Important notice

You must read the following disclaimer before continuing. The following applies to the offering memorandum (the "Offering Memorandum") following this notice, and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them anytime you receive any information from us as a result of such access.

The Offering Memorandum has been prepared in connection with the proposed offer and sale of the notes (the "Notes") described therein. The Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

THE OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, "U.S. PERSONS" (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S")), 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 OR LOCAL SECURITIES LAWS.

Confirmation of your representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the Notes described therein, you must (1) be a qualified institutional buyer ("QIB") (within the meaning of Rule 144A under the U.S. Securities Act ("Rule 144A")) or (2) not be a U.S. person (within the meaning of Regulation S) and be outside the United States, *provided* that investors resident in a Member State of the European Economic Area must be a qualified investor (within the meaning of Article 2(1)(e) of Directive 2003/71/EC and any relevant implementing measure in each Member State of the European Economic Area). This Offering Memorandum is being sent at your request. By accepting this electronic transmission and accessing the Offering Memorandum, you shall be deemed to have represented to us and the initial purchasers set forth in the Offering Memorandum (collectively, the "Initial Purchasers") that you consent to the delivery of such Offering Memorandum by electronic transmission and either:

(1) you and any customers you represent are QIBs; or

(2) (i) you and any customers you represent are not U.S. persons; and

(ii) the electronic mail address that you gave us and to which this Offering Memorandum has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person.

Under no circumstances shall this Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Notes, in any jurisdiction in which such offer, solicitation or sale would be unlawful. If a jurisdiction requires that the offering and sale of the Notes be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering of the Notes shall be deemed to be made by them or such affiliate on behalf of Rhino Bondco S.p.A. in such jurisdiction.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently, none of the Initial Purchasers of the Notes, any person who controls any of the Initial Purchasers, any of their respective directors, officers, employees or agent of theirs, respectively, or any affiliate of any of the foregoing persons, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

Offering Memorandum

Not for general distribution in the United States

Rhino Bondco S.p.A.

€50,000,000 7.25% Senior Secured Notes due 2020

Rhino Bondco S.p.A., a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy (the "Issuer"), is offering €50,000,000 aggregate principal amount of its 7.25% Senior Secured Notes due 2020 (the "Notes"). The proceeds from the Notes will be used to, among other things, prepay a portion of the outstanding borrowings under the Revolving Credit Facility (as defined herein). The Notes will be issued as additional notes under the indenture entered into by the Issuer, among others, dated November 5, 2013 (the "Indenture") and will be part of the same series as the Issuer's currently outstanding €215,000,000 aggregate principal amount of 7.25% Senior Secured Notes due 2020 issued thereunder (the "Original Fixed Rate Notes" and, together with the Notes, the "Fixed Rate Notes"). The Notes will initially be issued bearing temporary ISINs (as defined herein) and temporary common codes. See "*Description of the Senior Secured Notes*". The Notes offered hereby will have substantially the same terms as those of the Original Fixed Rate Notes. The Notes will be treated as a single class together with the Original Fixed Rate Notes for all purposes of the Indenture, including with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise specified with respect to the Notes and will become fully fungible with the Original Fixed Rate Notes following termination of certain U.S. selling restrictions.

The Issuer will pay interest on the Notes semi-annually in arrears on each May 15 and November 15, commencing November 15, 2014. The Notes will mature on November 15, 2020. Prior to November 1, 2016, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes by paying a "make-whole" premium as of, and accrued and unpaid interest and additional amounts to, if any, the redemption date. Prior to November 1, 2016, the Issuer may redeem up to 40% of the aggregate principal amount of the Notes and the Original Fixed Rate Notes with the net proceeds from certain equity offerings at the redemption prices set forth in this offering memorandum. At any time on or after November 1, 2016, the Issuer may redeem all or part of the Notes at the redemption price specified herein.

The Issuer may redeem all, but not less than all, of the Notes and the Original Fixed Rate Notes upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain events constituting a "change of control," the Issuer may be required to make an offer to repurchase the Notes and the Original Fixed Rate Notes.

The Notes will be senior obligations of the Issuer and will be guaranteed on a senior secured basis (collectively, the "Note Guarantees" and each, a "Note Guarantee") by Rhino Midco 2 Limited (the "Parent"), and each of Auto Kelly a.s., Rhiag Group Ltd ("RGL"), Rhino Bidco S.p.A. ("Bidco"), Elit Group Ltd ("Elit") and ELIT CZ, spol. s r.o. ("Elit CZ") (together, the "Subsidiary Guarantors", and collectively with the Parent, the "Guarantors").

The Notes and the Note Guarantees will be secured on a first-ranking basis by security interests granted over: (i) the capital stock of the Issuer, Bidco, Rhiag-Inter Auto Parts Italia S.p.A. ("Rhiag"), Auto Kelly a.s. and Elit CZ; (ii) substantially all of the assets of the Parent; (iii) certain bank accounts of the Issuer and Bidco; (iv) the Issuer's rights under the Rhiag Funding Loans (as defined herein); (v) the Issuer's rights under the Bertolotti Funding Loans (as defined herein); (vi) the Issuer's rights under the Auto Kelly Funding Loans (as defined herein); and (vii) the rights of Bidco under the documents governing the Rhiag Acquisition (as defined herein) (collectively, the "Notes Collateral"), in each case, subject to the operation of the Agreed Security Principles (as defined herein), certain perfection requirements and any Permitted Collateral Liens (as defined herein) as more fully described in this offering memorandum.

The Notes Collateral and certain other assets of the Group (as defined herein) also secure, on a first-ranking basis, the Original Fixed Rate Notes, the Original Floating Rate Notes (as defined herein, and together with the Original Fixed Rate Notes, the "Original Notes"), the Revolving Credit Facility and certain hedging obligations. Under the terms of the Intercreditor Agreement (as defined herein), lenders under the Revolving Credit Facility, counterparties to certain hedging obligations and holders of certain other indebtedness will receive proceeds from the enforcement of the Notes Collateral in priority to the holders of the Notes. See "*Summary—The Offering—Security*."

This offering memorandum includes information on the terms of the Notes and the Note Guarantees, including redemption and repurchase prices, security, covenants, events of default, intercreditor relationships and transfer restrictions.

There is currently no public market for the Notes. Application has beeen made to the Irish Stock Exchange for the approval of this document as Listing Particulars and to the Irish Stock Exchange plc (the "Irish Stock Exchange") for the Notes to be admitted to the Official List and 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. In addition, application will be made to the Borsa Italiana S.p.A. for the listing of the Notes on the ExtraMOT, Professional Segment, as of the Issue Date. There can be no assurance that any such applications will be successful or that any such listings will be granted or maintained.

The Notes will be represented by one or more global notes, which will be delivered through Euroclear SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"), on or about October 30, 2014 (the "Issue Date"). See "*Book-entry; Delivery and Form*".

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 26.

Price for the Notes: 100.0% plus accrued interest, if any, from May 15, 2014 to the Issue Date.

The Notes and the Note Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction. The Notes and the Note Guarantees 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 reliance on 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 provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See "*Transfer Restrictions*" for additional information about eligible offerees and transfer restrictions.

Joint Global Coordinators and Bookrunning Managers

Credit Suisse **BNP PARIBAS**

Joint Bookrunner

Goldman Sachs International

The date of this offering memorandum is November 13, 2014.

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In making your investment decision, you should rely only on the information contained in this offering memorandum. Neither the Issuer nor any of the Initial Purchasers (as defined herein) have 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. 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 front cover of this offering memorandum.

NOTICE TO INVESTORS

This offering memorandum is confidential and has been prepared by us solely for use in connection with the offering of the Notes (the "Offering"). This offering memorandum is personal to each offeree and does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, nor may this offering memorandum be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell any Notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals. Neither we nor any of the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements. See "*Transfer Restrictions*".

Neither we, the Initial Purchasers, nor any of our or their respective representatives, the Trustee (as defined below) nor any agent named herein are making any representation to you regarding the legality of an investment in the Notes, nor should you construe anything in this offering memorandum as legal, business, tax or other advice. You should consult your own advisors as to the legal, tax, business, financial and related aspects of an investment in the Notes. In making an investment decision regarding any of the Notes, you must rely on your own examination of our business and the terms of the Offering, including the merits and risks involved.

By accepting delivery of this offering memorandum, you agree to the foregoing restrictions, to make no photocopies of this offering memorandum or any documents referred to herein and not to use any information herein for any purpose other than considering an investment in the Notes.

This offering memorandum is based on information provided by the Issuer, the Parent, Rhiag and other sources that we believe to be reliable. No representation or warranty, express or implied, is made by the Initial Purchasers or their respective directors, affiliates, advisors and agents as to the accuracy or completeness of any of the information set out in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers or their respective directors, affiliates, advisors and agents, whether as to the past or the future. Each prospective investor, by receiving this offering memorandum, acknowledges that they have not relied on the Initial Purchasers or the Initial Purchasers' respective directors, affiliates, advisors and agents in connection with their investigation of the accuracy of this information or their decision whether to invest in the Notes.

