management believes is reasonable and consistent in order to depict the historical financial position, results of operations and cash flows of ConvaTec on a carve-out basis. Actual results could differ materially from those estimates.

The most significant assumptions are employed in estimates used in acquisition purchase price allocations, determining values of intangible assets, restructuring charges and accruals, sales rebates / chargebacks and return accruals, legal contingencies, tax assets and tax liabilities, stock-based compensation costs, retirement and postretirement benefits (including the actuarial assumptions), as well as in estimates used in applying the revenue recognition policy. Estimates by their nature are based on judgment and available information at the time; as such, actual results may differ from estimated results.

Revenue recognition

Revenue is recognized in accordance with applicable revenue recognition guidance. The Company's revenues are derived from sales of products and are recognized when substantially all the risks and rewards of ownership have transferred to the customer. Generally, products are insured through delivery and revenue is recognized upon the date of receipt by the customer. Contractual terms with the customer also determine the timing of revenue recognition, as revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed and determinable, and collectibility is reasonably assured. Revenues are reduced at the time of recognition to reflect expected returns and chargebacks that are estimated based on historical experience and business trends. Additionally, provisions are made at the time of revenue recognition for discounts, rebates and estimated sales allowances based on historical experience updated for changes in facts and circumstances, as appropriate. Such provisions are recorded as a reduction of revenue.

Sales rebates, chargebacks and return accruals

Sales rebates and discounts were \$6.6 million and \$7.2 million at December 31, 2009 and 2008, respectively. Additionally, sales return accruals were \$1.5 million and \$1.7 million at December 31, 2009 and 2008, respectively. Accruals for sales rebates and discounts, as well as for sales returns, were established in the same period the related revenue was recognized, resulting in a reduction to sales and the establishment of a liability for amounts unpaid, which have been included in "Accrued rebates and returns" in the accompanying consolidated Balance Sheets. An accrual is recorded based on an estimate of the proportion of recorded revenue that will result in a rebate or return. Prime vendor chargebacks are also established in a similar manner and are recorded as a reduction to accounts receivable and were \$23.1 million and \$24.3 million at December 31, 2009 and 2008, respectively.

Income taxes

The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax bases of the assets and liabilities. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax attributes are expected to be recovered or paid, and are adjusted for changes in tax rates and tax laws when changes are enacted.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. The assessment of whether or not a valuation allowance is required often requires significant judgment including the long-range forecast of future taxable income and the evaluation of tax planning strategies. Adjustments to the deferred tax valuation allowances are made to earnings in the period when such assessments are made.

In July 2006, the Financial Accounting Standards Board ("FASB") issued accounting guidance which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The Company evaluates all tax positions using a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Differences between tax positions taken in a tax return and amounts recognized in the financial statements are recorded as adjustments to income taxes payable or receivable, or adjustments to deferred taxes, or both. The Predecessor adopted this guidance on January 1, 2007. In May 2007, the FASB issued accounting guidance which indicates how to determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The adoption of this guidance did not have any impact on the Predecessor's financial statements. The Company continues to apply the principles of all of the aforementioned guidance.

Cash and cash equivalents

All liquid investments with original maturities of three months or less are considered cash equivalents.

BMS used a centralized approach to cash management and financing of operations. Therefore, no separate cash or cash equivalent accounts for ConvaTec were maintained in the Predecessor's financial statements and BMS funded the Predecessor's operating and investing activities as needed. Transfers of available cash both to and from BMS's cash management system are reflected in the Predecessor financial statements as a component of Divisional Equity.

Restricted cash

There is a requirement, in certain instances, to set aside cash for guarantees on the payment of value added taxes, custom duties on imports, tender programs, and vehicle/office leases by financial institutions on the Company's behalf. This cash restriction took effect beginning August 2008. In 2009, the Company entered into a new agreement with a financial institution, which required EUR 8 million (\$11.5 million) in collateral for use of the institution's payment processing facility. Total restricted balances were \$14.9 million and \$4.6 million at December 31, 2009 and 2008, respectively and are classified separately within the accompanying consolidated Balance Sheets.

Accounts receivable

Accounts receivable consist of amounts billed and currently due from customers. An allowance for doubtful accounts is maintained for estimated losses that result from the failure or inability of customers to make required payments. In determining the allowance, consideration includes the probability of recoverability based on past experience and general economic factors. Certain accounts receivable may be fully reserved when specific collection issues are known to exist, such as pending bankruptcy. The analysis of receivable recoverability is monitored and the bad debt allowances are adjusted accordingly.

Concentration of credit risk

Financial instruments that potentially expose the Company to credit risk consist primarily of cash and cash equivalents and accounts receivable, which are generally not collateralized or factored. The only exception applies to the Company's and Predecessor's operations in Italy, which through a non-recourse factoring agreement, certain accounts receivable are transferred to an unrelated third party. See Note 8—Receivables for further details.

The Company sells its products primarily through an internal sales force and sales are made through various distributors around the world. No single customer accounted for 10% or more of total sales for the year ended December 31, 2009 and five months ended December 31, 2008, the seven months ended July 31, 2008 and the year ended December 31, 2007. Credit risk with respect to accounts receivable is generally diversified due to the large dispersion of customers across many different industries and geographies. Exposure to credit risk is managed through credit approvals, credit limits and monitoring procedures. The Company's business involves large customers and if one or more of those customers were to default in its obligations under applicable contractual arrangements, the Company could be exposed to potentially significant losses. However, management believes that its customers have a stable financial condition and the reserves for potential losses are adequate.

Inventory valuation

Inventories are stated at the lower of cost or market with the cost principally determined using an average cost method.

Capital assets and depreciation

Expenditures for additions, renewals and improvements are capitalized at cost. Replacements of major units of property are capitalized and replaced properties are retired. Replacements of minor components of property and repair and maintenance costs are charged to expense as incurred. Depreciation is generally computed on a straight-line method based on the estimated useful lives of the related assets. The estimated useful lives of the major classes of depreciable assets are 50 years for buildings, 40 years for building equipment and depreciable land improvements, 5 to 20 years for machinery and equipment, 15 years for furniture and fixtures, and 3 to 5 years for computer equipment.

Interest is capitalized in connection with construction of capital assets. Interest capitalization ceases when the construction of the asset is substantially complete and the asset is available for use.

Impairment of long-lived assets

Current facts or circumstances are periodically evaluated regarding indications that the carrying value of depreciable assets to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset, or the appropriate grouping of assets, is compared to the carrying value to determine whether impairment exists. If an asset is determined to be impaired, the loss is measured based on the difference between the asset's fair value and its carrying value. An estimate of the asset's fair value is based on quoted market prices in

active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including a discounted value of estimated future cash flows. An asset to be disposed of is reported at the lower of its carrying value or its estimated net realizable value.

Goodwill and other intangible assets

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill amounts are not amortized, but rather tested for impairment at least annually. Goodwill is tested for impairment using a two-step process on an annual basis or more frequently if events or changes in circumstances indicate that a potential impairment may exist. In the first step of the test, a fair value is calculated for each of the identified reporting units, and that fair value is compared to the carrying value of the reporting unit, including the reporting unit's goodwill. If the fair value of the reporting unit exceeds its carrying value, there is no impairment, and the second step of the test is not performed. If the carrying value exceeds the fair value for the reporting unit, then the second step of the test is required. The second step of the test compares the implied fair value of the reporting unit's goodwill to its carrying value. If the implied fair value of the reporting unit's goodwill is in excess of its carrying value, no impairment is recorded. If the carrying value is in excess of the implied fair value, an impairment charge equal to the excess is recorded. A goodwill impairment assessment was completed in the fourth quarter of 2009, 2008 and 2007. As a result of the impairment test performed in 2009, the Company recognized a pre-tax goodwill impairment charge of \$277.3 million. The Company determined no impairment of goodwill occurred during 2008, and 2007. Refer to Note—11 Goodwill for further details.

Certain intangible assets, consisting of patents/trademarks, technology, licenses, contracts/customer relationships, and capitalized software are amortized on a straight-line basis over their useful lives, ranging from two to eighteen years. Amortizable intangible assets are evaluated for impairment, based on the above procedures outlined under "Impairment of Long-Lived Assets". Certain costs to obtain internal use software for significant systems projects are capitalized and amortized over the estimated useful life of the software, which ranges from three to five years. Costs to obtain software that are not significant are expensed as incurred.

Interest cost is capitalized for qualifying assets during the period in which the asset is being installed and prepared for its intended use. Capitalized interest cost is amortized on the same basis as the related depreciation.

Indefinite lived intangibles consist of trade names and are not amortized. Trade names are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of an intangible asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the intangible asset is its new accounting basis. No impairment of trade names occurred during 2009, 2008 and 2007.

Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations, product and environmental liability, and tax matters. In accordance with the accounting guidance regarding loss contingencies, the Company records accruals for such loss contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. Further, the Company does not recognize gain contingencies until realized. For a discussion of contingencies, see Note 7—Income Taxes and Note 20—Commitments and Contingencies.

Derivative financial instruments

The accounting guidance relating to derivative instruments and hedging activities requires companies to recognize all derivative instruments on the balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on the type of hedging relationship and whether it has been designated and qualifies as part of a hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of net investment in a foreign operation. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings during the period of the change in fair values. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of Accumulated Other Comprehensive Income ("AOCI") and reclassified into earnings in the same period or

periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, is recognized in current earnings during the period of change.

For derivative instruments that are designated and qualify as a hedge of a net investment in a foreign operation, the gain or loss is reported in AOCI as part of the cumulative translation adjustment to the extent it is effective. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change. Should an agreement be terminated while the underlying item being hedged remains outstanding, the gain or loss would be deferred and amortized over the shorter of the remaining life of the underlying item or the agreement.

The Company may use derivative financial instruments primarily to reduce its exposure to fluctuations in interest rates and foreign exchange rates. When entered into, the Company formally designates and documents the financial instrument as a hedge of a specific exposure, as well as the risk management objectives and strategies for undertaking the hedge transaction. The Company formally assesses both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related exposure. Derivatives are recorded on the balance sheet at fair value as either other assets or other liabilities. The earnings impact resulting from the derivative instruments is recorded in the same line item within the statement of earnings as the exposure being hedged. The ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings as other (income) expense.

During the Predecessor period, derivative financial instruments were managed on a centralized basis by BMS principally in the management of its global interest rate and foreign currency exposures. The effects of the foreign currency derivatives were allocated to ConvaTec's Statements of Earnings based on BMS's total cost of sales at standard cost. The effects of interest rate derivatives were not allocated to ConvaTec.

Shipping and handling costs

The Company typically does not charge customers for shipping and handling costs. Therefore, shipping and handling costs are included in Selling, General and Administrative expenses and were \$40.3 million, \$19.2 million, \$23.5 million, and \$36.2 million, for the year ended December 31, 2009, the five months ended December 31, 2008, the seven months ended July 31, 2008 and the year ended December 31, 2007, respectively.

Advertising and promotion costs

Advertising and promotion costs are expensed as incurred. Advertising and promotion expense was \$34.7 million, \$15.7 million, \$32.9 million, and \$49.3 million, for the year ended December 31, 2009, the five months ended December 31, 2008, the seven months ended July 31, 2008 and the year ended December 31, 2007, respectively.

Research and development

Research and development costs are expensed as incurred. For milestones achieved prior to regulatory approval of the product, such payments are expensed as research and development. Milestone payments made in connection with regulatory approvals, including non-U.S. regulatory approvals and additional indications, are capitalized and amortized to cost of products sold over the remaining useful life of the asset. No milestone payments were made in connection with regulatory approvals, including non-U.S. regulatory approvals and additional indications during 2009, 2008 and 2007.

Acquired in-process research and development

In accordance with accounting guidance related to business combinations, the Company measured acquired in-process research and development at fair value. The fair value of the acquired in-process research and development was determined based on the present value of each research project's projected cash flows. An income approach was utilized, consistent with guidance in the practice aid issued by the American Institute of Certified Public Accountants, *Assets Acquired in Business Combinations to Be Used in Research and Development Activities: A Focus on Software, Electronic Devices and Pharmaceutical Industries*. Future cash flows were predominately based on the net income forecast of each project, consistent with historical pricing, margins and expense levels of similar products. Revenues were estimated based on relevant market size and growth factors, expected industry trends, individual project life cycles and the life of each research project's underlying patent. In determining the fair value of each research project, expected revenues were first adjusted for technical risk of completion. The resulting cash flows were then discounted at a rate approximating the Company's weighted-average cost of capital. If it was determined that the acquired in-process research and development did not have any future alternative use, the Company would expense the total fair value immediately upon completion of the business combination. For the five

months ended December 31, 2008, the total amount expensed associated with acquired in-process research and development was \$184.3 million.

In December 2007, the FASB issued a revised standard entitled, *Business Combinations*, effective for all business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Under this guidance, all research and development acquired in a business combination is measured at fair value using market participant assumptions and capitalized as an indefinite-lived intangible asset. Such assets are then impaired or amortized in future periods, depending upon the ability to use the acquired research and development in the postcombination period. As the Company did not have any acquisitions or acquired in-process research and development during 2009, or in process as of December 31, 2009, the application of this guidance did not have any impact on the consolidated financial statements as of and for the year ended December 31, 2009. The Company will continue to apply this guidance to future business combinations.

Stock compensation

Stock-based compensation represents the costs related to share-based awards granted to employees. Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award and is recognized on a straight-line basis (net of estimated forfeitures) over the employee requisite service period or upon the occurrence of a liquidity event. Certain features of share-based awards may require the awards to be accounted for as liabilities as opposed to equity. Liability awards are required to be updated to fair value at the end of each reporting period until settlement. See Note 16—Employee Stock Benefit Plans for a further description of the plans and the relevant accounting guidance applied by both the Company and Predecessor.

Foreign currency translation and transactions

Assets and liabilities of subsidiaries whose functional currency is not the U.S. Dollar are translated into U.S. Dollars at the rate of exchange in effect on the balance sheet date. The related equity accounts of subsidiaries are translated into U.S. Dollars at the historical rate of exchange. Income and expenses are translated into U.S. Dollars at the weighted average rates of exchange prevailing during the year. Foreign currency gains and losses resulting from the re-measurement or settlement of transaction balances that are denominated in a currency that is not the functional currency of a subsidiary and that are not of a long-term investment nature are classified separately in the Statements of Earnings.

Recently issued accounting standards

In January 2010, the FASB issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The guidance will become effective for the reporting period beginning January 1, 2010, except for the disclosure on the roll forward activities for Level 3 fair value measurements, which will become effective for the reporting period beginning January 1, 2011. Other than requiring additional disclosures, adoption of this new guidance will not have a material impact on the consolidated financial statements.

In October 2009, the FASB issued accounting guidance regarding *Multiple-Deliverable Revenue Arrangements*. This new guidance provides principles for allocation of consideration among its multiple-elements, allowing more flexibility in identifying and accounting for separate deliverables under an arrangement. The guidance also introduces an estimated selling price method for valuing the elements of a bundled arrangement if vendor-specific objective evidence or third-party evidence of selling price is not available, and significantly expands related disclosure requirements. The proposed guidance is effective on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Alternatively, adoption may be on a retrospective basis, and early application is permitted. The Company is currently evaluating the impact of adopting this pronouncement, which will be effective for the fiscal year beginning January 1, 2011.

In June 2009, FASB issued a standard entitled, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140*. This standard was issued to enhance financial statement disclosure related to a transfer of financial assets, the effects of a transfer on its financial position, financial performance, and cash flows, and a transferor's continuing involvement, if any, in the transferred financial assets. Among other items, the provision removes the concept of a qualifying special-purpose entity and provides clarification in determining whether a transferor and all of the entities included in the

transferor's financial statements being presented have surrendered control over transferred financial assets. The standard is effective January 1, 2010. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In June 2009, the FASB issued a standard entitled, *Amending FASB interpretation No. 46(R)* ("FIN No. 46(R)"). This new standard provides guidance in determining whether an enterprise has a controlling financial interest in a variable interest entity. This determination identifies the primary beneficiary of a variable interest entity as the enterprise that has both the power to direct the activities of a variable interest entity that most significantly impacts the entity's economic performance and the obligation to absorb losses or the right to receive benefits of the entity that could potentially be significant to the variable interest entity. Further, this new standard requires ongoing reassessments of whether an enterprise is the primary beneficiary and eliminates the quantitative approach previously required for determining the primary beneficiary. This standard is effective January 1, 2010. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

In May 2009, the FASB issued a standard entitled, *Subsequent Events*. This standard establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This standard was subsequently amended in February 2010. The amended standard requires the Company to disclose the date through which subsequent events have been evaluated and whether the date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. This amended standard is effective immediately. In accordance with the adoption of this standard, the Company discloses in Note 21—Subsequent Events the date through which subsequent events have been evaluated. The adoption of this standard did not have any other impact on the Company's consolidated financial statements.

In December 2008, the FASB issued updated guidance relating to employers' disclosures about postretirement benefit plan assets. The guidance requires new disclosures on investment policies and strategies, categories of plan assets, fair value measurements of plan assets, and significant concentrations of risk, and is effective for fiscal years ending after December 15, 2009, with earlier application permitted. The provisions of the guidance are not required for earlier periods that are presented for comparative purposes. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements or disclosures.

In April 2008, the FASB issued guidance which amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets. This guidance must be applied prospectively to intangible assets acquired in fiscal years beginning after December 15, 2008. Effective January 1, 2009, the Company adopted this guidance. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements. The Company will continue to apply this guidance to intangible assets acquired in the future.

In March 2008, the FASB issued a standard entitled, *Disclosures about Derivative Instruments and Hedging Activities*, as an amendment to existing literature addressing the accounting for derivative and hedging activities. The new standard requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. The fair value of derivative instruments and their gains and losses will need to be presented in tabular format in order to present a more complete picture of the effects of using derivative instruments. On January 1, 2009, the Company adopted this standard and applied the disclosure provisions to its interest hedging instruments. See Note 17—Financial Instruments for the enhanced disclosures.

In December 2007, the FASB issued a revised standard entitled, *Business Combinations*, which replaces previous guidance on the topic. The standard requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. This guidance also requires the acquirer in a business combination achieved in stages to recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full amounts of their fair values. In addition, the standard makes various other amendments to authoritative literature intended to provide additional guidance or to confirm the guidance in that literature to that provided in this guidance. This standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this standard did not have a significant impact on the consolidated financial statements as of and for the year ended December 31, 2009. The Company will continue to apply this guidance to future business combinations.

In December 2007, the FASB issued a standard entitled, *Noncontrolling Interests in Consolidated Financial Statements*, which amends previous guidance regarding, *Consolidated Financial Statements*, and seeks to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements. This new pronouncement establishes accounting and reporting standards that require the ownership interests in subsidiaries held by parties other than the parent to be clearly identified, labeled and presented in the consolidated statement of financial position within equity, but separate from the parent's equity. This guidance also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of income. Changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary must be accounted for consistently, and when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary must be initially measured at fair value. The gain or loss on the deconsolidation of the subsidiary is measured using the fair value of any noncontrolling equity investment. The guidance also requires entities to provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. The guidance applies prospectively to all entities that prepare consolidated financial statements and applies prospectively for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The adoption of the standard did not have any impact on the Company's consolidated financial statements.

In February 2007, the FASB issued a standard entitled, *The Fair Value Option for Financial Assets and Financial Liabilities*, which permits an entity to measure certain financial assets and financial liabilities at fair value. The objective is to improve financial reporting by allowing entities to mitigate volatility in reported earnings caused by the measurement of related assets and liabilities using different attributes, without having to apply complex hedge accounting provisions. Under this standard, entities that elect the fair value option (by instrument) will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option election is irrevocable, unless a new election date occurs. This standard establishes presentation and disclosure requirements to help financial statement users understand the effect of the entity's election on its earnings, but does not eliminate disclosure requirements of other accounting standards. Assets and liabilities that are measured at fair value must be displayed on the face of the balance sheet. On January 1, 2008, the Predecessor adopted the standard, but did not remeasure any assets. Therefore, there was no impact on the consolidated financial statements. See Note 17—Financial Instruments for expanded disclosures about fair value measurements.

In September 2006, the FASB issued a standard entitled, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Statement applies under other accounting pronouncements that require or permit fair value measurements and was effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued additional guidance, which delayed the effective date of the original *Fair Value Measurements* standard for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, to fiscal years beginning after November 15, 2008. On January 1, 2008, the Predecessor adopted the portion of the standard that was not delayed, and since the Predecessor's and Company's existing fair value measurements are consistent with the guidance of the Statement, the partial adoption of the guidance did not have a material impact on the Company's or the Predecessor's consolidated financial statements. The Company's adoption of the standard for non-financial assets and non-financial liabilities on January 1, 2009 did not have a material impact on the Company's consolidated financial statements. See Note 17—Financial Instruments and Note 18—Fair Value Measurements for expanded disclosures about fair value measurements.

3. Acquisitions

The ConvaTec Acquisition

As discussed in Note 1—Basis of Presentation and Business Description, on August 1, 2008, BMS completed the sale of the Predecessor pursuant to the Acquisition Agreement dated May 2, 2008 by and between Cidron Healthcare Limited and BMS for \$4,103.0 million, including fees and related expenses of \$72.8 million and net of cash acquired of \$39.8 million ("The ConvaTec Acquisition"). The ConvaTec Acquisition was financed by an equity contribution of approximately \$2,162.9 million by the Equity Sponsors in Cidron Healthcare Limited, the proceeds of which the Parent used to purchase mandatorily redeemable preferred equity certificates of \$1,989.9 million and issue a convertible note payable of \$173.0 million to the Company (see Note 14—Mandatorily Redeemable Preferred Equity Certificates for summary of terms regarding the mandatorily redeemable preferred equity certificates and Note 5—Related Parties for summary of terms regarding the notes payable to Parent). Of the total equity contribution, \$1,984.6 million was cash consideration paid by the Company to BMS; the remaining \$178.3 million contribution was used for other Company activities; including transaction costs, working capital, and other closing obligations. The ConvaTec Acquisition was also financed by borrowings from third parties of \$2,045.6 million (see Note 13—Long-Term Debt for summary of debt incurred related to the ConvaTec

Acquisition). The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, using available information and management assumptions.

In 2009, the Company finalized the purchase price allocation of the ConvaTec Acquisition. The reduction of the cash consideration paid by the Company to BMS, net of cash acquired primarily related to the settlement of working capital. As a result of the working capital settlement, the Company received approximately \$10.0 million from BMS. In connection with the finalization of the purchase price allocation, the Company recorded tax valuation related adjustments of \$9.7 million, excluding any impact of foreign exchange rates. During 2009, the Company recorded and paid an additional \$1.0 million in transaction costs related to the acquisition. Also, during 2009, the Company paid \$6.0 million in transaction costs that were accrued as of December 31, 2008. Please refer to Note 11—Goodwill for further information. Finally, as a result of a tax audit in the United Kingdom, the Company recorded a \$12.8 million receivable and corresponding payable related to tax exposure for which the Company will be fully indemnified by the Predecessor. The goodwill generated from this acquisition is partially deductible for income tax purposes.

The final allocation of the purchase price is as follows:

Cash consideration paid by the Company to BMS, net of cash acquired	\$1,974.9
Cash funded through debt borrowings paid directly by lender to BMS (non-cash financing activity).....	2,045.6
Transaction costs	73.8
Total purchase price.....	4,094.3
Less: Historical value of assets acquired in excess of liabilities assumed	(117.4)
Increase in basis	\$3,976.9
Final allocation of increase in basis	
Inventories	172.2
Property, plant and equipment	203.0
Computer software.....	24.0
In-process research and development	138.8
Technology	194.0
Patents / Trademarks.....	2,151.6
Trade name	234.6
Net deferred income tax liabilities (for effect of step-up in basis of assets)	(326.7)
Increase to goodwill, net.....	1,185.4
	\$3,976.9

Concurrent with the ConvaTec Acquisition, the Company sold its net assets in Latin America to Boston Med Device International, LLC (“BMD”) for approximately \$10.4 million (the “BMD Sale”). Subsequent to the BMD sale, the Company will continue to manufacture and sell its products directly to BMD who will be the sole distributor of the Company’s products to the Latin American markets. The BMD Sale did not result in any gain or loss in the Company’s accompanying consolidated Statement of Earnings.

The Unomedical Acquisition

On September 2, 2008, a wholly owned subsidiary of the Company acquired the stock of Unomedical Holdings A/S (“Unomedical”) pursuant to a stock purchase agreement dated June 27, 2008, as amended on July 31, 2008 and August 20, 2008, for \$593.6 million, including fees and related expenses of \$1.6 million and net of cash acquired of \$28.9 million (the “Unomedical Acquisition”). Unomedical engages in the development, manufacture, and distribution of medical devices to hospitals and healthcare sectors worldwide, including catheters, surgical aids, drainage bags, and infusion devices. The Unomedical Acquisition was primarily financed by an equity contribution of approximately \$40.0 million by the Equity Sponsors in Cidron Healthcare Limited, the proceeds of which Cidron Healthcare Limited used to purchase mandatorily redeemable preferred equity certificates of \$36.8 million and issue a convertible note payable of \$3.2 million to Cidron A. The Parent simultaneously purchased an identical amount of mandatorily redeemable preferred equity certificates and issued an identical amount of notes payable to the Company (See Note 14—Mandatorily Redeemable Preferred Equity Certificates for summary of terms regarding notes payable to Parent). The Unomedical Acquisition was also financed by (i) borrowings from third parties of \$377.6 million (see Note 13—Long-Term Debt for summary debt incurred related to the Unomedical Acquisition) and (ii) debt assumed and refinanced of \$166.2 million. The remainder of the purchase price was financed through a note payable due in 2010 and has been reflected on a discounted basis as of the acquisition date (\$8.2 million). The Unomedical Acquisition was accounted for by the purchase method. Accordingly, the purchase price was allocated to the

assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, using available information and management assumptions. The operating results of the Unomedical Acquisition have been included in the Company's consolidated results since the date of acquisition.

In 2009, the Company finalized the purchase price allocation of the Unomedical Acquisition. In connection with the finalization of the purchase price allocation, the Company recorded a goodwill reduction for tax valuation related adjustments of \$4.2 million and a change in estimated restructuring charges of \$0.8 million, excluding any impact of foreign exchange rates. Also, during 2009, the Company recorded and paid an additional \$0.6 million for transaction costs related to the acquisition. Please refer to Note 11—Goodwill for further information. The goodwill generated from the Unomedical Acquisition is not deductible for income tax purposes.

The final allocation of the purchase price is as follows:

Cash consideration paid by the Company, net of cash acquired	\$417.6
Debt assumed and refinanced (non-cash financing activity)	166.2
Deferred purchase price	8.2
Transaction costs	2.2
Total purchase price.....	594.2
Less: Historical value of assets acquired in excess of liabilities assumed	(39.3)
Increase in basis	\$554.9
Final allocation of increase in basis	
Inventories	17.6
Property, plant and equipment	152.3
Computer software.....	5.1
In-process research and development	43.7
Technology	6.9
Patents.....	70.4
Trade name	19.7
Contracts/customer relationships	118.6
Other	21.5
Net deferred income tax liabilities (for effect of step-up in basis of assets)	(75.4)
Increase to goodwill, net.....	174.5
	\$554.9

Included in the liabilities valued in the Unomedical Acquisition were employee termination charges of \$10.5 million, facility closure costs of \$0.5 million, and distribution contract termination costs and other charges of \$0.9 million.

The following table shows the balances for these liabilities as of December 31, 2009 and 2008, and the activity since the date of the Unomedical Acquisition:

	Employee termination liability	Facility closure liability	Contract termination liability	Total
Balance at September 2, 2008.....	\$10.5	\$0.5	\$0.9	\$11.9
Charges	—	—	—	—
Spending	(1.7)	—	—	(1.7)
Currency translation.....	(0.6)	(0.1)	—	(0.7)
Balance at December 31, 2008	\$8.2	\$0.4	\$0.9	\$9.5
Changes in estimate	(0.1)	—	(0.8)	(0.9)
Spending	(5.2)	(0.2)	(0.1)	(5.5)
Currency Translation	(0.3)	—	—	(0.3)
Balance at December 31, 2009	\$2.6	\$0.2	\$—	\$2.8

The Company expects to settle the remaining liabilities in the first quarter of 2010.

Other acquisitions

In January 2007, the Predecessor purchased the capital stock of Nypro Dominican Republic (Nypro) for \$12.5 million in cash. The purchase price for the acquisition was allocated primarily to inventory (\$5.3 million) and fixed assets (\$5.6 million). This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the accompanying financial statements from the date of acquisition in 2007.

4. Divestiture

On February 27, 2009, the Company completed the divestiture of the Unomedical Wound Care and Ophthalmic business to Aspen Surgical Products Holding, Inc. for \$20.7 million (the “Unomedical U.K. Wound Care Sale”). The Unomedical U.K. Wound Care Sale was a requirement of the European Commission following the acquisition of Unomedical by the Company. Under the terms of the agreement, the Unomedical U.K. Wound Care Sale included the entire Unomedical Wound Care and Ophthalmic business, including all personnel and the continued use of the facilities in Redditch, U.K. Net proceeds from the Unomedical U.K. Wound Care Sale were used to prepay borrowings outstanding under the Senior Facilities Agreement.

5. Related parties

The Company

In August 2008, the Company borrowed EUR 112.1 million (\$176.2 million) from the Parent pursuant to loan agreements dated July 28, 2008 (as amended) and August 28, 2008. Borrowings were used to fund the ConvaTec Acquisition and the Unomedical Acquisition, including without limitation, paying fees, commissions, and expenses in connection with the ConvaTec Acquisition and the Unomedical Acquisition and related transactions. The loans bear no interest and are callable at the discretion of the Parent. In February 2009, these loans were converted to common stock of the Company. See Note 15—Stockholder’s Deficit/Divisional Equity for further discussion.