The Issuer accepts responsibility for the information contained in this offering memorandum. To the best of the Issuer's knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is in accordance with the facts and does not omit anything material that is likely to affect the import of such information. However, the information set forth under the sections entitled "*Exchange Rate and Currency Information*", "*Summary*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry Overview*" and "*Business*" includes extracts from information and data, including industry and market data, released by publicly available sources in Europe and elsewhere. This information has been accurately reproduced and, as far as the Issuer is aware and has been able to ascertain from information published by those sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. While the Issuer accepts responsibility for the accurate extraction and summarization of such third party information and data, it has not independently verified the accuracy of such third party information and data and accepts no further responsibility in respect thereof. In addition, this offering memorandum contains summaries, believed to be accurate, of some terms of specific documents, but reference is made to the actual documents, copies of which will be made available upon request for a more complete understanding. All such summaries are qualified in their entirety by such reference. However, as far as the Issuer is aware, no information or data has been omitted which would render reproduced information inaccurate or misleading. See "*Available Information*".

The information contained in this offering memorandum is correct as of the date on the front cover of hereof. Neither the delivery of this offering memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this offering memorandum or in the Issuer's or the Group's (as defined herein) business, respectively, since the date on the front cover of this offering memorandum. References to any website contained herein do not form part of this offering memorandum.

The information set out in those sections of this offering memorandum describing clearing and settlement arrangements, including the section entitled "*Book-entry; Delivery and Form*", is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, Luxembourg, we accept no further responsibility in respect of such information.

The Notes will be available initially only in book-entry form. We expect that the Notes offered hereby will be issued in the form of one or more global notes, which will be deposited with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream, Luxembourg. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg, and their respective participants, as applicable. See "*Book-entry; Delivery and Form*".

The Notes are subject to restrictions on purchase, transferability and resale, which are described under the section entitled "*Transfer Restrictions*". By possessing this offering memorandum or purchasing any Note, you will be deemed to have represented and agreed to all of the provisions contained in that section of this offering memorandum. You should be aware that you may be required to bear the financial risks of your investment for a long period of time.

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

The Issuer intends to list the Notes on the Official List of the Irish Stock Exchange and to have the Notes admitted for trading on the Global Exchange Market thereof. In addition, the Issuer intends to list the Notes on the ExtraMOT, Professional Segment, and will make an application for such listing to the Borsa Italiana S.p.A. The Issuer will submit this offering memorandum to the relevant competent authorities in connection with the foregoing listing applications. The Issuer cannot guarantee that its application for admission of the Notes to trading on the Global Exchange Market of the Irish Stock Exchange and to the listing of the Notes on the Official List of the Irish Stock Exchange and that its application to the Borsa Italiana S.p.A. for the listing of the Notes on the ExtraMOT, Professional Segment will be approved as of the settlement date for the Notes or any date thereafter, and settlement of the Notes is not conditional on obtaining such listings and admission to trading.

STABILIZATION

IN CONNECTION WITH THE OFFERING, CREDIT SUISSE SECURITIES (EUROPE) LIMITED (THE "STABILIZATION MANAGER") (OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER), MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE CAN BE NO ASSURANCES THAT THE STABILIZATION MANAGER (OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. SUCH STABILIZATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFERING IS MADE AND MAY BE ENDED AT ANY TIME, BUT IT 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 ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGER (OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO INVESTORS IN THE UNITED STATES

The Offering is being made in the United States in reliance upon an exemption from registration under the U.S. Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. See "*Transfer Restrictions*".

This offering memorandum is being provided (i) to a limited number of United States investors that the Issuer reasonably believes to be "qualified institutional buyers" under Rule 144A for informational use solely in connection with their consideration of the purchase of the relevant Notes and (ii) to investors outside the United States who are not "U.S. persons" in connection with offshore transactions complying with Rule 903 or Rule 904 of Regulation S.

The Notes and the Note Guarantees have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission ("SEC"), any state securities commission in the United States or any other securities commission or regulatory authority in the United States, nor has the SEC or any such securities commission or regulatory authority received or passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

Prospective purchasers are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see "*Transfer Restrictions*".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE 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 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 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 ECONOMIC AREA 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 the "Prospectus Directive, as implemented in member states ("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 of the Notes within the EEA, should only do so in circumstances in which no obligation arises for us, the Issuer or any of the Initial Purchasers to produce a prospectus for such offer. Neither we, nor the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a "Relevant Member State"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes that are the subject of this offering memorandum to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes in the Relevant Member State at any time:

(a) to any legal entity that is a "qualified investor" as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes shall result in a requirement for the publication by us, any of the Issuer or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

This issue and distribution of this offering memorandum is restricted by law. This offering memorandum is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by, a person authorized under the Financial Services and Markets Act 2000. This offering memorandum is for distribution only to, and is only directed at, persons who: (i) are outside the United Kingdom; (ii) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"); (iii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). Accordingly, by accepting delivery of this offering memorandum, the recipient warrants and acknowledges that it is such a relevant person. The Notes are available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. No part of this offering memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without our prior written consent.

Republic of Italy

The offering of the Notes has not been cleared by the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") (the "Italian Securities Exchange Commission") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the offering memorandum or of any other documents relating to the Notes be distributed in the Republic of Italy ("Italy"), except:

(a) to qualified investors (*investitori qualificati*) as defined in Article 26, first paragraph, letter (d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended ("Regulation No. 16190"), pursuant to Article 34-*ter*, first paragraph letter

(b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the “Issuer Regulation”), implementing Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the “Financial Services Act”); and

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and the Issuer Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of the offering memorandum or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993, as amended and Regulation No. 16190; and

(ii) in compliance with any other applicable laws and regulations, including any requirement or limitation which may imposed, from time to time, by CONSOB or the Bank of Italy or any other Italian competent authority.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or any other exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the Notes constitutes (i) a prospectus as such term is understood pursuant to Article 652a or 1156 of the Swiss Code of Obligations, (ii) a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, (iii) a prospectus as such term is defined in the Swiss Federal Act on Collective Investment Schemes or (iv) a prospectus or a supplementary prospectus pursuant to the EC Directive 2003/71/EC of the European Parliament and of the Council dated November 4, 2003, as amended, and neither this offering memorandum nor any other marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in or from Switzerland. In addition, this offering memorandum and any other offering or marketing material relating to the Notes may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association.

The Notes are being offered in Switzerland by way of private placement, without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This offering memorandum, as well as any other offering or marketing material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. This offering memorandum, as well as any other offering or marketing material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the Offering and may neither directly nor indirectly be distributed or made available to other persons without the Issuer’s express consent.

Neither this offering memorandum nor any other offering and marketing material relating to the Offering, the Issuer, the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by the Swiss Financial Market Supervisory Authority (“FINMA”) or any other Swiss regulatory authority and investors in the Notes will not benefit from protection or supervisions by any such authority.

Czech Republic

This offering memorandum is not a prospectus within the meaning of Czech Act No. 256/2004 Coll., on Doing Business in Capital Markets, as amended (the “Capital Markets Act”). No prospectus within the meaning of the Capital Markets Act has been, or is expected to be, approved by, or notified to, the Czech National Bank and/or published in the Czech Republic in connection with the Notes in accordance with Czech law to allow the public offering of the Notes in the Czech Republic. As a result, the Notes may not be offered, advertised or sold, and this offering memorandum may not be distributed, in the Czech Republic other than (i) to any legal entity that is a qualified investor within the meaning of the Capital Markets Act, (ii) to fewer than 150 natural or legal persons (other than qualified investors within the meaning of the Capital Markets Act) as permitted under the Capital Markets Act, or (iii) pursuant to any other applicable exemption under Czech law.

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

PRESENTATION OF FINANCIAL AND OTHER DATA

Financial Data

Each of the Parent (or the "Successor"), the Issuer and Bidco, respectively, were formed for the purpose of facilitating the Rhiag Acquisition Transactions. The Parent was formed on October 7, 2013, and is the holding company for the Group. The Parent has no revenue-generating operations or operating assets of its own, other than the ownership of the share capital of its subsidiary, the Issuer. The Issuer was formed on October 21, 2013 and has no independent operations of its own. The Issuer, through its wholly-owned subsidiary, Bidco, acquired the entire share capital of Rhiag (or the "Predecessor") on December 16, 2013 (the "Rhiag Acquisition Completion Date"). Prior the Rhiag Acquisition Completion Date, (i) the Parent, the Issuer and Bidco had no material assets or liabilities (other than in respect of the issuance of the Original Floating Rate Notes and the Original Fixed Rate Notes (collectively, the "Original Notes")) and did not engage in any activities other than those related to the Rhiag Acquisition Transactions and (ii) the reporting entity for the Group's financial statements was Rhiag. On and from the Rhiag Acquisition Completion Date, (x) the reporting entity for the Group's financial statements became the Parent and (y) the financial results of Rhiag were consolidated in our historical consolidated financial statements.

Based on the foregoing, and given the limited financial information of the Parent available prior to the Rhiag Acquisition Completion Date, in order to provide comparisons and analysis of the Group's results of operations and the development of our business over the last three fiscal years and the six months ended June 30, 2013 and 2014 within "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and elsewhere in this offering memorandum, we have included the (i) the Parent's consolidated financial statements subsequent to the Rhiag Acquisition Transaction which include the six month period ended June 30, 2014 and the period ended December 31, 2013 (the "Successor Periods") and (ii) the consolidated financial statements of Rhiag for each of the years ended December 31, 2011, 2012 and 2013 and the six month period ended June 30, 2013 prior to the Rhiag Acquisition Transactions (the "Predecessor Periods").