In conjunction with the ConvaTec Acquisition and the Unomedical Acquisition and to partially fund initial working capital, the Company issued Series 1, 2 and 3 mandatorily redeemable preferred equity certificates for an aggregate amount of EUR 1,289.7 million (\$2,026.7 million) to the Parent. See Note 14—Mandatorily Redeemable Preferred Equity Certificates for further discussion.

Predecessor

ConvaTec entered into transactions with BMS and its subsidiaries for corporate services provided by BMS. Selling, general and administrative expenses include market host expenses and allocated corporate costs from BMS for these services. These costs were generally allocated based on specific identification and a combination of the ratio of ConvaTec’s annual net sales and headcount, to BMS’s comparable consolidated net sales and headcount. Market host and corporate expenses allocated include finance, human resources, legal, information technology, purchasing, shared services and certain other administrative services. Total expense allocations amounted to \$52.3 million and \$84.5 million on a pre-tax basis for the seven months ended July 31, 2008 and the year ended December 2007, respectively. In addition to expense allocations, certain balance sheet items including accounts receivable, accounts payable and inventory were allocated to the Predecessor by BMS corporate and market hosts based on specific identification. Management considers such allocations have been made on a reasonable basis, but may not necessarily be indicative of the costs had ConvaTec operated as a separate entity during the periods presented.

The Predecessor Statements of Earnings exclude any allocation of BMS’s interest expense related to external debt. Interest expense has not been allocated as no external debt has been specifically identified to ConvaTec.

As of December 31, 2007, ConvaTec recorded \$172.9 million, for borrowings owed to a BMS affiliate, which were used to fund the acquisition of a business. This intercompany loan was funded by BMS based on available cash on hand. Because this loan was specific to a ConvaTec business transaction and was evidenced by a signed promissory note with formal interest and repayment terms, it was allocated to ConvaTec in the Predecessor carve-out financial statements. Interest accrued at three month LIBOR plus 0.50% basis points (6.44% at July 31, 2008) on a quarterly basis. Interest expense recorded for the seven months ended July 31, 2008 and the year ended December 31, 2007 amounted to \$6.5 million and \$11.0 million, respectively. Borrowings under the promissory note (plus accrued interest) were repaid to BMS in July 2008.

6. Restructuring

2009 activities

During the year ended December 31, 2009, the Company recorded pre-tax charges of \$4.2 million in termination benefits for workforce reductions. Costs related to sales and marketing and research and development workforce reductions totaled \$2.4 million and \$0.4, respectively. Costs related to reductions in global manufacturing operations totaled \$1.9 million. These charges were decreased by \$0.5 million of adjustments reflecting changes in assumptions for restructuring actions taken in prior periods. The Company expects to substantially complete these projects in 2010.

2008 activities

During the five months ended December 31, 2008, the Company recorded pre-tax charges of \$1.6 million in termination benefits for workforce reductions related to additional sales force and marketing. These charges were increased by \$1.4 million of adjustments reflecting changes in assumptions for restructuring actions taken in prior periods related to global manufacturing operations. During the seven months ended July 31, 2008, the Predecessor recorded pre-tax charges of \$2.6 million in termination benefits for workforce reductions primarily related to global manufacturing operations in the US and the UK. The Company substantially completed these projects in 2009.

2007 activities

During 2007, the Predecessor recorded pre-tax charges of \$5.5 million in termination benefits and other related costs for workforce reductions primarily due to a sales force and marketing reorganization. These charges were offset by \$1.4 million of adjustments reflecting changes in assumptions for restructuring actions taken in prior periods.

Roll-forward

Restructuring charges and spending against liabilities associated with prior and current actions are as follows:

	Employee termination liability
The Predecessor:	
Balance at January 1, 2007	\$6.0
Charges	5.5
Spending	(5.1)
Changes in estimate	(1.4)
Balance at December 31, 2007	5.0
Charges	2.6
Spending	(5.8)
Changes in estimate	(0.1)
Balance at July 31, 2008	\$1.7
The Company:	
Balance at August 1, 2008	\$1.7
Charges	1.6
Spending	(2.1)
Changes in estimate	1.4
Balance at December 31, 2008	\$2.6
Charges	4.7
Spending	(3.8)
Changes in estimate	(0.5)
Balance at December 31, 2009	\$3.0

Liabilities above are included in Accrued expenses in the accompanying Balance Sheets.

Restructuring charges, inclusive of changes in estimate, are recorded in the accompanying Statements of Earnings as follows:

	The Company		The Predecessor	
	For the year ended December 31, 2009	For the five months ended December 31, 2008	For the seven months ended July 31, 2008	For the year ended December 31, 2007
Cost of goods sold	\$2.5	\$0.8	\$2.3	\$(0.4)
Selling, general and administrative	0.8	2.2	0.2	4.5
Research and development expenses	0.9	0.0	0.0	0.0
Total	\$4.2	\$3.0	\$2.5	\$4.1

7. Income taxes

The components of (loss)/earnings before income taxes were:

	The Company		The Predecessor	
	For the year ended December 31, 2009	For the five months ended December 31, 2008	For the seven months ended July 31, 2008	For the year ended December 31, 2007
U.S.	\$(413.5)	\$(211.9)	\$11.3	\$79.8
Non-U.S.	(277.5)	(357.1)	151.4	214.7
	\$(691.0)	\$(569.0)	\$162.7	\$294.5

The above amounts are categorized based on the location of the taxing authorities.

The (benefit)/provision for income taxes consisted of:

	The Company		The Predecessor	
	For the year ended December 31, 2009	For the five months ended December 31, 2008	For the seven months ended July 31, 2008	For the year ended December 31, 2007
Current:				
U.S. Federal	\$(0.1)	\$2.8	\$15.1	\$40.1
U.S. States	—	—	2.0	7.2
Non-U.S.	28.0	22.8	42.0	68.5
	27.9	25.6	59.1	115.8
Deferred:				
U.S. Federal	(38.1)	(61.5)	(1.2)	(2.3)
U.S. States	(4.9)	(7.9)	0.1	0.0
Non-U.S.	(17.4)	(46.3)	0.7	2.1
	(60.4)	(115.7)	(0.4)	(0.2)
	\$(32.5)	\$(90.1)	\$58.7	\$115.6

Effective tax rate

The Company's (benefit)/provision for income taxes in 2009, 2008 and 2007 was different from the amount computed by applying the statutory U.S. Federal income tax rate to (loss)/earnings before income taxes, as a result of the following:

	% of income before income taxes							
	For the year ended December 31, 2009		The Company For the five months ended December 31, 2008		For the seven months ended July 31, 2008		The Predecessor For the year ended December 31, 2007	
(Loss)/earnings before income taxes	\$(691.0)		\$(569.0)		\$162.7		\$294.5	
U.S. statutory rate	(241.9)	35.0%	(199.2)	35.0%	56.9	35.0%	103.1	35.0%
State and Local Taxes	(4.9)	0.7%	(7.9)	1.4%	1.4	0.9%	4.7	1.6%
Federal Benefit of State Taxes	1.7	(0.2)%	2.8	(0.5)%	—	—	—	—
Foreign income taxed at different rates ...	20.8	(3.0)%	25.6	(4.5)%	(6.5)	(4.0)%	(2.7)	(0.9)%
Foreign Permanent Items and Tax Credits.....	33.7	(4.9)%	18.4	(3.2)%	—	—	—	—
Domestic Permanent Items and Tax Credits.....	0.5	(0.1)%	9.8	(1.7)%	—	—	—	—
Repatriation of foreign income	0.1	0.0%	—	—	6.3	3.9%	8.2	2.8%
Valuation Allowances.....	68.1	(9.9)%	56.4	(9.9)%	—	—	—	—
US Federal and Foreign Contingent Tax Matters	10.1	(1.5)%	2.5	(0.4)%	—	—	—	—
Goodwill Impairment.....	97.1	(14.1)%	—	—	—	—	—	—
Other	(17.8)	2.7%	1.5	(0.4)%	0.6	0.4%	2.3	0.8%
	\$(32.5)	4.7%	\$(90.1)	15.8%	\$58.7	36.2%	\$115.6	39.3%

The effective tax rates in the year ended December 31, 2009, the five months ended December 31, 2008, the seven months ended July 31, 2008, and the year ended December 31, 2007 were 4.7%, 15.8%, 36.2%, and 39.3%, respectively.

Deferred taxes and valuation allowance

The components of current and non-current deferred income tax assets (liabilities) were:

	The Company		The Predecessor
	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007
Inventory.....	\$(17.8)	\$(4.5)	\$3.5
Intercompany profit	0.0	0.0	12.6
Accruals	67.6	52.1	7.5
Loss carryforward	142.0	73.7	3.6
Returns and rebates	0.0	0.0	0.4
Stock compensation	0.0	0.0	3.7
Employee benefits	7.4	3.1	2.5
Other, net	(11.8)	(3.9)	3.3
Total deferred tax assets	\$187.4	\$120.5	\$37.1
Outside Basis	\$(0.7)	\$(0.5)	\$(18.2)
Fixed Asset / Intangibles.....	(247.7)	(289.2)	(21.2)
Total deferred tax liabilities	\$(248.4)	\$(289.7)	\$(39.4)
Valuation allowance	(125.6)	(59.4)	(3.6)
Deferred tax liabilities, net.....	\$(186.6)	\$(228.6)	\$(5.9)
Recognized as:			
Deferred Income Taxes—Current.....	\$35.5	\$34.1	\$26.5
Deferred Income Taxes—Non-Current	(222.1)	(262.7)	(32.4)
Total.....	\$(186.6)	\$(228.6)	\$(5.9)

The Company had gross net operating loss carryforwards of \$468.8 million and \$235.2 million as of December 31, 2009 and 2008, respectively. The majority of these carryforwards will expire at various points in time whereas some have indefinite expiration dates. For those net operating loss carryforwards not expected to be realized, valuation allowances of \$97.8 million and \$32.3 million have been recorded against them as of December 31, 2009 and 2008, respectively. In addition, valuation allowances of \$27.8 million and \$27.1 million were recorded against other deferred tax assets as of December 31, 2009 and 2008, respectively.

As of July 31, 2008, the Predecessor had gross foreign net operating loss carryforwards of \$19.8 million. The majority of these foreign net operating loss carryforwards will expire starting in 2009 through indefinitely, and has a full valuation allowance recorded against them. The valuation allowance ending balance was \$4.3 million as of the seven months ended July 31, 2008. Tax attributes such as net operating loss carryforwards will not survive a transaction since they are based on a hypothetical structure for carve-out purpose or may remain with the parent and not transfer in a transaction.

The Predecessor operations did not maintain any cash or cash equivalents; rather, all book earnings are considered immediately distributed to BMS. Accordingly, there were no unremitted earnings in foreign subsidiaries for which there might be a future tax consequence upon repatriation. Further basis differences arose as a result of the repatriation of book earnings as return of capital for tax purposes, resulting in deferred tax liabilities of \$0.7 million and \$0.5 million at December 31, 2009 and December 31, 2008, respectively.

The Company conducts business in various countries throughout the world and is subject to tax in numerous jurisdictions. As a result of its business activities, the Company files a significant number of tax returns that are subject to examination by various Federal, state and local tax authorities. Tax examinations are often complex, as tax authorities may disagree with the treatment of items reported by the Company and may require several years to resolve. The Company establishes liabilities for possible assessments by tax authorities resulting from known tax exposures including, but not limited to, transfer pricing matters, tax credits and deductibility of certain expenses. Such liabilities represent a reasonable provision for taxes ultimately expected to be paid and may need to be adjusted over time as more information becomes known. The effect of changes in estimates related to contingent tax liabilities is included in the effective tax rate reconciliation above.

On January 1, 2007, the Predecessor adopted the provisions regarding the accounting for uncertainty in income taxes. A reconciliation of the Company's and the Predecessor's changes in uncertain tax positions from January 1, 2009 to December 31, 2009, January 1, 2008 to July 31, 2008, August 1, 2008 to December 31, 2008, and January 1, 2007 to December 31, 2007 is as follows:

	Unrecognized federal, state and foreign tax benefits	Interest	Penalties	Unrecognized income tax benefits, including interest and penalties	Deferred income tax benefits	Unrecognized income tax benefits, including interest and penalties, net of deferred income tax benefits
Total uncertain tax positions that, if recognized, would impact the effective tax rate as of January 1, 2009.....	\$2.5	\$—	\$—	\$2.5	\$—	\$2.5
Gross additions to tax positions related to current year	8.8	—	—	8.8	—	8.8
Gross reductions to tax positions related to current year	—	—	—	—	—	—
Gross additions to tax positions related to prior years	10.6	3.6	0.5	14.7	—	14.7
Gross reductions to tax positions related to prior years	—	—	—	—	—	—
Settlements.....	(0.1)	—	—	(0.1)	—	(0.1)
Reductions to tax positions related to lapse of statute.....	—	—	—	—	—	—
Cumulative translation adjustment.....	—	—	—	—	—	—
Balance, gross uncertain tax positions, December 31, 2009	\$21.8	\$3.6	\$0.5	\$25.9	\$—	\$25.9

	Unrecognized federal, state and foreign tax benefits	Interest	Penalties	Unrecognized income tax benefits, including interest and penalties	Deferred income tax benefits	Unrecognized income tax benefits, including interest and penalties, net of deferred income tax benefits
Total uncertain tax positions that, if recognized, would impact the effective tax rate as of August 1, 2008	\$3.1	\$0.6	\$0.1	\$3.8	\$(0.7)	\$3.1
Gross additions to tax positions related to current year	2.5	—	—	2.5	—	2.5
Gross reductions to tax positions related to current year	—	—	—	—	—	—
Gross additions to tax positions related to prior year	—	—	—	—	—	—
Gross reductions to tax positions related to prior year	(3.1)	(0.6)	(0.1)	(3.8)	0.7	(3.1)
Settlements	—	—	—	—	—	—
Reductions to tax positions related to lapse of statute	—	—	—	—	—	—
Cumulative translation adjustment	—	—	—	—	—	—
Balance, gross uncertain tax positions, December 31, 2008	\$2.5	\$0.0	\$0.0	\$2.5	\$—	\$2.5

	Unrecognized federal, state and foreign tax benefits	Interest	Penalties	Unrecognized income tax benefits, including interest and penalties	Deferred income tax benefits	Unrecognized income tax benefits, including interest and penalties, net of deferred income tax benefits
Total uncertain tax positions that, if recognized, would impact the effective tax rate as of January 1, 2008	\$3.2	\$0.7	\$0.1	\$4.0	\$(0.7)	\$3.3
Gross additions to tax positions related to current year	0.5	—	—	0.5	—	0.5
Gross reductions to tax positions related to current year	—	—	—	—	—	—
Gross additions to tax positions related to prior year	—	0.1	—	0.1	—	0.1
Gross reductions to tax positions related to prior year	(0.6)	(0.2)	—	(0.8)	—	(0.8)
Settlements	—	—	—	—	—	—
Reductions to tax positions related to lapse of statute	—	—	—	—	—	—
Cumulative translation adjustment	—	—	—	—	—	—
Balance, gross uncertain tax positions, July 31, 2008	\$3.1	\$0.6	\$0.1	\$3.8	\$(0.7)	\$3.1

	Unrecognized federal, state and foreign tax benefits	Interest	Penalties	Unrecognized income tax benefits, including interest and penalties	Deferred income tax benefits	Unrecognized income tax benefits, including interest and penalties, net of deferred income tax benefits
Total uncertain tax positions that, if recognized, would impact the effective tax rate as of January 1, 2007.....	\$3.1	\$0.5	\$0.1	\$3.7	\$(0.6)	\$3.1
Gross additions to tax positions related to current year	0.5	0.3	—	0.8	(0.1)	0.7
Gross reductions to tax positions related to current year	—	—	—	—	—	—
Gross additions to tax positions related to prior year.....	—	—	—	—	—	—
Gross reductions to tax positions related to prior year.....	(0.4)	(0.1)	—	(0.5)	—	(0.5)
Settlements.....	—	—	—	—	—	—
Reductions to tax positions related to lapse of statute.....	—	—	—	—	—	—
Cumulative translation adjustment.....	—	—	—	—	—	—
Balance, gross uncertain tax positions, December 31, 2007	\$3.2	\$0.7	\$0.1	\$4.0	\$(0.7)	\$3.3

The uncertain tax benefits are recorded against the Company's and Predecessor's deferred tax assets to the extent the uncertainty directly related to that asset; otherwise, they are recorded as either current or non-current income tax accounts.