The material differences between the Parent's historical consolidated financial information and Rhiag's historical consolidated financial information relate to (i) the investment by Apax (as defined below) in the equity of the Parent as part of the Rhiag Acquisition Transactions, compared to the equity of Rhiag contributed by its former owners prior to the Rhiag Acquisition Completion Date, (ii) the indebtedness and interest expense incurred in connection with the Original Notes issued as part of the Rhiag Acquisition Transactions, compared to the outstanding indebtedness and interest expense of the Rhiag Group incurred under the ING Credit Facilities (as defined below) which were repaid and terminated on the Rhiag Acquisition Completion Date and (iii) the impact of the purchase price allocation performed in connection with the Rhiag Acquisition (including adjustments to goodwill and amortization of intangible assets) as well as the mark-to-market cost of our interest rate swap entered into in relation to the Original Floating Rate Notes and certain non-recurring transaction costs incurred in connection with the Rhiag Acquisition Transactions. As a result, the historical results of operations of the Parent and the historical results of operations for Rhiag, respectively, included elsewhere in this offering memorandum are not directly comparable. Please see the consolidated financial statements of Rhiag and the notes thereto included elsewhere in this offering memorandum for further information.

Unless otherwise indicated, this offering memorandum includes financial and other data for the Group and for the Rhiag Group comprising the following:

- the consolidated financial statements of the Parent as at and for the period from the date of its incorporation of October 7, 2013 to December 31, 2013, audited by Deloitte LLP and the auditor's report thereto;
- the consolidated financial statements of Rhiag as at and for the years ended December 31, 2011, 2012 and 2013, respectively, audited by Deloitte & Touche S.p.A., and the auditor's report thereto;
- the unaudited interim condensed consolidated financial statements of the Parent as at and for the six months ended June 30, 2014; and
- the unaudited interim consolidated financial statements of Rhiag as at and for the six months ended June 30, 2013.

The consolidated financial data included in this offering memorandum contains financial data of all subsidiaries of the Parent and Rhiag, including those of the Issuer, the Guarantor and non-Guarantor subsidiaries of the Parent. The Guarantors accounted for €348,224 thousand and 40.9% of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and €28,636 thousand and 34.6% of the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013. Our subsidiaries (other than the Issuer and the Guarantors) accounted for €503,011 thousand and 59.1% of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and €54,070 thousand and 65.4% of the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013.

The consolidated financial statements included in this offering memorandum are prepared on the basis of a financial period ending on December 31 of each year, and are presented in Euro. The consolidated financial statements of the Parent as at and for the period from the date of its incorporation of October 7, 2013 to December 31, 2013 and the six months ended June 30, 2014, were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union for the annual periods and the International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as adopted by the European Union for the interim period. The consolidated financial statements of Rhiag as at and for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013, were prepared in accordance with IFRS as adopted by the European Union, for the annual periods and IAS 34 for the interim period.

Pro Forma Financial Information

We present in this offering memorandum certain unaudited consolidated *pro forma* financial information of the Parent for the year ended December 31, 2013 and the six months ended June 30, 2013, in each case adjusted to give effect to the Rhiag Acquisition, the issuance of the Original Notes, our entry into the Revolving Credit Facility and the use of proceeds therefrom, which constitute the Rhiag Acquisition and Financing Transactions, as if they had occurred on January 1, 2013 (the "*Pro Forma*" financial information). The unaudited *Pro Forma* financial information has been prepared for illustrative purposes only and does not represent what our actual results would have been had the Rhiag Acquisition and Financing Transactions occurred on January 1, 2013 nor does it purport to project our results of operation at any future date. The unaudited *pro forma* adjustments and the unaudited *Pro Forma* financial information set forth in this offering memorandum are based on available information and certain assumptions and estimates that we believe are reasonable and may differ from the actual adjusted amounts.

Pro Forma Financial Information for the Twelve Months Ended June 30, 2014

The unaudited *pro forma* financial information of the Parent for the twelve months ended June 30, 2014 presented herein has been derived by adding the results of the Parent for the six months ended June 30, 2014 to the *pro forma* results for the year ended December 31, 2013, and subtracting the *pro forma* results for the six months ended June 30, 2013. The summary *pro forma* financial information for the twelve months ended June 30, 2014 presented herein is not required by or presented in accordance with IFRS or any other generally accepted accounting principles, has been prepared for illustrative purposes only and is not necessarily representative of our results for any future period or our financial condition at any such date.

The unaudited *pro forma* financial information of the Parent for the twelve months ended June 30, 2014 was used to calculate the following metrics and non-IFRS measures within "*Summary Historical Consolidated Financials and Other Data—Other Consolidated Financial Data", pro forma* net sales, gross profit, EBITDA, EBITDA Margin, Adjusted EBIT, net cash interest expense and the related *pro forma* coverage ratios. See "*—Non-IFRS and Other Finan*cial *Measures*" for further information.

As Adjusted *Pro Forma* Financial Information

The unaudited as adjusted *pro forma* data of the Parent presented herein provides certain information on an "as adjusted" basis to give effect to the Transactions, including the issuance of the Notes and the application of the net proceeds thereof as described in "*Use of Proceeds*", as well as to the Era Acquisition. It includes the Adjusted EBITDA and certain other financial data of the Parent as at and for the twelve months ended September 30, 2014, which has been derived from (i) the financial information of Era for the period from October 1, 2013 to September 30, 2014, which has been prepared based on management information of Era and added to (ii) the financial information of the Parent for the twelve months ended September 30, 2014, which has been derived by adding the preliminary financial information of the Parent for the nine months ended September 30, 2014 to the *pro forma* financial information of the Parent for the year ended December 31, 2013, and subtracting the preliminary financial information of Rhiag for the nine months ended September 30, 2013. The financial information of the Parent as at and for the nine months ended September 30, 2014 and as at and for the twelve months ended September 30, 2014 has been prepared by, and is the responsibility of, management, and is solely based on the preliminary financial information used by management. The financial information of the Parent for the nine months ended September 30, 2014, the financial information of the Parent for the nine months ended September 30, 2014 and the financial information of Rhiag for the nine months ended September 30, 2013 have not been audited or reviewed by independent auditors and are not included in this offering memorandum. The financial information of the Parent as at and for the nine months ended September 30, 2014 and for the twelve months ended September 30, 2014 is preliminary, and subject to change. If the actual Adjusted EBITDA for such periods is different than the preliminary Adjusted EBITDA for such periods, then any summary unaudited as adjusted *pro forma* data of which *pro forma* Adjusted EBITDA is a component could change, and such change could be material.

The unaudited as adjusted *pro forma* data presented below of the Parent has been prepared for informational purposes only, and does not purport to represent what our actual financial position or consolidated interest expense would have been had the Transactions and the Era Acquisition occurred on (i) September 30, 2014, for the purposes of the calculation of net financial debt and (ii) October 1, 2013, for the purposes of the calculation of as adjusted *pro forma* Adjusted EBITDA and net cash interest expense, nor does it purport to represent our consolidated interest expense or actual financial position at any future date. Our historical results may not be indicative of our future results following the consummation of the Transactions and the integration of the Era Group into our business. The unaudited as adjusted *pro forma* financial data presented in this offering memorandum has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act or any generally accepted accounting standards.

Era Financial Information

The financial information of Era as at and for the twelve months ended September 30, 2014 has been prepared by the management of Era, and is solely based on the preliminary financial information used by the management of Era. The financial information of Era included in this offering memorandum has not been audited or reviewed by independent auditors.

Non-IFRS and Other Financial Measures

This offering memorandum contains non-IFRS measures and ratios, including EBITDA, Adjusted EBITDA, Adjusted EBIT, As adjusted *pro forma* Adjusted EBITDA, capital expenditures, Cash Flow Conversion, Cash Flow Conversion Rate, net financial debt, Adjusted net working capital, As adjusted *pro forma* net financial debt, net cash interest expense, As adjusted p*ro forma* net cash interest expense, trade working capital and the related leverage and coverage ratios calculated using such non-IFRS measures that are not required by, or presented in accordance with, IFRS. We present non-IFRS 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-IFRS measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios such as EBITDA, Adjusted EBITDA, Adjusted EBIT, As adjusted p*ro forma* Adjusted EBITDA, capital expenditures, Cash Flow Conversion, Cash Flow Conversion Rate, net financial debt, Adjusted net working capital, As adjusted p*ro forma* net financial debt, net cash interest expense, As adjusted *pro forma* net cash interest expense, trade working capital and the related leverage and coverage ratios are not measurements of our performance or liquidity under IFRS or any other generally accepted accounting principles. Other companies in our industry may calculate these measures differently and, consequently, our presentation may not be readily comparable to other companies' figures. In particular, you should not consider EBITDA, Adjusted EBITDA, Adjusted EBIT, As adjusted *pro forma* Adjusted EBITDA, capital expenditures, Cash Flow Conversion, Cash Flow Conversion Rate or trade working capital as an alternative to (a) operating income or income for the period (as determined in accordance with IFRS) 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. EBITDA, Adjusted EBITDA, Adjusted EBIT, As adjusted *pro forma* Adjusted EBITDA, Cash Flow Conversion, Cash Flow Conversion Rate and trade working capital have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for an analysis of our results as reported under IFRS.

Non-IFRS measures for the twelve months ended June 30, 2014 have been derived either from (i) the unaudited *pro forma* financial information of the Parent for the twelve months ended June 30, 2014 under *"Unaudited Pro Forma Condensed Consolidated Financial Information"* or (ii) derived from an aggregation of the historical financial information of the Parent and Rhiag. The following measures were derived from the aggregation of financial information of the Parent and Rhiag: capital expenditures, Cash Flow Conversion and Cash Flow Conversion Rate. Please refer to "*Pro Forma Financial Information for the Twelve Months Ended June 30, 2014*" for a description of the measures derived from the unaudited *pro forma* financial information of the Parent.

Other Data

Certain numerical figures set out in this offering memorandum, including financial data presented in millions or thousands and certain operating data, have been subject to rounding adjustments and, as a result, the totals of the data included 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 the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data in the consolidated financial statements of Rhiag and the Parent, as applicable, 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.

Market and Industry Data

In this offering memorandum, we rely on and refer to information regarding Rhiag's business and the market in which it operates and competes.

Industry publications and reports generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While the Issuer believes that each of these studies and publications is reliable, neither the Issuer nor the Initial Purchasers have independently verified such data and cannot guarantee their accuracy or completeness. Any third-party information described above and included in this offering memorandum has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties, the reproduced information is accurate and no facts have been omitted which would render such information inaccurate or misleading.

In addition to the foregoing, certain information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our business contained in this offering memorandum were estimated or derived based on assumptions we deem reasonable and from our own research, surveys or studies conducted by third parties and other industry or general publications as well as our internal estimates, our experience, our own investigation and analysis of market conditions and our review of industry publications, including information made available to the public by our competitors. While we believe our internal estimates to be reasonable, these estimates have not been verified by any independent sources and neither the Issuer nor the Initial Purchasers can assure you as to their accuracy or the accuracy of the underlying assumptions used to estimate such data. In addition, certain of our operating data, such as data pertaining to our customers and SKUs, is presented at country or entity level and some overlap among countries or entities may occur. Our estimates involve risks and uncertainties and are subject to change based on various factors. See "*Risk Factors*", "*Industry Overview*" and "*Business*" for further discussion.

CURRENCY PRESENTATION

In this offering memorandum, all references to "CHF" are to Swiss francs, the lawful currency of Switzerland; all references to "HUF" are to the Hungarian forint, the lawful currency of Hungary; all references to "RON" are to Romanian leu, the lawful currency of Romania; all references to "UAH" are to Ukrainian hryvnia, the lawful currency of Ukraine; all references to "CZK" are to Czech Koruna, the lawful currency of the Czech Republic; all references to "PLN" are to Polish Zloty, the lawful currency of Poland; all references to "Euro", "EUR" and "€" are to the single currency of the participating member states of the European Union participating in the third stage of economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time; and all references to "U.S. dollars", "USD" and "$" are to the lawful currency of the United States.

EXCHANGE RATE AND CURRENCY INFORMATION

The following tables set forth, for the periods set forth below, the high, low, average and period end Bloomberg Generic Rate expressed as U.S. dollars per €1.00. The Bloomberg Generic Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Generic Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. We make no representation that the U.S. dollar amounts referred to below could have been or could, in the future, be converted into Euro at any particular rate, if at all.

The Bloomberg Generic Rate of the Euro on October 21, 2014 was $1.2716 per €1.00.

	U.S. dollars per €1.00			
Year	**High**	**Low**	**Average**(1)	**Period end**
2009	1.5134	1.2531	1.3949	1.4326
2010	1.4513	1.1923	1.3266	1.3387
2011	1.4830	1.2907	1.3926	1.2959
2012	1.3458	1.2061	1.2860	1.3192
2013	1.3802	1.2780	1.3285	1.3801

Month	**High**	**Low**	**Average**(2)	**Period end**
April 2014	1.3886	1.3705	1.3811	1.3867
May 2014	1.3928	1.3591	1.3733	1.3635
June 2014	1.3692	1.3532	1.3600	1.3692
July 2014	1.3679	1.3390	1.3538	1.3390
August 2014	1.3427	1.3132	1.3314	1.3132
September 2014	1.3150	1.2631	1.2895	1.2631
October 2014 (through October 21, 2014)	1.2838	1.2516	1.2701	1.2716

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

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

CERTAIN DEFINITIONS

In this offering memorandum, the following words and expressions have the following meanings, unless the context otherwise requires or unless otherwise so defined. In particular, capitalized terms set forth and used in the sections entitled "*Description of Certain Financing Arrangements—Revolving Credit Facility*", "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Senior Secured Notes*" may have different meanings from the meanings given to such terms and used elsewhere in this offering memorandum.

- "*Agreed Security Principles*" refers to the "Agreed Security Principles" as set out in a schedule to the Revolving Credit Facility Agreement in effect on November 5, 2013, as interpreted and applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.
- "*Apax*" refers to Apax Partners LLP or one or more funds or limited partnerships managed or advised by Apax Partners LLP or any of its affiliates or direct or indirect subsidiaries from time to time.
- "*Auto Kelly Bulgaria*" refers to Auto Kelly Bulgaria EOOD, a company organized under the laws of Bulgaria.
- "*Auto Kelly CZ*" refers to Auto Kelly a.s., a company organized under the laws of the Czech Republic and a wholly-owned subsidiary of the Group.
- "*Auto Kelly Funding Loans*" refers to (i) a floating rate intercompany loan in an aggregate principal amount of €11,036,145 made pursuant to the loan agreement dated December 16, 2013, by and among, the Issuer, as lender, and Auto Kelly CZ, as borrower, in connection with the issuance of the Original Floating Rate Notes, of which €9,273,494 aggregate principal amount is expected to be outstanding as of the Issue Date and (ii) a fixed rate intercompany loan in an aggregate principal amount of €11,863,855 made pursuant to the loan agreement dated December 16, 2013, by and among, the Issuer, as lender, and Auto Kelly CZ, as borrower, in connection with the issuance of the Original Fixed Rate Notes, of which €8,626,506 aggregate principal amount is expected to be outstanding as of the Issue Date.
- "*Auto Kelly Group*" refers to Auto Kelly CZ, Auto Kelly Slovakia and Auto Kelly Bulgaria.
- "*Auto Kelly Slovakia*" refers to Auto Kelly Slovakia s r.o., a company organized under the laws of the Slovak Republic.
- "*Bertolotti*" refers to Bertolotti S.p.A., a *società per azioni* organized under the laws of the Republic of Italy and a wholly-owned subsidiary of the Group.
- "*Bertolotti Funding Loans*" refers to (i) a floating rate intercompany loan in an aggregate principal amount of €1,686,747 made pursuant to the loan agreement dated December 16, 2013, by and among, the Issuer, as lender, and Bertolotti, as borrower, in connection with the issuance of the Original Floating Rate Notes, of which €48,000 aggregate principal amount is expected to be outstanding as of the Issue Date and (ii) a fixed rate intercompany loan in an aggregate principal amount of €1,813,253 made pursuant to the loan agreement dated December 16, 2013, by and among, the Issuer, as lender, and Bertolotti, as borrower, in connection with the issuance of the Original Fixed Rate Notes, of which €52,000 aggregate principal amount is expected to be outstanding as of the Issue Date.
- "*Bidco*" refers to Rhino Bidco S.p.A., a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy.
- "*Cargo*" refers to Car-go Kf., a company organized under the laws of Hungary which was subsequently merged into Lang.
- "*Cash Flow Conversion*" is cash flows generated/(absorbed) by operating activities excluding interest received, interest paid, income taxes paid, gain on sale of property, plant, and equipment, non-recurring items and restructuring costs, and non-recurring finance income/expense, less capital expenditures.
- "*Cash Flow Conversion Rate*" is defined as the ratio of Cash Flow Conversion to Adjusted EBITDA.
- "*CRR*" refers to Centro Ricambi Rhiag S.r.l. a *società a responsabilità limitata* organized under the laws of Italy.
- "*Czech Guarantors*" collectively refers to Auto Kelly CZ and Elit CZ.
- "*Elit*" refers to Elit Group Ltd, a company organized under the laws of Switzerland and a wholly owned subsidiary of the Group.
- "*Elit CZ*" refers to ELIT CZ, spol. s r. o., a company organized under the laws of the Czech Republic.
- "*Elit Group*" refers to Elit and its consolidated subsidiaries.
- "*Elit Romania*" refers to Elit Romania S.r.l., a company organized under the laws of Romania.
- "*Elit Slovakia*" refers to Elit Slovakia s r.o., a company organized under the laws of the Slovak Republic.
- "*Elit Ukraine*" refers to Elit Ukraine Ltd., a company organized under the laws of the Ukraine.
- *"Era"* refers to Era S.p.A., a company organized under the laws of Italy.
- "*Era Acquisition*" refers to the acquisition by Rhiag of 100% of the share capital of Era S.p.A., pursuant to the Era Acquisition Agreement.