The Company as of December 31, 2009 and 2008 and the Predecessor as of July 31, 2008 had no uncertain tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty as to the timing of such deductibility.

The amounts of unrecognized tax benefits that, if recognized, would impact the effective tax rate were \$10.9 million as of December 31, 2009, \$2.5 million as of December 31, 2008, \$3.1 million as of July 31, 2008, and \$3.2 million as of January 1, 2008.

The Company classifies interest and penalties related to unrecognized tax benefits as income tax expense. These amounts are reflected separately on the reconciliation above.

The Company is considered under examination by a number of tax authorities, including all of the major tax jurisdictions listed in the table below, which have unrecognized tax benefits for issues such as transfer pricing, certain tax credits and the deductibility of certain expenses. The Company does not expect the unrecognized tax benefits as of December 31, 2009 to change over the next twelve months. The Company also anticipates that it is reasonably possible that new issues will be raised by tax authorities who may require increases to the balance of unrecognized tax benefits; however, an estimate of such increases cannot be made. The Company believes that it has adequately provided for all open tax years by tax jurisdiction in compliance with the accounting guidance.

The Company will file income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions. With a few exceptions, the Company is assumed to be subject to U.S. Federal, state and local, and non-U.S. income tax examinations by tax authorities. The following is a summary of major tax jurisdictions for which tax authorities may assert additional taxes against the Company based upon tax years currently under audit and subsequent years that will likely be audited:

U.S.	2005 to 2009
UK	2004 to 2009
Japan	2008 to 2009
Denmark	2004 to 2009
Luxembourg.....	2008 to 2009
France	2004 to 2009
Italy.....	2002 to 2009
Germany	2008 to 2009

8. Receivables

The major categories of receivables follow:

	December 31, 2009	December 31, 2008
Trade receivables	\$251.3	\$270.5
Miscellaneous receivables	30.8	23.4
	282.1	293.9
Less allowances and chargebacks	(28.4)	(33.7)
Receivables, net	\$253.7	\$260.2

The Company's and the Predecessor's operations in Italy, through a non-recourse factoring agreement, transfer certain accounts receivable to an unrelated third party. These transfers are accounted for as sales of receivables, as the Company does not retain any financial or legal interest in the factored receivables, and therefore, these receivables have not been included in the accompanying Balance Sheets. The amount of receivables factored for the year ended December 31, 2009, the five months ended December 31, 2008, the seven months ended July 31, 2008, and the year ended December 31, 2007 was \$41.7 million, \$6.6 million, \$23.2 million, and \$32.8 million, respectively. Commission expenses incurred in connection with this factoring activity are included as Interest expense in the accompanying Statements of Earnings and amounted to \$1.6 million, \$0.5 million, \$1.1 million, and \$1.4 million, during the year ended December 31, 2009, the five months ended December 31, 2008, the seven months ended July 31, 2008, and the year ended December 31, 2007, respectively.

9. Inventories

The major categories of inventories follow:

	December 31, 2009	December 31, 2008
Finished goods	\$131.7	\$115.4
Work in process	24.2	42.6
Raw and packaging materials	47.0	26.1
Inventories, net	\$202.9	\$184.1

10. Property, plant and equipment

The major categories of property, plant and equipment follow:

	December 31, 2009	December 31, 2008
Land	\$25.1	\$22.8
Buildings	106.3	102.2
Machinery, equipment and fixtures	258.3	242.5
Construction in progress	82.6	51.3
	472.3	418.8
Less accumulated depreciation	(133.6)	(92.5)
Property, plant and equipment, net	\$338.7	\$326.3

Depreciation expense was \$38.5 million, \$12.5 million, \$11.3 million, and \$19.9 million for the year ended December 31, 2009, the five months ended December 31, 2008, the seven months ended July 31, 2008, and the year ended December 31, 2007, respectively, and are mainly included in Cost of Goods Sold in the accompanying Statements of Earnings.

The amount of capitalized interest included in construction in progress amounted to \$0.4 million for the year ended December 31, 2009. There were no capitalized interest costs for the year ended December 31, 2008. The Company will begin depreciating these amounts when the assets are placed in service.

For the year ended December 31, 2009 the Company recorded \$4.3 million of impairment expense, related to the Hundested, Denmark manufacturing facility. See Note 18—Fair Value Measurements for further discussion.

11. Goodwill

The following is a summary of the change in goodwill both in total and as allocated to the Company's current reportable segments during the Predecessor and Company reporting periods:

	EMEA	Americas	APAC	Unomedical	Corporate and other	Total
The Predecessor						
Balance as of January 1, 2008	\$16.5	\$—	\$—	\$—	\$264.4	\$280.9
Changes in foreign exchange rates	—	—	—	—	0.2	0.2
Balance as of July 31, 2008	\$16.5	\$—	\$—	\$—	\$264.6	\$281.1
The Company						
Balance as of August 1, 2008 from						
ConvaTec Acquisition	\$816.0	\$337.1	\$31.6	\$—	\$—	\$1,184.7
Unomedical Acquisition	—	—	—	178.9	—	178.9
Changes in foreign exchange rates	—	—	—	(12.8)	—	(12.8)
Balance as of December 31, 2008.....	\$816.0	\$337.1	\$31.6	\$166.1	\$—	\$1,350.8
Adjustments to goodwill acquired in prior periods.....	0.5	—	0.2	(4.4)	—	(3.7)
Changes in foreign exchange rates	4.6	(0.4)	(0.5)	6.8	—	10.5
Impairment.....	—	(277.3)	—	—	—	(277.3)
Other	1.0	—	—	—	—	1.0
Balance as of December 31, 2009.....	\$822.1	\$59.4	\$31.3	\$168.5	\$—	\$1,081.3

In the December 31, 2008 financial statements, as a result of the preliminary nature of allocating the purchase price related to the ConvaTec acquisition and the Unomedical acquisition, the associated goodwill was included as part of the Corporate and Other segment. Upon obtaining the information necessary for the completion of purchase accounting during 2009, goodwill was allocated to the appropriate reporting units as reflected in the above table.

Additionally, in 2009, adjustments were made to the goodwill acquired in prior periods in relation to the ConvaTec acquisition and Unomedical acquisition. The ConvaTec acquisition related adjustments were primarily the result of a goodwill reduction of \$10.0 million for a working capital settlement netted with tax valuation related adjustments of \$9.7 million and an additional purchase price adjustment of \$1.0 million for transaction costs. All of the ConvaTec acquisition related goodwill adjustments are allocated in the above table between the EMEA, Americas and APAC segments. Also, for the Unomedical acquisition the Company recorded a reduction to goodwill for tax valuation related adjustments of \$4.2 million and a change in estimated restructuring charges of \$0.8 million netted with an additional purchase price adjustment of \$0.6 million for transaction costs. All of the Unomedical acquisition related goodwill adjustments are included in the Unomedical segment in the above table.

The Company performs its annual impairment test associated with goodwill in the fourth quarter of each year, or more frequently if required. As described above in Note 2—Accounting Policies, the test is a two step process. As a result of the 2009 goodwill impairment test, the Company determined that the Americas segment was impaired. As such, a pre-tax impairment charge of \$277.3 million in relation to the Americas segment was recognized in the fourth quarter of 2009. The impairment charge is included in the “Goodwill impairment” line item in the Consolidated Statement of Earnings and reflective of the accumulated impairment charge. See Note 18—Fair Value Measurements for a further discussion on the methods used in determining fair value as well as circumstances leading to the recognition of the impairment loss. The Company determined no impairment of goodwill occurred during 2008 and 2007.

12. Other intangible assets

As of December 31, 2009 and 2008, other intangible assets consisted of the following:

December 31, 2009	Weighted average useful life	Cost	Accumulated amortization	Net
Amortized Intangible Assets:				
Patents/Trademarks.....	18 years	\$2,018.3	\$(158.5)	\$1,859.8
Technology	18 years	236.2	(19.5)	216.7
Capitalized Software.....	5 years	72.3	(11.2)	61.1
Contracts/customer relationships	15 years	120.1	(10.6)	109.5
Non-compete agreement	2 years	0.5	(0.2)	0.3
Unamortized Intangible Assets:				
Trade Names		253.9	0.0	253.9
Total intangibles assets		\$2,701.3	\$(200.0)	\$2,501.3

December 31, 2008	Weighted average useful life	Cost	Accumulated amortization	Net
Amortized Intangible Assets:				
Patents/Trademarks.....	18 years	\$1,964.6	\$(44.9)	\$1,919.7
Technology	18 years	222.5	(5.1)	217.4
Capitalized Software.....	5 years	39.6	(3.1)	36.5
Contracts/customer relationships	15 years	112.7	(2.4)	110.3
Non-compete agreement	2 years	0.5	—	0.5
Unamortized Intangible Assets:				
Trade Names		253.3	—	253.3
Total intangibles assets		\$2,593.2	\$(55.5)	\$2,537.7

Capitalized interest included in Capitalized Software amounted to \$1.9 million for the year ended December 31, 2009. There were no capitalized interest costs for the year ended December 31, 2008. The Company will begin depreciating these amounts when the assets are placed in service.

During 2009 and 2008, foreign currency translation resulted in an increase of \$71.9 million and \$270.2 million, respectively, in the gross carrying amount of intangible assets.

Amortization expense for other intangible assets for the year ended December 31, 2009, five months ended December 31, 2008, the seven months ended July 31, 2008, and the year ended December 31, 2007 was \$141.4 million, \$55.5 million, \$1.1 million, and \$3.9 million.

Expected amortization expense related to the current net carrying amount of other intangible assets, subject to amortization is as follows:

Years ending December 31,	
2010	\$144.5
2011	142.7
2012	142.7
2013	138.2
2014	137.2

13. Long-term debt

Long-term debt consisted of:

	December 31, 2009	December 31, 2008
Senior Facilities Agreement:		
Term Loan Facilities	\$1,745.5	\$1,758.5
Capex Credit Facility	74.0	42.9
Revolving Credit Facility.....	—	16.2
Mezzanine Facilities Agreement:		
Term Loans	928.7	862.9
Capital Lease Obligations	0.6	1.0
Total Debt	2,748.8	2,681.5
Less: Current Portion of Long-Term Debt.....	(87.2)	(53.0)
Total Long-Term Debt.....	\$2,661.6	\$2,628.5

On June 27, 2008, and as amended and restated on July 30, 2008, the Company entered into the Senior Facilities Agreement and the Mezzanine Facilities Agreement. These borrowings were primarily used to fund the ConvaTec Acquisition and the Unomedical Acquisition, including without limitation, paying fees, commissions and expenses in connection with the acquisitions, and refinancing all of the Unomedical debt obligations under its then existing bank agreement. To date the Company has incurred fees of \$29.2 million and EUR 51.1 million (\$73.5 million as of December 31, 2009) in connection with the issuance of these borrowings, which have been capitalized as deferred financing fees and are being amortized to expense over the terms of the underlying borrowings under the effective interest method. The unamortized deferred financing fees totaled \$85.8 million and \$94.7 million as of December 31, 2009 and 2008, respectively, and are included in Other Assets in the accompanying Consolidated Balance Sheets. Total amortization expense amounted to \$14.3 million and \$6.4 million during the year ended December 31, 2009 and the five months ended December 31, 2008, respectively.

The Senior Facilities Agreement

The Senior Facilities Agreement consists of (i) a consortium of term loans (the “Term Loan Facilities”), (ii) a capital expansion facility (the “Capex Facility”) due in annual installments of 16.66% of the total principal balance beginning December 31, 2011, with the remaining balance due August 1, 2014 and (iii) a revolving credit facility due 2014 (the “Revolving Credit Facility”) (collectively, the “Senior Facilities”). The Senior Facilities Agreement also allows for a lender to commit to future funding under an acquisition facility (the “Acquisition Facility”), for which any borrowings outstanding would be due in annual installments of 16.66% beginning December 31, 2011, with the balance due August 1, 2014.

The Term Loan Facilities consist of (i) facility A, comprised of U.S. Dollar and Euro term facilities, payable in escalating, semi-annual installments of 1.75% of the total principal balance beginning June 30, 2009, increasing to 8.00% on December 31, 2013, with the balance due 2014, (ii) a Euro denominated facility B due 2015, and (iii) facility C, comprised of U.S. Dollar and Euro term facilities, due 2016. Borrowings outstanding under the Term Loan Facilities denominated in U.S. Dollars and Euros are \$674.0 million and EUR 744.1 million (\$1,071.5 million) at December 31, 2009, and \$700.0 million and EUR 758.9 million (\$1,058.5 million) at December 31, 2008.

The Capex Facility is used for permitted capital expenditures and provides for availability through August 1, 2011. Based on a total commitment of EUR 65.9 million (\$94.9 million and \$92.0 million at December 31, 2009 and 2008, respectively), availability under the Capex Facility amounted to \$20.9 million and \$49.1 million at December 31, 2009 and 2008, respectively.

The Revolving Credit Facility of EUR 82.4 million (\$118.6 million and \$115.1 million at December 31, 2009 and 2008, respectively) is available through its maturity date in certain currencies at the borrower’s option and is used to provide for ongoing working capital requirements, letters of credit, and general corporate purposes of the Company. The Company may, at its option, establish bilateral Ancillary Credit Facilities with Lenders as permitted under the terms of the Senior Facilities Agreement. If an Ancillary Facility is established, it reduces the total credit commitment amount available under the Revolving Credit Facility by a like amount. In 2009, the Company established two Ancillary Credit facilities, which were comprised of a EUR 11 million (\$15.8 million) facility to support the cash management and credit needs for the Nordic region and a EUR 3.7 million (\$5.3 million) facility to support treasury related services for the Company’s global operations. As a result, the total remaining credit commitment under the Revolving Credit Facility was EUR 67.7 million (\$97.5 million)

as of December 31, 2009. There were no ancillary credit facilities established in 2008. Letters of credit outstanding under the revolving credit facility and related ancillary credit facilities totaled \$5.4 million and \$1.3 million at December 31, 2009 and 2008, respectively. After deducting the outstanding letters of credit amount of \$5.4 million, the Company has an aggregate amount of \$113.2 million available for borrowing under the revolving credit facility and related ancillary credit facilities as of December 31, 2009. Availability as of December 31, 2008 amounted to \$97.6 million, after deducting both the outstanding letters of credit amount of \$1.3 million and amounts withdrawn of \$16.2 million.