- “*Era Acquisition Agreement*” means the sale and purchase agreement, dated August 8, 2014, by and among, inter alios, Bidco and Alcedo SGR S.p.A., as it may be amended from time to time.
- *“Era Group”* refers to Era and its subsidiaries.
- “*EU*” refers to the European Union.
- “*Fixed Rate Notes*” collectively refers to the Notes offered hereby and the Original Fixed Rate Notes.
- “*Funding Loan Borrowers*” collectively refers to the Auto Kelly CZ, Bertolotti and Rhiag and “*Funding Loan Borrower*” refers to each of them.
- “*Funding Loans*” collectively refers to the Auto Kelly Funding Loans, the Bertolotti Funding Loans and the Rhiag Funding Loans, and “*Funding Loan*” refers to each of them.
- “*Guarantors*” collectively refers to the Parent and the Subsidiary Guarantors and “*Guarantor*” refers to each of them.
- “*IFRS*” refers to International Financial Reporting Standards as adopted by the European Union.
- “*Indenture*” refers to the indenture dated November 5, 2013, by and among, *inter alios*, the Issuer, the Parent, the Trustee and the Security Agent, as amended and supplemented from time to time.
- “*ING Credit Facilities*” refers to the multicurrency term and revolving facilities agreement originally dated July 11, 2007, as amended on August 3, 2007, November 30, 2007 and August 4, 2010, by and among, *inter alios*, Rhiag and ING Bank N.V., Milan Branch, as mandated lead arranger, issuing bank and lender, which were repaid in full and terminated as part of the Rhiag Acquisition Transactions.
- “*Initial Purchasers*” collectively refers to Credit Suisse Securities (Europe) Limited, BNP Paribas and Goldman Sachs International, and “*Initial Purchaser*” refers to each of them.
- “*Intercreditor Agreement*” refers to the intercreditor agreement dated November 5, 2013, by and among, *inter alios*, the Issuer, the Parent, Bidco, the Security Agent and the agent under the Revolving Credit Facility on behalf of the lenders thereunder, to which the Trustee acceded on November 5, 2013.
- “*IRAP*” refers to the Italian levy on businesses’ turnover, ‘*Imposta Regionale sulle Attività Produttive*’.
- “*IRES*” refers to the Italian corporate tax, ‘*Imposta sul Reddito delle Società*’.
- “*Issue Date*” refers to the date of issuance of the Notes offered hereby.
- “*Issuer*” refers to Rhino Bondco S.p.A., a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy.
- “*Italian Civil Code*” means the Italian civil code (*codice civile*), enacted by Royal Decree No. 262 of March 16, 1942, as subsequently amended and supplemented.
- “*Lang*” refers to Lang Kft., a company organized under the laws of Hungary.
- *“Net Assets”* refers to total assets net of shares in Group companies, intercompany loan receivables, intercompany trade receivables, intercompany interest receivables and intercompany profit in inventory.
- “*New Rhiag Funding Loans*” refers to (i) a floating rate intercompany loan in an aggregate principal amount of €5,590,361 to be made pursuant to the loan agreement to be dated on or about the Issue Date, by and among, the Issuer, as lender, and Rhiag, as borrower, in connection with the issuance of the Notes and (ii) a fixed rate intercompany loan in an aggregate principal amount of €6,009,639 to be made pursuant to the loan agreement to be dated on or about the Issue Date, by and among, the Issuer, as lender, and Rhiag, as borrower, in connection with the issuance of the Notes.
- “*Note Guarantees*” collectively refers to the guarantees issued by each of the Guarantors guaranteeing the Notes, and “*Note Guarantee*” refers to each of them.
- “*Notes*” refers to the €50,000,000 aggregate principal amount of 7.25% Senior Secured Notes due 2020 offered hereby, which will constitute a further issuance of and form a single series with the Original Fixed Rate Notes, unless the context otherwise requires or is clear from context.
- “*Notes Collateral*” refers to the first-ranking security interests granted over: (i) the shares of the Issuer, Auto Kelly CZ, Bidco, Rhiag and Elit CZ; (ii) substantially all of the assets of the Parent; (iii) certain bank accounts of the Issuer and Bidco; (iv) the Issuer’s rights under the Auto Kelly Funding Loans; (v) the Issuer’s rights under the Bertolotti Funding Loans; (vi) the Issuer’s rights under the Rhiag Funding Loans; and (vii) the rights of Bidco under the documents governing the Rhiag Acquisition.
- “*Offering*” refers to the offering of the Notes.
- “*Original Fixed Rate Notes*” refers to the €215,000,000 aggregate principal amount of 7.25% Senior Secured Notes due 2020, issued on November 5, 2013 pursuant to the Indenture.

- “*Original Floating Rate Notes*” refers to the €200,000,000 aggregate principal amount of Floating Rate Senior Secured Notes due 2019, issued on November 5, 2013 pursuant to the Indenture.
- “*Original Notes*” collectively refers to the Original Floating Rate Notes and the Original Fixed Rate Notes.
- “*Original Rhiag Funding Loans*” refers to (i) a floating rate intercompany loan in an aggregate principal amount of €79,710,843 made pursuant to the loan agreement dated December 16, 2013, by and among, the Issuer, as lender, and Rhiag, as borrower, in connection with the issuance of the Original Floating Rate Notes, of which €69,831,325 aggregate principal amount is expected to be outstanding as of the Issue Date (ii) a fixed rate intercompany loan in an aggregate principal amount of €85,689,157 made pursuant to the loan agreement dated December 16, 2013, by and among, the Issuer, as lender, and Rhiag, as borrower, in connection with the issuance of the Original Fixed Rate Notes, of which €75,068,675 aggregate principal amount is expected to be outstanding as of the Issue Date.
- “*Parent*” refers to Rhino Midco 2 Limited, a private limited company organized under the laws of England and Wales.
- “*Permitted Collateral Liens*” has the meaning ascribed to it under “*Description of the Senior Secured Notes—Certain Definitions*”.
- “*Regulation S*” refers to Regulation S under the U.S. Securities Act.
- “*Revolving Credit Facility*” refers to the super senior €75 million multicurrency revolving credit facility entered into as part of the Rhiag Acquisition Transactions.
- “*Revolving Credit Facility Agreement*” refers to the agreement governing the Revolving Credit Facility dated November 5, 2013, by and among, *inter alios*, the Parent, the Issuer, Bidco, BNP Paribas, Italian Branch, Credit Suisse AG, Milan Branch, Goldman Sachs International and Medibanca-Banca di Credito Finanziaro S.p.A., as arrangers, BNP Paribas, Italian Branch as facility agent and the Security Agent, as described more fully under “*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*”.
- “*RGL*” refers to Rhiag Group Ltd, a company organized under the laws of Switzerland and a wholly-owned subsidiary of the Group.
- “*Rhiag*” refers to Rhiag-Inter Auto Parts Italia S.p.A., a joint stock company (*società per azioni*) organized under the laws of Italy.
- “*Rhiag Acquisition*” refers to the acquisition by Bidco of 100% of the share capital in Rhiag pursuant to the Rhiag Acquisition Agreement, which was completed on December 16, 2013.
- “*Rhiag Acquisition Agreement*” refers to share sale agreement originally dated as of October 9, 2013, by and among, the Parent and Lanchester S.A., amended on November 14, 2013 to provide for the transfer of the rights and obligations of the Parent thereunder to Bidco.
- “*Rhiag Acquisition Transactions*” refers to the Rhiag Acquisition and the related financing transactions, including the issuance of the Original Notes, our entry into the Revolving Credit Facility Agreement and the equity contribution by Apax in connection with the Rhiag Acquisition.
- “*Rhiag Engineering*” refers to Rhiag Engineering S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy.
- “*Rhiag Group*” refers to Rhiag and its subsidiaries.
- “*Rhiag Funding Loans*” refers to the Original Rhiag Funding Loans and/or the New Rhiag Funding Loans, as the context may require.
- “*Rule 144A*” refers to Rule 144A under the U.S. Securities Act.
- “*SEC*” refers to the U.S. Securities and Exchange Commission.
- “*Security Agent*” refers to BNP Paribas Securities Services, Milan Branch.
- “*Security Documents*” has the meaning ascribed to it under “*Description of the Senior Secured Notes—Certain Definitions*”.
- “*Subsidiary Guarantors*” collectively refers to Bidco, Auto Kelly CZ, RGL, Elit and Elit CZ.
- *“Transactions”* has the meaning ascribed to it under “*Summary—The Transactions*”.
- “*Trustee*” refers to The Law Debenture Trust Corporation p.l.c., in its capacity as trustee under the Indenture and common representative (*rappresentante comune*) of the holders of the Notes and Original Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code.
- “*U.S. Exchange Act*” refers to the U.S. Securities Exchange Act of 1934, as amended.
- “*U.S. Securities Act*” refers to the U.S. Securities Act of 1933, as amended.

In addition to the terms defined above, the terms “*Group*”, “*we*”, “*us*” and “*our*” and other similar terms refers to the Parent and its subsidiaries, unless (i) the context otherwise requires or is clear from context and (ii) other than when discussing financial results and financial information, in which context such terms shall refer to the financial results and consolidated financial information of the Parent or Rhiag, as applicable. This offering memorandum also contains a glossary of certain other terms relating to our business and the industry in which we operate. See "*Glossary of Key Terms*".