Borrowings under the Senior Facilities Agreement bear interest at either a Euro (EURIBOR) or U.S. Dollar (LIBOR) base rate, consistent with the denomination of the borrowings, plus an applicable margin ranging from 3.00% to 4.25%, subject to reductions upon achievement of a certain leverage ratio. The weighted average interest rate for borrowings under the Senior Facilities Agreement was 4.35% and 6.87% at December 31, 2009 and 2008, respectively. These interest rates do not reflect the impact of the Company's interest rate swap agreements. As discussed in Note 17—Financial Statement, the Company utilizes derivative financial instruments to minimize its exposure to the fluctuations in interest rates. The Senior Facilities Agreement requires the Company to pay commitment fees equal to 0.75% per annum on the available commitment for the following periods: (i) from June 27, 2008 through September 1, 2011 for the Capex Facility and (ii) from June 27, 2008 through a month prior to the maturity date of the Revolving Credit Facility. Commitment fees would apply to the Acquisition Facility from the initial date of the lender's commitment notice up to September 1, 2011. The revolving credit commitment may be used for cash borrowings or the issuance of letters of credit/guarantees. The Company pays a fronting fee to the letter of credit issuing bank in the amount of 0.125% of the notional amount of the letter of credit, payable in arrears.

Borrowings under the Senior Facilities may be prepaid during certain periods without premium or penalty. Amounts under the Revolving Credit Facility may be borrowed, repaid and re-borrowed until the applicable maturity date, whereas other loans do not allow for re-borrowings once borrowings are repaid. Prepayments are applied to loans outstanding on a pro rata basis in accordance with the terms of the Senior Facilities Agreement, with the exception of facility A for which the Company may opt to apply prepayments to future installments payable. Borrowings under the Senior Facilities Agreement are secured by substantially all of the Company's assets.

The Mezzanine Facilities Agreement

The Mezzanine Facilities Agreement consists of \$220.0 million and EUR 448.2 (\$645.4 million and \$625.9 million at December 31, 2009 and 2008, respectively) million term loans (the "U.S. Dollar Term Loan" and the "Euro Term Loan", respectively) due 2017 (collectively, the "Mezzanine Facilities"). Borrowings outstanding, including capitalized paid-in-kind accrued interest, under the Mezzanine Facilities denominated in U.S. Dollars and Euros were \$235.3 million and EUR 481.6 million (\$693.4 million) as of December 31, 2009, and \$223.7 million and EUR 457.7 million (\$639.2 million), as of December 31, 2008. Borrowings under the Mezzanine Facilities Agreement bear interest at either a Euro (EURIBOR) or U.S. Dollar (LIBOR) base rate, consistent with the denomination of the borrowings, plus 4.50%. Interest shall also accrue on a compounding basis on borrowings equal to a paid-in-kind margin of 5.00% per annum, payable upon maturity. The applicable interest rate for borrowings under the Mezzanine Facilities Agreement was 10.39% and 13.11% at December 31, 2009 and 2008, respectively.

After all obligations are repaid under the Senior Facilities Agreement, the Mezzanine Facilities may be prepaid and are subject to a premium or penalty if made prior to June 27, 2012. If prepaid, the Mezzanine Facilities Agreement does not allow for re-borrowings. Prepayments are applied to loans outstanding on a pro rata basis in accordance with the terms of the Mezzanine Facilities Agreement. The Mezzanine Facilities are secured by a second priority interest in substantially all of the Company's assets.

Borrowings and commitments under the Senior Facilities and the Mezzanine Facilities (after all obligations are repaid under the Senior Facilities Agreement) are subject to mandatory prepayment under specified circumstances, including 100% of the net proceeds arising from the sale of substantially all of the Company's business or assets, including an initial public offering, 100% of the proceeds from certain asset dispositions that are not reinvested, 100% of the receipt of certain insurance proceeds, 100% of the net proceeds from the sale of the Unomedical Wound Care business (as defined) in the United Kingdom (see Note 4—Divestiture), and 50% of excess cash flow (as defined), subject to reductions depending upon the achievement of a leverage ratio.

The Senior Facilities Agreement and the Mezzanine Facilities Agreement contemplate a proportion of the funds borrowed being on-lent to the main operating companies in the Company. Repayments of these loans are permitted, unless a default would occur as a result of making the repayment. It is the Company's intention that certain on-lending arrangements are of a long-term-investment nature. In addition, any flow of funds from the Company to its Parent is not permitted, with the

exception of management fees and other approved expenses, prior to the full repayment of borrowings under the Senior Facilities and the Mezzanine Facilities.

Accrued interest related to the Senior Facilities Agreement and the Mezzanine Facilities Agreement was \$14.0 million and \$0.6 million as of December 31, 2009 and 2008, respectively, and is recorded in Accrued expenses. Consolidated interest expense associated with the Company's outstanding debt obligations was \$225.7 million and \$104.1 million for the year ended December 31, 2009 and the five months ended December 31, 2008.

The Company's borrowing arrangements contain a number of financial and non-financial covenants. The more significant financial covenants require a maximum leverage ratio (as defined), a minimum interest coverage ratio (as defined), a minimum cash flow coverage ratio (as defined) and a limitation on capital expenditures. The Company was in compliance with all financial covenants as of December 31, 2009 and 2008, respectively.

The aggregate maturities of debt including the Company's capital lease obligations as of December 31, 2009 are as follows:

Years ending December 31,	
2010	\$87.2
2011	115.0
2012	141.8
2013	141.7
2014	283.5
Thereafter.....	<u>1,979.6</u>
Total.....	\$2,748.8

Capital lease obligations

The Company leases certain equipment used in operations. The weighted average per-annual interest rate on the capital lease obligations were 5.49% and 3.35% at December 31, 2009 and 2008, respectively and are due at varying dates through 2013.

14. Mandatorily redeemable preferred equity certificates

In conjunction with the ConvaTec Acquisition and the Unomedical Acquisition and related transactions, the Company issued Series 1, 2 and 3 preferred equity certificates ("PECs") for an aggregate amount of EUR 1,289.7 million (\$2,026.7 million) to the Parent. The PECs are mandatorily redeemable by the Company in 2057 or upon liquidation (which entails voluntary or involuntary liquidation, insolvency, dissolution, or winding up of the affairs of the company), or the Company has the option to voluntarily redeem any or all of the PECs, into cash, equity shares, new PECs or property that have an aggregate fair market value equal to the face value plus accrued unpaid dividends. The Company shall also redeem part or all of the PECs, if prior to the maturity date, part or all of the amounts that the Company lent to a subsidiary from the proceeds of these PECs are paid back by the subsidiary. If only part of the intercompany obligation is paid back by the subsidiary, then the PECs will be redeemed at an amount equal to lesser of (a) the pro rata portion of nominal principal and yield used to finance that portion of the subsidiary's obligation, or, (b) the maximum portion of these PECs that may be prepaid from the net proceeds from the subsidiary. The PECs can only be redeemed to the extent the Company will not become insolvent after making such payment. The PECs have been classified as debt as the PEC holders control a majority of the board of directors and, therefore, control the redemption rights. Further, under Luxembourg law the PECs are considered debt instruments.

PECs have priority over the common and preferred stock in the distribution of dividends and are entitled to a dividend equivalent ranging from approximately 13% to 14% of the par value per annum on a cumulative basis. Total dividends accrued at December 31, 2009 and December 31, 2008 amounted to \$365.4 million and \$99.8 million, respectively, which are classified within Other liabilities in the accompanying consolidated Balance Sheets. Total dividends expensed during the year ended December 31, 2009 and the five months ended December 31, 2008 were \$251.7 million and \$99.8 million, respectively, which were classified as Interest expense in the accompanying consolidated Statements of Earnings. The variance between the accrued dividends and dividends expensed is due to fluctuations in the foreign currency exchange rates. PECs are subordinate to borrowings under the Senior Facilities Agreement and the Mezzanine Facilities Agreement as well as present and future obligations of the Company whether secured or unsecured. The holders of the PECs do not have voting rights in respect to the Company by reason of ownership of the PECs. The Series 3 PECs cannot be transferred without prior consent of the Company or pursuant to the Company's third party debt agreements.

15. Stockholder's deficit / divisional equity

In February 2009, the Company's board of directors and stockholder approved the amendment of the Company's articles of incorporation for the reduction of the par value of all of the shares of the Company from an amount of fifty euro each to an amount of one euro each. The Company also increased its total share capital from the then present amount of thirty-two thousand five hundred euro (fifty thousand dollars) to EUR 112.2 million. The amendments to the Company's capital allowed for the conversion of loans due to Parent amounting to EUR 112.1 million (\$140.7 million on date of conversion and \$156.6 million at December 31, 2008) into common stock of the Company. The stockholder adopted resolutions approving both the conversion and the amendment to the share capital pursuant to a unanimous written consent which became effective in February 2009. As a result of the conversion, the carrying value of the loans payable to Parent were reclassified to Stockholder's Equity as part of common stock.

The Company had one hundred twelve million one hundred fifty-seven thousand eight hundred eighty-three issued and outstanding shares of common stock at December 31, 2009 and two hundred fifty issued and outstanding shares of common stock at December 31, 2008. The Company had five thousand issued and outstanding shares of class A preferred stock, five thousand issued and outstanding shares of class B preferred stock, five thousand issued and outstanding shares of class C preferred stock, and five thousand issued and outstanding shares of class D preferred stock at December 31, 2009. The Company had one hundred issued and outstanding shares of class A preferred stock, one hundred issued and outstanding shares of class B preferred stock, one hundred issued and outstanding shares of class C preferred stock, and one hundred issued and outstanding shares of class D preferred stock at December 31, 2008. The par value of common and preferred stock was one EUR per share (\$1.25) as of December 31, 2009 and fifty EUR per share (\$78.00) as of December 31, 2008. Each share has an identical voting right and each shareholder has voting rights commensurate to its shareholding. Each shareholder is entitled to equal rights to any distribution of dividends.

The Predecessor operated as a division of BMS. Accordingly, certain operating, financing, and investing activities of ConvaTec were funded through interdivisional transactions with BMS and other operating divisions and subsidiaries. The accompanying Statements of Changes in Divisional Equity reflect these amounts as Transfers to Bristol-Myers Squibb, net. The accompanying Statements of Cash Flows reflect these amounts as Transfers to Bristol-Myers Squibb in the Financing activities section.

16. Employee stock benefit plans

The Company

The Company's Parent grants stock-based compensation to employees under the Annual Equity Program ("AEP"), the Management Executive Plan ("MEP") and the Management Incentive Plan ("MIP"). Additional information regarding these plans is provided below.

The accounting standard relating to stock based compensation requires that the cost of all share-based payment transactions be recognized in the financial statements, establishes fair value as the measurement objective, and requires entities to apply a fair value-based measurement method in accounting for share-based payment transactions. The Company's Parent grants stock-based compensation awards which vest over a specified period or upon a liquidity event, such as a change of control or an initial public offering. The fair value of equity instruments issued to employees is measured on the date of grant and expense is recognized over the vesting period or upon a liquidity event, depending upon the specific terms of the individual award. As stated in Note 2—Accounting Policies, Stock Compensation, certain features of share-based awards may require the awards to be accounted for as liabilities as opposed to equity. Liability awards are required to be updated to fair value at the end of each reporting period until settlement. Generally, unvested awards are forfeited for no consideration upon termination of employment. No awards may be transferred other than under specified limited circumstances which generally are to family members for estate planning purposes. Stock-based awards granted under the AEP, MEP and MIP do not entitle the participants to any voting rights.

The fair value of each award is estimated on the date of grant using the Black-Scholes pricing model based on assumptions noted in the following table. The fair value for awards accounted for as liabilities is remeasured at each reporting date. Expected volatilities are based on historical volatilities of comparable companies. The risk-free interest rate is based on the weighted-average of U.S. Treasury strip rates over the contractual term of the awards. The expected term of the awards granted represents the period of time that awards are expected to be outstanding.

	Year ended December 31, 2009	Five months ended December 31, 2008
Dividend yield.....	0.0%	0.0%
Expected volatility	54.5%	53.0%
Risk-free interest rate.....	2.1%	1.7%
Expected life of AEP awards granted during period.....	4.4 years	—
Expected life of MEP awards granted during period.....	4.4 years	5.4 years
Expected life of MIP awards granted during period.....	4.4 years	5.4 years

As stock-based compensation expense is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. The accounting standard requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Because the Company's employee stock-based compensation awards have certain characteristics that are significantly different from traded awards, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the Black Scholes pricing model may not provide an accurate measure of the fair value of the Company's employee stock-based compensation awards. Although the fair value of stock-based compensation was determined in accordance with the accounting standard using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

Annual Equity Program

In July 2009, the Company's Parent adopted the AEP, which allows for the issuance of units ("AEP Units") to employees for shares of common stock. The Company's Parent is authorized to grant up to 1.0 million AEP Units to purchase common stock under the AEP, representing 2.0% of the common stock in the Company's Parent. AEP Units are granted at the allocable fair market value of a share of stock on the date of grant and vest upon a liquidity event, as described above.

AEP Units that are unallocated or forfeited can be redistributed to an existing AEP participant or other employee upon the recommendation of the chief executive officer if, and to the extent, the recipient in such transfer is acceptable to the Board of Directors. Any redistribution of AEP units would be considered a new grant under the terms of the AEP.

Summary activity related to the AEP during the year ended December 31, 2009 is presented below:

AEP Units in thousands	
Nonvested at January 1, 2009	—
Granted	190
Vested	—
Forfeited/cancelled	(6)
Nonvested at December 31, 2009	184

Additional information about AEP Units	Year ended
In millions, except per share amounts	December 31, 2009
Weighted average grant date fair value of AEP Units granted	\$4.95
Total compensation expense for AEP Units	\$—
Related tax benefit	\$—

Total unrecognized compensation cost related to AEP Units granted was \$0.9 million as of December 31, 2009 and is expected to be recognized when a liquidity event occurs.

Management Executive Plan

In October 2008, the Company's Parent adopted the MEP, which allows for the issuance of units ("MEP Units") to employees for shares of common stock. The Company's Parent is authorized to grant up to 1.0 million MEP Units to purchase common stock under the MEP, representing 8.0% of the common stock in the Company's Parent. MEP Units are granted at the allocable fair market value of a share of stock on the date of grant and vest over five years or upon a liquidity event, as described above.

MEP Units that are unallocated or forfeited can be redistributed to an existing MEP participant or other employee upon the recommendation of the chief executive officer if, and to the extent, the recipient in such transfer is acceptable to the Board of Directors. Any redistribution of MEP units would be considered a new grant under the terms of the MEP.

Summary activity related to the MEP during the year ended December 31, 2009 and the five months ended December 31, 2008 is presented below:

MEP Units in thousands	
Nonvested at August 1, 2008.....	—
Granted	720
Vested	—
Forfeited/cancelled	—
Nonvested at December 31, 2008	720
Granted	66
Vested	(124)
Forfeited/cancelled	(40)
Nonvested at December 31, 2009	622

Additional Information about MEP Units	Year ended	Five months ended
In millions, except per share amounts	December 31, 2009	December 31, 2008
Weighted average grant date fair value of MEP Units granted.....	\$19.78	\$30.37
Total compensation expense for MEP Units.....	\$2.3	\$0.6
Related tax benefit	\$0.9	\$0.2

Total unrecognized compensation cost related to MEP Units granted was \$12.6 million as of December 31, 2009 and is expected to be recognized over a weighted-average period of 3.9 years.

Management Incentive Plan

In November 2008, the Company's Parent adopted the MIP, which allows for the issuance of units ("MIP Units") to employees for common stock and PECs of the Company's Parent. The Company's Parent is authorized to grant up to 3.0 million MIP Units under the Plan, representing 0.3% of the common stock and 0.4% of the PECs in the Company's Parent. MIP Units are granted at the allocable fair market value of a share of stock or PECs on the date of grant and vest upon a liquidity event, as described above.

Summary activity related to the MIP during the year ended December 31, 2009 and the five months ended December 31, 2008 is presented below.

MIP Units in thousands	
Nonvested at August 1, 2008.....	—
Granted	2,847
Vested	—
Forfeited/cancelled	—
Nonvested at December 31, 2008	2,847
Granted	—
Vested	—
Forfeited/cancelled	(134)
Nonvested at December 31, 2009	2,713

Additional information about MIP Units	Year ended	Five months ended
In millions, except per share amounts	December 31, 2009	December 31, 2008
Weighted average grant date fair value of MIP Units granted.....	\$—	\$1.47
Total compensation expense for MIP Units.....	\$—	\$—
Related tax benefit	\$—	\$—

Total unrecognized compensation cost related to MIP Units granted was \$8.0 million at December 31, 2009 and is expected to be recognized when a liquidity event occurs.

Predecessor

BMS sponsored the following employee stock plans in which certain employees of ConvaTec participated. As the stock based compensation plans were BMS plans, the amounts have been recognized through Divisional Equity.

The ConvaTec Acquisition accelerated vesting for certain stock options, pro-rata vesting for certain restricted stock and performance shares, and forfeitures on other stock options, restricted stock and performance shares during the seven months ended July 31, 2008. Generally, any option or share that was less than one year old (from grant date) was forfeited for which a reduction to compensation expense was recorded. The remaining stock options were considered vested and any unrecognized compensation expense associated with the fair value of the award was immediately expensed. For the remaining restricted stock and long-term performance awards, compensation expense was recorded for the pro-rata portion of the awards that were vested, and a reduction to compensation expense was recorded for awards forfeited.

Employee stock plans

On May 1, 2007, BMS stockholders approved the BMS 2007 Stock Award and Incentive Plan (the 2007 Plan). The 2007 Plan replaced the 2002 Stock Incentive Plan (the 2002 Plan) that expired on May 31, 2007. The 2007 Plan provided for 42 million new shares of common stock reserved for delivery to participants, plus shares remaining available for new grants under the 2002 Plan and shares recaptured from outstanding awards under the 2002 Plan. Only the number of shares actually delivered to participants in connection with an award after all restrictions lapsed were counted against the number of shares reserved. Shares tendered in a prior year to pay the purchase price of options and the number of shares previously utilized to satisfy withholding tax obligations upon exercise continued to be available and reserved.

Under the BMS 2007 Plan and the 2002 Plan, executive officers and key employees of ConvaTec were granted options to purchase BMS's common stock at no less than 100% of the market price on the date the option was granted. Options generally became exercisable in installments of 25% per year on each of the first through the fourth anniversaries of the grant date and had a maximum term of 10 years. Generally, BMS issued shares for the stock option exercises from treasury stock. Additionally, the plan provided for the granting of stock appreciation rights whereby the grantee may surrender exercisable rights and receive common stock and/or cash measured by the excess of the market price of the common stock over the option exercise price.

The 2007 Plan and the 2002 Plan provided for the granting of common stock to key employees, subject to restrictions as to continuous employment. Restrictions generally expired over a four-year period from date of grant. Compensation expense was recognized over the restricted period. In 2007, BMS began granting restricted stock units instead of restricted stock.

The 2007 Plan and the 2002 Plan also incorporated long-term performance awards which were delivered in the form of a target number of performance shares and had a three-year cycle. For 2007 to 2009, the awards have annual goals set at the beginning of each performance period and were based 50% on BMS earnings per share and 50% on BMS sales. Maximum performance resulted in a maximum payout of 220%. The goals for the 2005 through 2007 and the 2006 through 2008 awards were set for the three-year period and were based 50% on BMS cumulative earnings per share and 50% on BMS cumulative sales, with the ultimate payout modified by BMS total stockholder return versus the 11 companies in its proxy peer group. Maximum performance for all three measures resulted in a maximum payout of 253% of target. If threshold targets were not met for the performance period, no payment was made under the plan.

Under the Team Share Stock Option Plan, which terminated on January 3, 2005, full-time ConvaTec employees, excluding key executives, were granted options to purchase BMS's common stock at the market price on the date the options were granted. Individual grants generally became exercisable evenly on the third, fourth and fifth anniversary of the grant date and have a maximum term of 10 years.

Effective January 1, 2006, BMS and the Division adopted the provisions of the accounting standard relating to stock compensation, using the modified prospective transition method. BMS and the Division continued to follow the nominal vesting period approach for awards granted prior to the January 1, 2006 adoption of the accounting standard. For the awards granted subsequent to its adoption of the accounting standard, compensation cost was recognized over the shorter of the nominal vesting period or the period until the employee's award became non-forfeitable upon reaching eligible retirement age under the terms of the award. As a result, ConvaTec's Statements of Earnings for the seven months ended July 31, 2008 and the year ended December 31, 2007 reflect the impact of the adoption of the accounting standard relating to stock compensation and includes the impact of the expensing of stock options. The following table summarizes stock-based compensation expense, net of tax, related to employee stock options, restricted stock, and long-term performance awards for the seven months ended July 31, 2008 and the year ended December 31, 2007:

	The Predecessor	
	For the seven months ended July 31, 2008	For the year ended December 31, 2007
Cost of products sold	\$0.7	\$0.5
Marketing, selling and administrative.....	4.1	4.2
Research and development	0.5	0.5
Total stock-based compensation expense	5.3	5.2
Deferred tax benefit	(1.9)	(1.8)
Stock-based compensation, net of tax.....	\$3.4	\$3.4

There were no costs related to stock-based compensation that were capitalized during the period.

A summary of activity related to options held by ConvaTec employees is as follows:

	Options (in thousands)	Weighted-average exercise price of shares	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (dollars in millions)
The Predecessor				
Outstanding at January 1, 2007	6,031	\$37.05		
Granted.....	580	27.05		
Exercised.....	(513)	27.27		
Lapsed.....	(197)	33.64		
Balance at December 31, 2007.....	5,901	\$37.20	4.74	\$5.04
Granted.....	729	22.15		
Exercised.....	(2)	22.79		
Lapsed.....	(1,756)	35.72		
Balance at July 31, 2008	4,872	\$35.49	4.64	\$—
Excercisable at December 31, 2007	4,466	\$40.45	3.72	\$3.46
Excercisable at July 31, 2008.....	4,872	\$35.49	4.64	\$—
Options vested and unvested expected to vest at December 31, 2007	5,823	\$37.34	4.70	\$4.95
Options vested and unvested expected to vest at July 31, 2008.....	4,872	\$35.49	4.64	\$—

Lapsed shares include forfeitures and shares attributable to employees that transferred to or from other BMS divisions.

The weighted-average grant-date fair value of options granted by BMS to ConvaTec employees during the seven months ended July 31, 2008 and the year ended December 31, 2007 was \$4.65 and \$5.89, respectively. The total intrinsic value of options exercised by ConvaTec employees for the seven months ended July 31, 2008 was nominal. For the years ended December 31, 2007 the amount was \$1.3 million.

Subsequent to the ConvaTec Acquisition date, options that remain outstanding under these BMS plans are held primarily by ConvaTec employees who are retired or retirement eligible. Therefore, any related compensation cost recognized after the ConvaTec Acquisition date is recorded by BMS and has no impact on the Company's consolidated financial statements.

Stock option valuation

The fair value of employee stock options granted was estimated on the date of the grant, using the Black-Scholes option pricing model with the following assumptions:

	The Predecessor	
	For the seven months ended July 31, 2008	For the year ended December 31, 2007
Expected volatility	31.0%	28.9%
Risk-free interest rate.....	3.3%	4.7%
Dividend yield	4.3%	4.5%
Expected life.....	6.7	6.2

The expected volatility assumption required in the Black-Scholes model was calculated using a 10-year historical volatility of the BMS stock price and weighting it equally against the derived implied volatility. The selection of the blended historical and implied volatility approach was based on BMS's assessment that this calculation of expected volatility is more representative of future stock price trends than using only historical volatility.

The risk-free interest rate assumption was based upon the U.S. Treasury yield curve in effect at the time of grant. The dividend yield assumption was based on BMS's history and expectation of dividend payouts.

The expected life of employee stock options represents the weighted-average period the stock options were expected to remain outstanding and was a derived output of the lattice-binomial model. The expected life of employee stock options was impacted by all of the underlying assumptions and calibration of BMS's model. The lattice-binomial model assumed that ConvaTec employees exercise behavior was a function of the option's remaining vested life and the extent to which the option was in-the-money. The lattice-binomial model estimated the probability of exercise as a function of these two variables based on the entire history of exercises and cancellations on all past option grants made by BMS to ConvaTec employees.

As stock-based compensation expense recognized in the Statements of Earnings for the seven months ended July 31, 2008 and the year ended December 31, 2007 was based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. The accounting guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience.

Restricted stock

The fair value of nonvested shares of BMS's common stock granted to ConvaTec employees was determined based on the average trading price of BMS's common stock on the grant date.

A summary of restricted share activity related to ConvaTec employees follows:

Shares in thousands	Number of shares	Weighted-average grant-date fair value
The Predecessor		
Nonvested shares at January 1, 2007	240	\$23.35
Granted	146	\$27.04
Vested	(51)	\$25.36
Forfeited.....	<u>(10)</u>	\$24.74
Nonvested shares at December 31, 2007	325	\$25.53
Granted	243	\$22.14
Vested	(103)	\$25.56
Forfeited.....	<u>(465)</u>	\$23.78
Nonvested shares at July 31, 2008.....	—	\$—

Forfeited shares include shares attributable to employees that transferred to or from other BMS divisions.

As a result of the accelerated vesting of restricted stock units due to the ConvaTec Acquisition, there is no unrecognized compensation cost related to nonvested BMS restricted stock units granted to ConvaTec employees. The total fair value of shares and share units that vested during the seven months ended July 31, 2008 and the year ended December 31, 2007 was \$2.5 million and \$1.3 million, respectively. The weighted average grant date fair value of restricted stock awards/ units granted to ConvaTec employees during the seven months ended July 31, 2008 and the year ended December 31, 2007 was \$22.14 and \$27.04, respectively.

Long-term performance awards

Prior to the adoption of the accounting standard relating to stock compensation, compensation expense related to performance awards was determined based on the market price of BMS stock at the time of the award applied to the expected number of shares contingently issuable (up to 100%) and was amortized over the three-year performance cycle.

Since the adoption of the accounting standard, the fair value of the 2006 through 2008 performance award was estimated on the date of grant using a Monte Carlo simulation model due to a market condition. The Monte Carlo simulation model utilized multiple input variables that determine the probability of satisfying each market condition stipulated in the award grant and calculated the fair market value for the long-term performance awards. For the 2007 through 2009 performance award, because the award did not contain a market condition, the fair value was based on the closing trading price of BMS's common stock on the grant date.

The valuation model for the 2006 through 2008 award used the following assumptions:

Grant year	Grant date	Weighted-average expected volatility	Expected dividend yield	Risk free interest rate
2006	3/7/2006	20.40%	4.90%	4.40%

Weighted-average expected volatility was based on the three year historical volatility levels on BMS's common stock. Expected dividend yield is based on BMS's historical dividend payments. Risk free interest rate reflected the yield on 5-year zero coupon U.S. Treasury bonds, based on the performance shares' contractual term. The fair value of the performance awards was amortized over the performance period of the award.

Information related to performance awards under both the 2007 Plan and the 2002 Plan is summarized as follows:

Grant date	Performance cycle measurement date	Weighted-average grant date fair value	Long-term performance shares outstanding	
			December 31, 2008	December 31, 2007
Shares in thousands				
3/1/2005	12/31/2007	\$25.45	—	23
3/7/2006	12/31/2008	\$20.00	—	8
3/6/2007	Annually on 12/31	\$27.01	—	6

As a result of the accelerated vesting of long-term performance awards due to the ConvaTec Acquisition, there is no unrecognized compensation cost related to awards granted to ConvaTec employees under the BMS performance share plan. The total fair value of awards that vested during the Predecessor period was immaterial.

Accuracy of fair value estimates

ConvaTec's determination of fair value of stock-based payment awards on the date of grant using an option-pricing model was affected by BMS's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables included, but were not limited to, BMS's expected stock price volatility over the term of the awards and actual and projected ConvaTec employee stock option exercise behaviors. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because ConvaTec's employee stock options had certain characteristics that were significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the existing valuation models may not provide an accurate measure of the fair value of ConvaTec's employee stock options. Although the fair value of employee stock options was determined in accordance with the accounting standard, using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

17. Financial instruments

In connection with the Company's risk management strategy, the Company enters into currency agreements and interest rate agreements with major financial institutions for other than trading purposes to reduce the impact of exchange rate and/or interest rate fluctuations related to debt payments.

Currency risk

The Company is exposed and the Predecessor was exposed to market risk due to changes in currency exchange rates. The primary net foreign currency translation exposures are the Euro, Japanese yen, British pound sterling, Danish krone and

Canadian dollar. Exposures to foreign currency denominated net assets/(liabilities) were approximately \$(1,691.1) million and \$(1,262.4) million, as of December 31, 2009 and 2008, respectively.

On May 7, 2008, pursuant to the execution of the Acquisition Agreement, Cidron Healthcare Limited, on behalf of the Company, entered into a foreign currency forward agreement (the "Euro Forward") to reduce the impact of exchange rates between the Euro and the U.S. Dollar for the portion of the ConvaTec Acquisition's purchase price to be paid in Euros. The terms of the Euro Forward required the Company to pay EUR 1,162.9 million in exchange for the U.S. Dollar equivalent at a USD/EUR exchange rate of approximately 1.52. In conjunction with the funding of the ConvaTec Acquisition, the Euro Forward was settled by the Company's lenders directly with the counterparty through a reduction in net proceeds received by the Company's wholly owned subsidiaries under the Senior Facilities and the Mezzanine Facilities. The Euro Forward settlement amounted to a loss of \$44.7 million and was included as Foreign exchange (gain) loss during the five months ended December 31, 2008 in the Company's consolidated Statement of Earnings.