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

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

- the Eurozone debt crisis and unfavorable economic conditions in Europe;
- our dependence on third-party providers for provision of our products;
- disruptions in the supply of our products from key sourcing partners;
- our ability to respond to changes in consumer preferences on a timely basis;
- disruptions at our warehouses or distribution centers;
- our ability to maintain an optimal level of inventory;
- our ability to deal with changes in the cost and availability of transportation services;
- termination of our agreements with garages and car rental firms;
- equipment and network systems failures;
- our ability to successfully implement our strategy;
- our ability to integrate and manage future acquisitions and the obstacles or costs associated thereto;
- exchange rate fluctuations;
- our ability to maintain our lease agreements, and to renew such leases at attractive terms;
- higher employment costs;
- our ability to attract and retain key personnel;
- failure to comply with environmental, health, safety and other laws;
- the status and outcome of pending litigation, legal or regulatory actions, and the impact of any new litigation, legal or regulatory actions the Group may become party to;
- our ability to realize the full value of our goodwill;
- the possibility that the interests of our principal shareholders may be inconsistent with the interests of the holders of the Notes;
- factors affecting our leverage and our ability to service our debt;
- the effects of our restrictive debt covenants on our ability to finance our future operations and capital needs and to pursue business opportunities and activities; and
- other factors discussed or referred to in this offering memorandum.

The foregoing factors and others described under “*Risk Factors*” should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date on the front cover of this offering memorandum. We urge you to read this offering memorandum, including the sections entitled “*Risk Factors*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Business*”, for a more complete discussion of the factors that could affect our future performance and the industries in which we operate.

Any forward-looking statements are only made as at the date on the front cover of this offering memorandum and, except as required by law or the rules and regulations of any stock exchange on which the Notes are listed, we undertake no obligation to publicly update or publicly revise any forward- looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this offering memorandum, including those set forth under "*Risk Factors*".

SUMMARY

This summary highlights certain information about us and the Offering of the Notes 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 believe that we are a leading European distributor of aftermarket spare parts for passenger cars and commercial vehicles in the independent aftermarket ("IAM") segment. We operate in nine countries and we believe that we are a leading IAM distributor in the Czech Republic, Italy and Slovakia by gross sales. We also operate in Bulgaria, Hungary, Poland, Romania, Switzerland and Ukraine. We believe our markets are resilient, and benefit from positive long term trends. We generated gross sales of €732.8 million, Adjusted EBITDA of €82.8 million, and had an Adjusted EBITDA margin on net sales of 12.0%, in the year ended December 31, 2013. We generated gross sales of €374.1 million, Adjusted EBITDA of €41.9 million, and had an Adjusted EBITDA margin on net sales of 11.8%, in the six months ended June 30, 2014.

Our distribution model is characterized, on the upstream side, by established commercial relationships with spare parts manufacturers, on the midstream side, by an effective and efficient distribution model for products and, on the downstream side, by the ability to quickly reach thousands of customers with a broad product portfolio. Our suppliers, with many of whom we have longstanding relationships, deliver the spare parts to our 10 storage warehouses for further distribution to our 210 distribution centers using a hub and branch system. Our product portfolio offering is designed for the needs of each target market and ranges from approximately 40,000 SKUs sold for Switzerland to over 160,000 SKUs sold for Auto Kelly CZ. In the year ended December 31, 2013, we had approximately 90,000 customers.

We distribute our products to a broad, diversified clientele comprised of local wholesalers, garages and a small number of retail customers. We aim to provide our customers with a high level of customer service. Our supply chain is organized using a "pull" model, which is directed by order flow and demand, and allows us to promptly and continually adjust our offerings and distribution processes. Our customized IT system plays a key role in the efficient management of our inventory.

We operate in three geographic segments: Italy, Eastern Europe (Bulgaria, Czech Republic, Hungary, Poland (beginning in February 2014), Romania, Slovakia and Ukraine), and Switzerland.

Competitive Strengths

We believe that we have the following competitive strengths:

Established Presence in a Resilient Distribution Business

Resiliency

The automotive spare parts aftermarket sector is correlated with the size and average age of the car park and, in the short-term, it is not directly correlated to the level of registrations of new cars. For this reason, the aftermarket sector in the countries where we operate has historically been largely resilient to economic downturns.

Established Presence

We have a strong competitive position in the European spare parts IAM distribution business of aftermarket spare parts with operations in nine countries. We believe we are one of the largest distributors in the IAM segment in Italy, the Czech Republic and Slovakia in terms of gross sales. We also operate in Bulgaria, Hungary, Poland, Romania, Switzerland and Ukraine.

Geographical Diversification

The high degree of geographic diversification in our businesses supports the resilience of our revenues. Each of the nine countries where we operate has a specific growth profile, customer sophistication level and a differentiated car park. This, together with our tailored approach to each different market and customer category, makes us less vulnerable to adverse changes in the economic environment of a specific country or change in consumer preferences.

Unique Distribution System with Highly Diversified Customer Base and Broad Networks of Affiliated Garages

We believe that our capillary distribution system, established relationships with customers and broad network of affiliated garages provide us with a significant competitive advantage compared to smaller operators which lack the ability to match our delivery frequency and efficiency. Additionally, we believe that the resources and time necessary to establish an infrastructure capable of handling volumes similar to ours represent a significant barrier to entry for new operators.

Extensive and Capillary Distribution Network

We have an extensive and capillary distribution network which consists of 10 warehouses and 210 distribution centers. Our network is capable of reaching a large number of customers with frequent, rapid deliveries and has been designed to efficiently handle high volumes, thereby achieving further economies of scale. Additionally, it is organized according to each market's specific characteristics in order to optimize our operational flexibility and efficiency.

Highly Diversified Customer Base

We sell our products to both wholesalers (typically in Italy and Switzerland) and directly to garages (typically in Eastern Europe and Switzerland). In the year ended December 31, 2013, we served approximately 90,000 customers and our top 10 customers represented approximately 2.9% of our gross sales (with no single customer representing more than 0.4%). We believe this limited concentration mitigates counterparty risk. We have also developed various services for our customers with the aim of maximizing productivity and efficiency, including our complete and updated electronic catalogs for online orders. In Italy, in 2013, approximately 92.2% of our orders were received through our electronic catalog platform (the "E-Platform").

Broad Networks of Affiliated Garages

We have successfully promoted the creation of certain networks of affiliated garages in most of the countries in which we operate. As of June 30, 2014, our network of affiliated operators included over 3,200 garages of which more than 2,100 are in Italy, approximately 700 in the Czech Republic, approximately 200 in Slovakia and more than 200 in the rest of our Eastern Europe operations. We offer technical and professional support and training services to affiliated garages in order to support their professional growth and improve the level of service offered by them. The technological automotive innovation and related improvements to spare parts has led, in our experience, to increased demand for the support and the training programs we offer to our customers and affiliated garages. We believe that such involvement significantly reinforces our presence and reputation in our target markets, increases the number of vehicles repaired in affiliated garages and ultimately increases the demand for our products.

Best-in-Class Service Level based on Customized IT Systems and Deep and Wide Product Portfolio

Best-in-Class Service Level

We have efficient distribution processes aimed at ensuring the highest level of service to our customers. We provide, depending on the country of reference, between one and nine daily deliveries. In Italy, in 2013, for example, our distribution network enabled us to deliver to central warehouses approximately 90% of the orders within three hours from receipt of the order, provided the order is received by approximately 2:00 pm on the same day. Whenever a specific spare part is not in stock at a branch, the part can typically be delivered from one of our warehouses, hubs or other branches and then delivered to the customer within 24 hours of order placement.

Customized IT Systems

We operate our distribution process using a "pull" model, which allows us to match orders and customer demand in a timely manner. Our customized IT system plays a key role in allowing us to effectively manage inventory levels. Our efficiency is becoming increasingly important as the market in which we operate is characterized by a growing complexity, primarily driven by the increase in available SKUs.

Deep and Wide Product Portfolio

We have a wide and deep product portfolio of original equivalent and non-original equivalent spare parts allowing us to reach a large coverage of the passenger cars and industrial vehicles markets. The number of our available SKUs ranges, depending on the country of reference, from approximately 40,000 SKUs sold to 160,000 SKUs sold, which we believe is one of the largest and most complete in our markets. As a consequence of our established presence in Italy, the Czech Republic and Slovakia, we enjoy longstanding commercial relationships with major spare parts manufacturers and are often recognized as an important channel for them to supply the IAM segment. Each of our companies offers on average between 6,000 and 9,000 new SKUs per year, which we believe, among other things, allowed us to pursue growth while maintaining profitability and stable cash flow.

Asset Light Business Model with Stable Financial Performance and Solid Cash Flow Generation

Our business has historically generated stable sales, stable Adjusted EBITDA margins and solid cash flow, with relatively low capital expenditure requirements. Over the last 10 years, we experienced only one year of negative sales growth (gross sales decreased by 2.2% for the year ended December 31, 2009). Our Adjusted EBITDA margin has consistently been approximately 12% over the last three fiscal years. Our cash flow generation proved to be stable even during the recent economic downturn, with Cash Flow Conversion of €62.3 million and €63.0 million for the years ended December 31, 2012 and 2013, respectively, and a Cash Flow Conversion Rate of 80.8% and 76.2%, respectively. Over the last three fiscal years, capital expenditure has averaged 1.7% of our net sales and primarily comprised refurbishments of our warehouses, IT system upgrades and opening of new branches.

Strong and Experienced Management Team with Proven Record of Growth

Each of our businesses is managed by a highly qualified management team with many years of experience in both the IAM segment and their specific areas of expertise. Our management team has consistently grown the business organically, including through geographical diversification. As a result, we have succeeded in gaining specific expertise in each country in which we operate, achieved economies of scale and further optimized our distribution networks.

Strategy

We seek to offer the best value proposition in the IAM segment and support independent garages by providing a strong alternative to the original equipment supplier segment ("OES"). We intend to strengthen our market position in the European IAM segment. We believe that the constant introduction of new models of vehicles and associated technological developments has allowed larger spare parts independent distributors to gain market share, primarily as a result of their ability to handle larger SKUs portfolios and provide more efficient and cost effective service as compared to their smaller competitors. In addition, we believe that most of our competitors are smaller operators, which may lack the infrastructure, skills and critical volume necessary to handle the growing complexity of the markets efficiently and in a timely manner. However, we believe that the increasing complexity represents a growth opportunity for us, primarily because of the skills and experience we have developed over the years with regard to the management and optimization of our distribution and supply chain and our ability to handle a large and constantly growing SKU portfolio.

We have commenced and intend to continue the implementation of the following strategies over the next two years:

Continue Expansion of Our Portfolio of Products and Services

We aim to continue to offer a more complete and up-to-date range of products to our customers by introducing new brands and in some cases also product lines, including spare parts for newly introduced vehicle models and continuously update our product portfolio in line with car park technological evolution. We plan to further expand our portfolio by offering additional product ranges for chassis, engine, electronics parts and body parts and we intend to continue to develop our "Starline" private label brand to address customer demand for lower-cost products for older vehicles on the road across all geographical segments in which we operate.

In addition, we intend to continue to operate through multiple company brands in some of our markets (such as through Rhiag and Bertolotti in Italy and through Elit and the Auto Kelly Group in Eastern Europe). We believe this approach allows us to address different types of customers with different value propositions, ultimately optimizing our market coverage.

Focus on Complementary and Value-Added Services

We believe that by offering a broader range of products, we significantly enhance our competitive position, particularly when combined with improved customer service. We therefore intend to continue to improve and develop our E-Platform in an effort to better address the needs of our existing and future customers. A key area of focus will be the optimization of the quality and speed of our E-Platform, as well as improving access to our E-Platform on mobile devices and tablets.

Increase Efficiency and Effectiveness of our Distribution Networks

We intend to optimize our distribution systems and inventory management by consistently addressing the new challenges arising from a broader product portfolio. We aim to decrease our delivery times while optimizing inventory levels at our national and regional warehouses and branches to shorten the time between the order placement by our customers and final delivery of the products. We also plan to introduce new product delivery routes to increase delivery frequency. In addition, we plan to invest in supply chain tools and methodologies aimed at improving our product distribution framework in order to maximize customer service and inventory efficiency. We believe that, by further enhancing existing software and installing new software in our branches, we will be able to further expedite logistics and reduce margins of error when processing orders. In particular, we aim to further develop our VMI and CMI systems, which will allow us to integrate our information technology with those of our suppliers and our customers, respectively.

Expansion of Our Network of Affiliated Garages

The increasing technological innovation of vehicles and related spare parts has led, in our experience, to an increasing need for the support and training programs we offer to our customers and affiliated garages. In order to meet this need, we intend to further extend our affiliated garage network and to enter into agreements with car and commercial vehicle leasing, management and rental companies. We believe that such agreements will increase the number of vehicles repaired in our affiliated garages and ultimately increase the demand for our products.

Pursue Selective Acquisition Opportunities

We recently completed the Era Acquisition and we plan to continue to evaluate acquisition opportunities to selectively acquire businesses in order to improve our market share and diversify our product offerings, or allow us to enter new geographic markets. In particular, we are considering a potential acquisition in a geography that would be new for us for which we are currently participating in a diligence and bid process. If acquired, the target would be significant for us compared to our historical operating results. We are continuing to evaluate this opportunity and we do not know if we will place a final bid or if our bid would be accepted, or if accepted, the timing or likelihood of completion of this acquisition. Should we proceed with this acquisition and submit a successful bid, we may have to incur additional indebtedness to finance all or a portion of the purchase price. Following any acquisition, we will seek to implement our best practices such as those we have developed and applied to our markets and distribution networks in Italy, Switzerland and Eastern Europe, with the intention of increasing efficiencies and lowering our cost of operations.

Recent Developments

Trading Update

On a preliminary basis, our gross sales increased by €7,961 thousand, or 4.2%, from €187,574 thousand for the three months ended September 30, 2013 to €195,535 thousand for the three months ended September 30, 2014 and our gross sales increased by €26,554 thousand, or 4.9%, from €543,038 thousand for the nine months ended September 30, 2013 to €569,592 thousand for the nine months ended September 30, 2014.

Gross sales for the three months ended September 30, 2014 increased by 5.9% in Italy, 6.0% in Eastern Europe and decreased by 1.4% in Switzerland as compared to the prior year period. In addition, our Adjusted EBITDA increased by €836 thousand, or 3.6%, from €23,295 thousand for the three months ended September 30, 2013 to €24,131 thousand for the three months ended September 30, 2014. Gross sales for the nine months ended September 30, 2014 increased by 6.7% in Italy, 5.6% in Eastern Europe and 1.7% in Switzerland as compared to the prior year period. In addition, our Adjusted EBITDA increased by €3,637 thousand, or 5.8%, from €62,394 thousand for the nine months ended September 30, 2013 to €66,032 thousand for the nine months ended September 30, 2014.

This increase was driven by an increase in Adjusted EBITDA across our three geographic segments. These results were consistent with our financial and operating results for the six months ended June 30, 2014.

On a preliminary basis, for the twelve months ended September 30, 2014, we reported as adjusted *pro forma* gross sales (including the Era Group) of €799,342 thousand, as adjusted *pro forma* net sales (including the Era Group) of €754,324 thousand and as adjusted pro forma Adjusted EBITDA (including the Era Group) of €93,074 thousand.

The foregoing discussion has been prepared by, and is the responsibility of, management and is solely based on the preliminary financial information used by management. Our financial statements for the three months ended September 30, 2014 and 2013 have not been audited or reviewed by independent auditors. These results are preliminary and are subject to change. During the course of our financial statement completion and review process for the nine months ended September 30, 2014, we could identify items that would require us to make adjustments and which could affect our final results of operations. See "*Information Regarding Forward looking Statements*".

The Era Acquisition

On August 8, 2014, Bidco entered into a sale and purchase agreement for the acquisition of the entire share capital Era from Alcedo SGR S.p.A. and six other individual shareholders for a purchase price of approximately €32 million. We completed the Era Acquisition on October 16, 2014, which was financed by drawings under the Revolving Credit Facility. Following completion of the Era Acquisition, Era and its subsidiaries became wholly-owned subsidiaries of Rhiag.

Headquartered in Moncalieri, Turin, Italy, Era is an international business-to-business distributor of spare parts for passenger cars and commercial vehicles exclusively dedicated to the aftermarket segment. The key products distributed comprise a wide range of automotive electronic parts, including ignition coils, rotating machines, drive and pulleys, and sensors.

For the twelve month period ended September 30, 2014, the Era Group generated €38,305 thousand in net sales, and Adjusted EBITDA of €6,427 thousand, representing Adjusted EBITDA margin of 16.8%. For the year ended December 31, 2013, the Era Group generated €36,938 thousand in net sales, and Adjusted EBITDA of €5,993 thousand, representing Adjusted EBITDA margin of 16.2%. The financial information of Era as at and for the twelve months ended September 30, 2014 has been prepared by the management of Era, and is solely based on the preliminary financial information used by the management of Era. The financial information of Era included in this offering memorandum have not been audited or reviewed by independent auditors.

We believe that our acquisition of the Era Group was at an attractive valuation multiple. We further believe that the business of the Era Group is aligned with our strategies and provides an opportunity to strengthen our market position through new product offerings and opportunities to sell our products in new markets while achieving purchasing synergies through an already established network infrastructure.

The Transactions

The "Transactions" consist of the following transactions:

- the repayment of €14.0 million of indebtedness under the Revolving Credit Facility prior to the Issue Date;
- the issuance by the Issuer of €50 million in aggregate principal amount of Notes offered hereby;
- the prepayment of a portion of the outstanding borrowings under the Revolving Credit Facility;

- our entry into the New Rhiag Funding Loans; and
- the payment of fees and expenses in connection with the foregoing transactions, including fees and expenses to be incurred in connection with the Offering.

Our Principal Shareholder

Apax is the indirect principal shareholder of Rhiag and owns 95.4% of the ordinary shares of the Group.

Apax is one of the world's leading private equity investment groups. It operates across the United States, Europe and Asia and has more than 30 years of investing experience. Apax has private equity assets under management and advice of approximately $40 billion. Funds advised by Apax typically invest in four core sectors, which are Technology and Telecom, Retail and Consumer, Healthcare and Financial and Business Services. Apax buys both majority and minority stakes in large companies that have strong, established market positions and provides long-term equity financing to build and strengthen world-class companies.

Members of our current management team own the balance of our ordinary shares. See "*Principal Shareholder*".

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

Financial Information

The following tables present the summary consolidated historical and *pro forma* financial and other data as at and for the periods indicated below:

- consolidated income statement, statement of financial position and cash flow information of Rhiag as at and for the three years ended December 31, 2013, 2012 and 2011;
- unaudited consolidated income statement, statement of financial position and cash flow information of the Parent as at and for the six months ended June 30, 2014; and
- unaudited consolidated income statement, statement of financial position and cash flow information of Rhiag as at and for the six months ended June 30, 2013.