During the Predecessor period, BMS utilized foreign currency forward contracts to hedge anticipated transactions, primarily intercompany transactions, on certain foreign currencies and designated these derivative instruments as foreign currency cash flow hedges when appropriate. The effects of hedges were allocated to ConvaTec's Statements of Earnings based on its percentage of BMS's total cost of sales at standard cost, which resulted in losses of \$4.0 million and \$3.0 million, for the seven months ended July 31, 2008 and the year ended December 31, 2007, respectively. No foreign currency contracts were allocated to the Predecessor's Balance Sheets as these were managed by BMS as part of a centralized hedging program, and were not entered into specifically for the Predecessor.

BMS performed periodic assessments of hedge effectiveness to determine whether derivatives designated as qualifying hedges continue to be highly effective in offsetting changes in the cash flows of hedged items. Any ineffective portion of fair value can no longer be deferred in AOCI and is included in current period earnings. The ineffective portion of fair value that BMS allocated to the Statements of Earnings was based on ConvaTec's percentage of BMS's total standard cost of sales. The ineffective portion of fair value that was allocated to the Predecessor was not significant. Additionally, the fair value of discontinued hedges that was allocated to the Predecessor, also based on ConvaTec's proportionate share of BMS standard cost of sales, was not significant.

Interest rate risk

In August 2008, the Company entered into an interest rate swap (the "Euro Interest Rate Swap"), whereby the Company pays its counterparties fixed interest rates ranging from 5.08% to 5.12% on a notional amount of EUR 800.0 million (\$1,117.0 million at December 31, 2008) through 2011. In exchange, the Company receives a floating interest rate of 3-month EURIBOR on an equivalent notional amount. The Euro Interest Rate Swap is recorded at fair value either as an asset or liability. Prior to February 2009, changes in the fair value of the swap, which was not designated as a hedging instrument, were recognized in Interest expense in the accompanying consolidated Statement of Earnings.

In September 2008, the Company entered into an interest rate swap (the "U.S. Dollar Interest Rate Swap"), whereby the Company pays its counterparties fixed interest rates ranging from 3.29% to 3.33% on a notional amount of \$400.0 million through 2011. In exchange, the Company receives a floating interest rate of 3-month U.S. Dollar LIBOR on an equivalent notional amount. The U.S. Dollar Interest Rate Swap is recorded at fair value either as an asset or liability. Prior to February 2009, changes in the fair value of the swap, which was not designated as a hedging instrument, were recognized in Interest expense in the accompanying consolidated Statement of Earnings.

The Euro Interest Rate Swap contains an option to extend the termination date (the "Euro Swaption") whereby the Company would pay its counterparties fixed interest rates ranging from 5.08% to 5.12% on an aggregate notional amount of EUR 600.0 million from 2011 through 2012. In exchange the Company would receive a floating interest rate of 3-month EURIBOR on an equivalent notional amount. The Euro Swaptions are recorded at fair value either as an asset or a liability. Prior to February 2009, changes in the fair value of the swaption, which was not designated as a hedging instrument, were recognized in Interest expense in the accompanying consolidated Statement of Earnings.

In February 2009, the Company amended the Euro Interest Rate Swap and the U.S. Dollar Interest Rate Swap to include one-month intervals on the interest reset dates. Based on the amended terms, the Company pays its counterparties fixed interest rates ranging from 4.92% to 5.00% on the Euro Interest Rate Swap and from 3.19% to 3.23% on the U.S. Dollar Interest Rate Swap. The Euro Interest Rate Swaption rates were amended in conjunction with the Euro Interest Rate Swap. All other terms remained unchanged. In conjunction with the amendment, the Company designated the Euro Interest Rate Swap, the Euro Interest Rate Swaption, and the U.S. Dollar Interest Rate Swap as effective hedging instruments. Subsequent to designating the aforementioned hedging instruments as effective, all changes in their respective fair values were recognized in AOCI.

In September 2009, the Company entered into an additional interest rate swap to hedge an incremental amount of its U.S. Dollar denominated debt, whereby the Company pays its counterparties a fixed interest rate of 1.34% on a notional amount of \$225.0 million through January 1, 2012. In exchange, the Company receives a floating interest rate of 1-month U.S. Dollar LIBOR on an equivalent notional amount. The swap is recorded at fair value either as an asset or liability. The Company designated the swap as an effective hedging instrument; therefore, changes in the fair value were recognized in AOCI.

In September 2009, the Company entered into an additional interest rate swap to hedge an incremental amount of its Euro denominated debt, whereby the Company pays its counterparties a fixed interest rate of 1.39% on a notional amount of EUR 150.0 million through January 1, 2012. In exchange, the Company receives a floating interest rate of 1-month EURIBOR on an equivalent notional amount. The swap is recorded at fair value either as an asset or liability. The Company designated the swap as an effective hedging instrument; therefore, changes in the fair value were recognized in AOCI.

If the overall fair value of the financial instruments were determined to be in an asset position, the Company would be exposed to credit-related losses in the event of nonperformance by the counterparties that issued the Euro Interest Rate Swap, the U.S. Dollar Interest Rate Swap, and the Euro Swaption. The Company does not expect that these counterparties will fail to meet their obligations, given their high credit ratings. The Company generally does not require collateral on derivative instruments due to the credit rating of its counterparties.

The following table provides the fair value and balance sheet location of the Company's derivative instruments as of December 31, 2009 and 2008:

Derivatives designated as hedging instruments:	Balance sheet location	Asset derivatives		Liability derivatives	
		Fair value as of December 31,		Fair value as of December 31,	
		2009	2008	2009	2008
Interest Rate Swaps	Other assets and other liabilities	\$0.7	\$—	\$92.7	\$—
Derivatives not designated as hedging instruments:					
Interest Rate Swaps	Other liabilities	\$—	\$—	\$—	\$85.8

The following table provides the gains and losses reported in AOCI within Equity for the year ended December 31, 2009, and the five months ended December 31, 2008:

Derivatives in cash flow hedging relationships:	Amount of gain or (loss) recognized in AOCI on derivatives and other financial instruments (effective portion)	
	Year ended December 31, 2009	Five months ended December 31, 2008
Interest Rate Swaps.....	\$4.9	\$—

In the year ended December 31, 2009, and the five months ended December 31, 2008, no gains or losses were reclassified from AOCI into income.

The following table provides the gains and losses reported in the Consolidated Statements of Earnings for the year ended December 31, 2009, the five months ended December 31, 2008, the seven months ended July 31, 2008 and the year ended December 31, 2007:

Derivatives not designated as hedging instruments:	Amount of gain or (loss) recognized in income on derivatives				Location of gain or (loss) recognized in income on derivatives
	Year ended December 31, 2009	Five months ended December 31, 2008	Seven months ended July 31, 2008	Year ended December 31, 2007	
Interest Rate Swaps.....	\$(7.6)	\$(81.8)	\$—	\$—	Interest Expense
Foreign Currency Forwards.....	—	(44.7)	(4.0)	(3.0)	Foreign Exchange Gain
Total Gain (Loss).....	\$(7.6)	\$(126.5)	\$(4.0)	\$(3.0)	(Loss)

18. Fair value measurements

Effective January 1, 2008, the Company prospectively implemented the provisions of the accounting standard relating to fair value measurements for its financial assets and financial liabilities reported or disclosed at fair value. Effective January 1, 2009, the Company has adopted certain provisions of the standard relating to its non-financial assets and liabilities recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

The Company's financial instruments and the methods used to determine fair value consist of the following:

- Cash and cash equivalents, receivables, accounts payable and certain accrued expenses—Carrying amounts approximate fair value due to the short-term maturities of these assets and liabilities.
- Long-term debt—The carrying value approximates its fair value due to the variability in the instruments' stated interest rate which fluctuates with the market.
- Preferred equity certificates—Carrying amounts approximate fair value due to the holders' ability to redeem the instruments at face value at issuance.

To increase consistency and comparability in fair value measures, the accounting standard relating to fair value measurements established a three-level fair value hierarchy to prioritize inputs used in valuation techniques between observable inputs that reflect quoted prices in active markets, inputs other than quoted market prices with observable market data, and unobservable data (e.g., the company's own data). The guidance requires disclosures detailing the extent to which companies' measure assets and liabilities at fair value, the methods and assumptions used to measure fair value and the effect of fair value measurements on earnings. Accordingly, the Company has applied the following valuation techniques to measure fair value:

- Level 1 — Quoted market prices in active markets for identical assets or liabilities
- Level 2 — Significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs)
- Level 3 — Unobservable inputs in which there is a little or no market data, which require the reporting entity to develop its own assumptions

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis:

	Recurring fair value measurements			
	Total	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
December 31, 2009				
<i>Assets</i>				
Interest Rate Swaps.....	\$0.7	\$—	\$0.7	\$—
<i>Liabilities</i>				
Interest Rate Swaps.....	\$92.7	\$—	\$92.7	\$—
December 31, 2008				
<i>Liabilities</i>				
Interest Rate Swaps.....	\$85.8	\$—	\$85.8	\$—

The fair values of derivatives are based on quoted market prices from various banks for similar instruments. The valuation of these instruments reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs.

The following table summarizes those assets and liabilities measured at fair value on a non-recurring basis:

December 31, 2009	As of December 31, 2009	Non-recurring fair value measurements			Total gains (losses)
		Level 1	Level 2	Level 3	
<i>Assets:</i>					
Long-lived assets held and used	\$2,840.0	\$—	\$—	\$2,840.0	\$(4.3)
Goodwill	1,081.3	—	—	1,081.3	(277.3)
Total gains (losses)					\$(281.6)

Nonrecurring fair value measurements consist of goodwill and long-lived assets held and used. Goodwill is tested for possible impairment as of the beginning of the fourth quarter of each year. During 2009, management concluded that the carrying values of goodwill in its Americas region exceeded the respective fair value and, accordingly, recorded an impairment charge totaling \$277.3 million to write down goodwill to its fair value (Note 11—Goodwill).

The goodwill nonrecurring fair value measurements were developed using significant unobservable inputs (Level 3). For goodwill, the primary valuation technique used was an income methodology based on management's estimates of forecasted cash flows for each reporting unit, with those cash flows discounted to present value using rates commensurate with the risks of those cash flows. In addition, management used a market-based valuation method involving analysis of market multiples of revenues and earnings before interest, taxes, depreciation and amortization ("EBITDA") for a group of comparable companies. Assumptions used by management were similar to those that would be used by market participants performing valuations of these reporting units.

Additionally, as part of the second step of the goodwill impairment analysis, the Company allocated the reporting unit fair value to all assets and liabilities as if the reporting unit had been acquired in a business combination at the date of the impairment test. A significant part of this step included the allocation of fair value to intangible assets using both the relief-from-royalty method and the multi-period excess earnings method, both of which are forms of the income approach. The fair value of an asset is derived from the relief-from-royalty method by discounting the value of the related forecasted royalty revenues using a royalty rate that an independent party would pay for use of that asset. Conversely, the fair value of an asset is derived from the multi-period excess earnings method by discounting the future estimated cash flows resulting from projected revenues and related costs of that asset.

For trade name intangible assets, management used the income-based relief-from-royalty valuation method in which fair value is the discounted value of forecasted royalty revenues arising from a trade name using a royalty rate that an independent party would pay for use of that trademark. Assumptions used by management were similar to those that would be used by market participants performing valuations of these assets.

Long-lived assets held and used with a carrying amount of \$2,840.0 million were written down to their fair value, resulting in an impairment charge of \$4.3 million, which was recorded within cost of goods sold for the year ended December 31, 2009. The impairment charge related to the relocation of Hundested, Denmark manufacturing operations to the existing manufacturing facility in Michalovce, Slovakia. Upon ceasing manufacturing operations in Hundested, Denmark during 2009, the expectation was that, more likely than not, the building would be sold or disposed of significantly before its previously estimated useful life. In determining the fair value of the building, management took into consideration quoted market prices and internal undiscounted cash flow estimates. For real estate, cash flow estimates are based on current market conditions and projected real estate sales. These assets are generally included in Level 3.

19. Employee benefit plans

The Company

Postretirement plans

The Company offers defined contribution plans to eligible employees primarily in the U.S., whereby employees contribute a portion of their compensation, which is partially matched by the Company. The Company plan was established on August 1, 2008 so ConvaTec employees, who became employed by the Company, had the ability to roll over existing contributions in the BMS-sponsored plan (see below) in conjunction with the ConvaTec Acquisition. Effective August 1, 2008, the Company also provides for a discretionary matching contribution in addition to the partial matching described above, of which both are expensed as incurred. Once the contributions have been paid, the Company has no further payment obligations. For the year

end December 31, 2009 and the five months ended December 31, 2008, the matching contributions for Company employees totaled approximately \$3.0 million and \$0.9 million, respectively.

The Company also provides fully insured comprehensive medical and group life benefits for substantially all retirees who elect to participate in the Company's comprehensive medical and group life plans. The medical plan is contributory. Contributions are adjusted annually. Annual premiums are paid as they become due. The Company provides non-contributory life insurance plans for active employees. Similar plans exist for employees in certain countries outside of the U.S., such as in France and Canada.

Post employment benefit plans

The Company offers fully insured medical continuation and income replacement benefits to employees on long-term disability (LTD) in the U.S. and Canada. Annual premiums are paid as they become due.

The Company provides post employment benefits to its employees in countries that lawfully require employers to provide lump sum benefits upon termination of employment (primarily in Italy). Employee benefits are earned for each year's service, and the benefit earned for each year's service amounts to one month's pay at the employee's annual compensation rate. Benefits are recognized over the service period during which the employee earns the benefit. Total post employment expense recognized in the consolidated Statement of Earnings amounted to \$0.4 million and \$0.2 million, for the year ended December 31, 2009 and five months ended December 31, 2008. The unpaid portion of these benefits is included in Accrued compensation in the accompanying consolidated Balance Sheets and amounted to \$2.7 million and \$2.3 million as of December 31, 2009 and 2008, respectively.

Predecessor

Pension and other postretirement plans

During the Predecessor period, substantially all employees of ConvaTec participated in various defined benefit pension and postretirement plans administered and sponsored by BMS. Benefits under the pension plans were based primarily on years of service and employees' compensation. The other postretirement plans provided ConvaTec employees healthcare and life insurance benefits upon retirement. Pension entitlements were secured by contributions by BMS to a separately administered pension fund. As a result of the ConvaTec Acquisition, all employees of ConvaTec ceased to accrue benefits in the BMS sponsored pension and other postretirement plans, and substantially all plan assets and liabilities were retained by BMS.

The Predecessor financial statements reflect the BMS defined benefit pension and postretirement plans on a multi-employer basis in accordance with the guidance relating to employers' accounting for defined benefit pension and other postretirement plans. ConvaTec specifically identified the BMS pension expense attributable to ConvaTec participants for the pension plans in the UK and Japan. For the BMS pension plans applicable in the U.S., Canada, France, Germany and other markets in which the Predecessor has significant operations, costs associated with the pension plans were allocated to ConvaTec on the basis of pensionable earnings. Management believes that this methodology was a reasonable basis for allocation. For the seven months ended July 31, 2008 and the year ended December 31, 2007, the amount of pension expense allocated to ConvaTec from BMS for ConvaTec employees participating in the above mentioned BMS pension plans was approximately \$5.4 million, and \$9.3 million, respectively. Pension expense is included in Selling, general and administrative in the accompanying Statements of Earnings.

BMS offered defined contribution plans to eligible ConvaTec employees primarily in the U.S., whereby employees contribute a portion of their compensation, which is partially matched by BMS. Effective August 1, 2008, contributions for ConvaTec employees who became employed by the Company were rolled over to the Company's newly established contribution plans, as described above. Once matching contributions were paid, BMS had no further payment obligations. Matching contributions for ConvaTec employees totaled approximately \$1.7 million and \$2.7 million for the seven months ended July 31, 2008 and the year ended December 31, 2007, respectively, which were expensed as incurred.

BMS also provided self insured comprehensive medical and group life benefits for substantially all retirees who elected to participate in the BMS comprehensive medical and group life plans. The medical plan is contributory. Contributions are adjusted periodically and vary by date of retirement. Annual contributions are based on the advice of a professionally qualified actuary obtained annually and are recorded as they fall due. The life insurance plan is non-contributory. BMS plan assets consist principally of equity and fixed-income securities. Similar plans exist for employees in certain countries outside of the U.S., France and Canada. The Predecessor financial statements reflect the plans on a multi-employer basis in

accordance with guidance relating to employers' accounting for postretirement benefits other than pensions. As such, BMS allocated costs associated with the medical and life plans to ConvaTec based upon a ratio of participant headcount. For the seven months ended July 31, 2008 and the year ended December 31, 2007, the amount of expenses allocated to ConvaTec from BMS was \$0.3 million and \$0.6 million, respectively.

Post employment benefit plans

BMS offered self insured medical continuation and income replacement benefits to ConvaTec employees on long-term disability (LTD) in the U.S. and Canada. The Predecessor financial statements reflect the plans on a multi-employer basis in accordance with guidance relating to employers' accounting for postemployment benefits. For the LTD medical continuation benefits, BMS allocated costs associated with the LTD medical continuation benefits to ConvaTec based upon a ratio of the post employment benefit obligation. For the LTD income replacement benefits, BMS allocated expense based on an allocation rate times base salary. The allocation rate represented the percentage required to recoup the full income replacement liability. The amount of expense allocated to ConvaTec from BMS for the LTD medical continuation and income replacement plans was approximately \$0.4 million and \$0.3 million for the seven months ended July 31, 2008 and the year ended December 31, 2007, respectively.

BMS provided post employment benefits to ConvaTec employees in countries that lawfully require employers to provide lump sum benefits upon termination of employment (primarily in Italy). Employee benefits were earned for each year's service, and the benefit earned for each year's service amounts to one month's pay at the employee's annual compensation rate. Benefits were recognized over the service period during which the employee earned the benefit. Total post employment expense recognized in the accompanying Statements of Earnings amounted to \$0.3 million and \$0.5 million for the seven months ended July 31, 2008 and the year ended December 31, 2007, respectively.

20. Commitments and contingencies

Operating leases

Future minimum rental commitments under all non-cancelable operating leases, primarily real estate, in effect as of December 31, 2009 were:

Years ending December 31,	
2010	\$19.7
2011	16.4
2012	10.2
2013	7.0
2014	4.7
Later Years	<u>7.0</u>
	<u>\$65.0</u>

Operating lease rental expense was \$20.6 million, \$4.7 million, \$2.6 million, and \$4.6 million, for the year ended December 31, 2009, the five months ended December 31, 2008, the seven months ended July 31, 2008 and the year ended December 31, 2007, respectively and are included in Selling, general and administrative in the accompanying Statements of Earnings.

Purchase commitments

The Company has minimum purchase commitments for materials, supplies and services through 2014 as part of the normal course of business, including transition services received from BMS (see "Post Closing Relationships with BMS" section below where discussed further). As of December 31, 2009 and 2008, the cumulative amount of these commitments was approximately \$168.1 million and \$252.4 million, respectively.

Post closing relationships with BMS

BMS has agreed to indemnify Cidron Healthcare Limited, Cidron A, the Company and the Company's affiliates (collectively the "indemnified parties") for breaches of representations, warranties and covenants made by BMS, as well as for other specified matters, certain of which are described below. Cidron Healthcare Limited and the Company have agreed to indemnify BMS for breaches of representations, warranties and covenants made in the purchase agreement, as well as for

certain other specified matters. Generally, all parties' indemnification obligations with respect to breaches of representations and warranties (except with respect to the matters described below) (i) are subject to up to a \$0.1 million to \$0.3 million occurrence threshold (depending on the type of claim), (ii) are not effective until the aggregate amount of losses suffered by the indemnified party exceeds up to \$40.8 million (and then only for the amount of losses exceeding \$61.2 million) and (iii) are limited to \$408.0 million of recovery. Generally, subject to certain exceptions of greater duration, the parties' indemnification obligations with respect to representations and warranties expired August 1, 2009, with the exception of those ConvaTec entities where the Company purchased stock, for which the parties' indemnification obligations with respect to representations and warranties will survive until August 1, 2013.

In connection with the ConvaTec Acquisition, the Company's ConvaTec operations entered into a master transition services agreement (the "Transition Agreement") with BMS, pursuant to which BMS will provide certain services to the Company's ConvaTec operations for different periods of time generally not exceeding 18 months from the closing of the ConvaTec Acquisition, renewable or terminable upon mutual agreement between the Company and BMS. Costs for these services, as specified in the Transition Agreement, vary based on the type of services provided and increase as the term of the Transition Agreement is extended. Transition services include financial systems support, general accounting services, transaction processing services, warehousing and logistics services, and office occupancy and facilities services. In addition, BMS temporarily distributes products on the Company's behalf in certain markets in which the Company has not completed the legal registration process to distribute products in the market. Under the terms of the Transition Agreement, the Company has agreed to indemnify BMS and its affiliates from third party claims resulting from BMS or its affiliates providing (or failing to provide) these services, other than third party claims arising out of gross negligence or willful misconduct by BMS. In addition, BMS has agreed to indemnify the Company and its affiliates from any third party claims relating to gross negligence or willful misconduct on the part of BMS in performing these services. The expense for such services was \$67.3 million and \$31.0 million for year ended December 31, 2009 and for the period from August 1, 2008 to December 31, 2008, respectively. The expense is included in Selling, general and administrative expenses in the accompanying consolidated Statements of Earnings. Termination of the Transition Agreement was communicated on December 31, 2009 and effective February 1, 2010. The termination was upon the mutual agreement of both BMS and ConvaTec with no termination penalties assessed.

Legal proceedings

Various lawsuits, claims, proceedings and investigations are currently pending or have been concluded in the last three years involving the Company. In accordance with the accounting guidance related to Contingencies, the Company records accruals for such contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. These matters involve intellectual property, commercial, or environmental, health and safety matters. The most significant of these matters are described below.

There can be no assurance that there will not be an increase in the scope of the pending matters or that any future lawsuits, claims, proceedings, or investigations will not be material. Management continues to believe that during the next few years, the aggregate impact, beyond current reserves, of these and other legal matters affecting the Company is not likely to be material to the Company's results of operations and cash flows, or its financial condition and liquidity.

Kinetic Concepts, Inc. (KCI), et al. vs. ConvaTec Inc., Boehringer Wound Systems, LLC and Boehringer Technologies, LP

This is a matter pending in U.S. Federal District Court for the Middle District of North Carolina claiming patent infringement, based upon the marketing and sale of the Boehringer Engenex[®] Negative Pressure Wound Therapy System, licensed to the Company as of December 11, 2008. The lawsuit is in the formal discovery stage, having been served upon the defendants as of December 23, 2008. The Company has the responsibility of defense of the action under the licensing agreement with Boehringer, subject to provisions of the agreement regarding the sharing of costs and liability and providing deductibles and caps upon certain Boehringer liabilities. The Company and Boehringer take the position that the Engenex[®] device is patentably distinct from the KCI device and, therefore, that it does not infringe KCI patents, and/or that the KCI patents are not valid and enforceable. A vigorous defense is being provided. Trial of the matter, should it be required, is anticipated to occur in the fourth quarter of 2010.

Unomedical Australia environmental matter

Unomedical employed an ethylene oxide (ETO) sterilization process at its Mona Vale, Australia manufacturing site for the period November, 2002 through July, 2007. Following a government inspection in November of 2006, a report was rendered in May of 2007 suggesting that the ground level concentrations of ETO exceeded ambient levels. In July of 2007,

Unomedical was asked to reduce the amount of sterilization cycles performed on site and then to cease ETO sterilization. It immediately complied and thereafter installed an abatement system designed to prevent any further discharges. Nevertheless, a criminal charge was filed against Unomedical under section 128(2) of the Australia Protection of the Environment Operations Act of 1997, contending a “failure to implement all practicable means as may have been necessary to prevent or minimize air pollution”. A plea of “Not Guilty” to the charge was entered on December 19, 2008. Hearing of the matter was conducted from June 29, 2009 through July 17, 2009; the matter remains under advisement before the Australia Land and Environment Court. While the outcome of the trial has not yet been determined by the judge assigned, the maximum fine likely to be imposed is \$0.8 million with the prosecutor seeking \$0.2 million to \$0.3 million, which amounts have been included in accrued expenses in the accompanying Consolidated Balance Sheets.

Medtronic recall of certain Unomedical produced infusion device sets

Unomedical a/s supplies Medtronic MiniMed, Inc. (Medtronic) with Quickset[®] infusion sets and proprietary connectors for use with Medtronic insulin infusion pumps in diabetes care. On July 7, 2009, Medtronic determined it would recall certain of these products due to potential malfunction. Effective October 22, 2009, Unomedical a/s and Medtronic entered into a letter of understanding constituting an agreement for the allocation between them of costs and expenses incurred by Medtronic as a direct result of the recall and for expenses which Medtronic has incurred or may in the future incur as a result of present or future product liability claims relating to the Quickset[®] infusion sets. With respect to the Medtronic costs of recall, Unomedical agreed to pay an amount not to exceed \$14.4 million over a period of three years, in quarterly payments of \$1.2 million each commencing January 1, 2010. In the event actual Medtronic recall costs exceed or are less than the current estimate, the recall costs will be adjusted at a “true-up” date within sixty (60) days after Unomedical a/s makes the final payment under the letter of understanding. With respect to Medtronic product liability costs, Unomedical a/s has agreed to reimburse Medtronic for the first \$5 million, or such lesser quantity of product liability costs as may be incurred and paid by Medtronic. In the event Medtronic product liability costs exceed \$5 million, Unomedical a/s has agreed to reimburse Medtronic for thirty-three percent (33%) of the costs incurred and paid by Medtronic in excess of \$5 million. Subsequent to December 31, 2009, the Company received invoices for product liability costs of \$0.2 million. The letter of understanding is a complete release and discharge of any claims of Medtronic and Unomedical a/s against each other relating to the subject matter of the recall. Unomedical a/s remains responsible for its own costs related to the recall and for its own potential product liability claims; no such product liability claims have yet been received. The accompanying consolidated Balance Sheets include a liability for the Medtronic recall in the amount of \$12.0 million as of December 31, 2009.

Environmental proceedings

The Company is a party to proceedings and other matters under various state, Federal and foreign environmental laws, and from time to time incurs the costs of investigating and/or remediating contamination resulting from past industrial activity at current or former company sites, or at waste disposal or reprocessing facilities operated by third parties.

With respect to Environmental matters for which the Company is responsible under various state, Federal and foreign laws, the Company typically estimates potential costs based on information obtained from the U.S. Environmental Protection Agency (EPA), or counterpart state agency and/or studies prepared by independent consultants, including total estimated costs for the site and the expected cost-sharing, if any, with other “potentially responsible parties”, and the Company accrues liabilities when they are probable and reasonably estimable. As of December 31, 2009, the estimated total future costs for the sites listed below is considered minimal. In addition, there have been no amounts incurred in each of the last three years for investigation and remediation of such matters, including liabilities under the U.S. Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and for other on-site remedial obligations.

Rhymney

The Rhymney, South Wales site received a warning letter in March of 2006 from the UK Environmental Authority noting exceedences of certain permit parameters for water effluent. The site has kept an open dialogue with the Environmental Authority while the Company engineers a solution based on reduced process emissions. The site has ceased all water discharges in the interim associated with these issues until the engineered solution is in place, which is expected to be fully completed by the fourth quarter of 2010.

Dominican Republic

The Haina, Dominican Republic site has an environmental permit which transferred with the purchase of the site from Nypro in 2007, as well as associated requirements for the monitoring of septic system discharges and emergency generators emissions. In 2007 and 2008, sampling results were reported to the Department of Natural Resources (the “Department”) that

were outside the established regulatory limits for these operations. The site petitioned the Department to discontinue septic monitoring requirements based on the lack of industrial discharges to those systems. The site has received verbal concurrence from the Department on this matter and is awaiting formal response to its request. With regard to diesel generators, the site has made certain modifications to covered units and re-sampled for all regulatory parameters. Analytical results show compliance with all regulatory parameters and subject information was forwarded to the Department.

Herlev, Denmark

Nineteen (19) underground storage tanks (USTs) were previously removed from Unomedical's Papyro-Tex operations site. Residual oil and solvent contamination from some leaking USTs (all now removed) is present on-site, but reported to be in some cases under buildings where remediation access is not possible. In-situ bio-ventilation/remediation of oil and di-2-ethylhexylphthalate (DEHP) is currently on-going at the site. It was reported that the previous regulatory authority, *Kobenhavns AMT* (the Greater Copenhagen Authority), confirmed that the residual contamination did not represent an environmental risk and in 2001 *Kobenhavns AMT* provided a written statement to Papyro-Tex stating that the site would not be listed as contaminated as long as the in-situ remediation continues until cleanup criteria are met. *Kobenhavns AMT* is apparently satisfied with the current state of site remediation activities. The Company is currently in the process of submitting an Environmental Risk Assessment to the Herlev Kommune seeking to formalize an agreement with the agency for no further action to be required on this matter.

Mona Vale, Australia

The Unomedical Mona Vale site operates a sterilization unit under a license from the New South Wales Department of Environment, Climate Change, and Water (DECCW) which requires annual stack emissions monitoring. In February 2010, as part of the normal procedures for conducting this monitoring, the site observed higher than expected stack emissions and took a voluntary action of shutting the sterilization unit down until routine preventative maintenance can be completed and retesting verifies that stack emissions are within permitted limits. The site took immediate action to notify DECCW of these actions and is awaiting their response.

21. Subsequent events

The Company has evaluated subsequent events through April 28, 2010, the date the financial statements were available to be issued.

In February 2010, the Company reached a definitive agreement to sell its Unomedical Custom Procedure Packs business to Paul Hartmann Pty Limited. As of the date the December 31, 2009 financial statements were available to be issued, the sale was not yet completed.

In December 2009, the Company reached a definitive agreement to sell its Brazil business to BMD. As of the date the December 31, 2009 financial statements were available to be issued, the sale was not yet completed.

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