Each of the Parent, the Issuer, and Bidco, respectively, were formed for the purpose of facilitating the Rhiag Acquisition Transactions. The Parent was formed on October 7, 2013, and is the holding company for the Group. The Parent has no revenue-generating operations or operating assets of its own, other than the ownership of the share capital of its subsidiary, the Issuer. The Issuer was formed on October 21, 2013 and has no independent operations of its own. The Issuer, through its wholly-owned subsidiary, Bidco, acquired the entire share capital of Rhiag on December 16, 2013. Prior the Rhiag Acquisition Completion Date, (i) the Parent, the Issuer and Bidco had no material assets or liabilities (other than in respect of the issuance of the Original Notes) and did not engage in any activities other than those related to the Rhiag Acquisition Transactions and (ii) the reporting entity for the Group's financial statements was Rhiag. On and from the Rhiag Acquisition Completion Date, (x) the reporting entity for the Group's financial statements became the Parent and (y) the financial results of Rhiag were consolidated in our historical consolidated financial statements.

Based on the foregoing, and given the limited financial information of the Parent available prior to the Rhiag Acquisition Completion Date, in order to provide comparisons and analysis of the Group's results of operations and the development of our business over the last three fiscal years and the six months ended June 30, 2013 and 2014 within "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and elsewhere in this offering memorandum, we have included (i) the Parent's consolidated financial statements subsequent to the Rhiag Acquisition Transactions which include the Successor Periods and (ii) the consolidated financial statements of Rhiag for the Predecessor Periods.

The material differences between the Parent's historical consolidated financial information and Rhiag's historical consolidated financial information relate to (i) the investment by Apax in the equity of the Parent as part of the Rhiag Acquisition Transactions, compared to the equity of Rhiag contributed by its former owners prior to the Rhiag Acquisition Completion Date, (ii) the indebtedness and interest expense incurred in connection with the Original Notes issued as part of the Rhiag Acquisition Transactions, compared to the outstanding indebtedness and interest expense of the Rhiag Group incurred under the ING Credit Facilities (as defined below) which were repaid and terminated on the Rhiag Acquisition Completion Date and (iii) the impact of the purchase price allocation performed in connection with the Rhiag Acquisition (including adjustments to goodwill and amortization of intangible assets) as well as the mark-to-market cost of our interest rate swap entered into in relation to the Original Floating Rate Notes and certain non-recurring transaction costs incurred in connection with the Rhiag Acquisition Transactions. As a result, the historical results of operations of the Parent and the historical results of operations for Rhiag, respectively, included elsewhere in this offering memorandum are not directly comparable. Please see the consolidated financial statements of the Rhiag and the notes thereto included elsewhere in this offering memorandum for further information.

Pro Forma Financial Information

We present in this offering memorandum certain unaudited consolidated *pro forma* financial information of the Parent for the year ended December 31, 2013 and the six months ended June 30, 2013, in each case adjusted to give effect to the Rhiag Acquisition, the issuance of the Original Notes and the use of proceeds therefrom, which constitute the Rhiag Acquisition and Financing Transactions, as if they had occurred on January 1, 2013 (the "*Pro Forma*" financial information). The unaudited *Pro Forma* financial information has been prepared for illustrative purposes only and does not represent what our actual results would have been had the Rhiag Acquisition and Financing Transactions occurred on January 1, 2013 nor does it purport to project our results of operation at any future date. The unaudited *pro forma* adjustments and the unaudited *Pro Forma* financial information set forth in this offering memorandum are based on available information and certain assumptions and estimates that we believe are reasonable and may differ from the actual adjusted amounts.

Pro Forma Financial Information for the Twelve Months Ended June 30, 2014

The unaudited *pro forma* financial information of the Parent for the twelve months ended June 30, 2014 presented herein has been derived by adding the results of the Parent for the six months ended June 30, 2014 to the *pro forma* results for the year ended December 31, 2013, and subtracting the *pro forma* results for the six months ended June 30, 2013. The summary *pro forma* financial information for the twelve months ended June 30, 2014 presented herein is not required by or presented in accordance with IFRS or any other generally accepted accounting principles, has been prepared for illustrative purposes only and is not necessarily representative of our results for any future period or our financial condition at any such date.

The unaudited *pro forma* financial information of the Parent for the twelve months ended June 30, 2014 was used to calculate the following metrics and non-IFRS measures in "*—Other Consolidated Financial Data*", *pro forma* net sales, gross profit, EBITDA, EBITDA Margin, Adjusted EBIT, net cash interest expense and the related *pro forma* coverage ratios. See "*Presentation of Financial and Other Data—Non-IFRS and Other Financial Measures*" for further information.

As Adjusted *Pro Forma* Financial Information

The unaudited as adjusted *pro forma* data of the Parent presented herein provides certain information on an "as adjusted" basis to give effect to the Transactions, including the issuance of the Notes and the application of the net proceeds thereof as described in "*Use of Proceeds*", as well as to the Era Acquisition. It includes the Adjusted EBITDA and certain other financial data of the Parent as at and for the twelve months ended September 30, 2014, which has been derived from (i) the financial information of Era for the period from October 1, 2013 to September 30, 2014, which has been prepared based on management information of Era and added to (ii) the financial information of the Parent for the twelve months ended September 30, 2014, which has been derived by adding the preliminary financial information of the Parent for the nine months ended September 30, 2014 to the *pro forma* financial information of the Parent for the year ended December 31, 2013, and subtracting the preliminary financial information of Rhiag for the nine months ended September 30, 2013. The financial information of the Parent as at and for the nine months ended September 30, 2014 and as at and for the twelve months ended September 30, 2014 has been prepared by, and is the responsibility of, management, and is solely based on the preliminary financial information used by management. The financial information of the Parent for the nine months ended September 30, 2014, the financial information of the Parent for the nine months ended September 30, 2014 and the financial information of Rhiag for the nine months ended September 30, 2013 have not been audited or reviewed by independent auditors and are not included in this offering memorandum. The financial information of the Parent as at and for the nine months ended September 30, 2014 and for the twelve months ended September 30, 2014 is preliminary, and subject to change. If the actual Adjusted EBITDA for such periods is different than the preliminary Adjusted EBITDA for such periods, then any summary unaudited as adjusted *pro forma* data of which *pro forma* Adjusted EBITDA is a component could change, and such change could be material.

The unaudited as adjusted *pro forma* data presented below of the Parent has been prepared for informational purposes only, and does not purport to represent what our actual financial position or consolidated interest expense would have been had the Transactions and the Era Acquisition occurred on (i) September 30, 2014, for the purposes of the calculation of net financial debt and (ii) October 1, 2013, for the purposes of the calculation of as adjusted *pro forma* Adjusted EBITDA and net cash interest expense, nor does it purport to represent our consolidated interest expense or actual financial position at any future date. Our historical results may not be indicative of our future results following the consummation of the Transactions and the integration of the era Group into our business. The unaudited as adjusted *pro forma* financial data presented in this offering memorandum has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act or any generally accepted accounting standards.

Era Financial Information

The financial information of Era as at and for the twelve months ended September 30, 2014 has been prepared by the management of Era, and is solely based on the preliminary financial information used by the management of Era. The financial information of Era included in this offering memorandum has not been audited or reviewed by independent auditors.

Non-IFRS Financial Measures and Other Operating Metrics

The financial information below also includes certain non-IFRS measures used to evaluate our economic and financial performance. These measures are not identified as accounting measures under IFRS and therefore should not be considered as an alternative measure to evaluate our performance. See "*Presentation of Financial and Other Data—Non-IFRS and Other Financial Measures*".

The non-IFRS measures are not measurements of performance under IFRS or any other generally accepted accounting principles. Investors should not place any undue reliance on these non-IFRS measures and should not consider these measures as: (a) an alternative to operating income or net income as determined in accordance with IFRS, or as measures of operating performance; (b) an alternative to cash flows from operating, investing or financing activities, as determined in accordance with IFRS, or as a measure of our ability to meet cash needs; or (c) an alternative to any other measures of performance under IFRS. These measures are not indicative of our historical operating results, nor are they meant to be predictive of future results. These measures are used by our management to monitor the underlying performance of the business and the operations. Since all companies do not calculate these measures in an identical manner, our presentation may not be consistent with similar measures used by other companies. Therefore, investors should not place undue reliance on this data. See "*Presentation of Financial and Other Data—Non-IFRS and Other Financial Measures*".

Investors should read this section together with the information contained in "*Use of Proceeds*", "*Capitalization*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Presentation of Financial and Other Data*" and the consolidated financial statements of Rhiag and the Parent, respectively, included elsewhere in this offering memorandum.

Consolidated Income Statement Data

	Rhiag				Parent	
	Year Ended December 31			Six Months Ended June 30	Six Months Ended June 30	Pro Forma Twelve Months Ended June 30
	2011	2012	2013	2013	2014	2014
	(EUR thousands)					
Gross sales	649,628	672,536	732,754	355,688	374,057	751,123
Direct selling costs	(33,767)	(34,897)	(41,196)	(18,460)	(19,329)	(42,065)
Net sales	**615,861**	**637,639**	**691,558**	**337,228**	**354,728**	**709,058**
Total cost of goods sold	(488,449)	(513,177)	(562,548)	(272,960)	(285,150)	(574,738)
Gross profit	**127,412**	**124,462**	**129,010**	**64,268**	**69,578**	**134,320**
Distribution costs	(31,538)	(31,526)	(32,862)	(16,489)	(17,452)	(33,825)
Administrative costs	(19,649)	(15,091)	(19,789)	(9,020)	(24,067)	(48,866)
Other operating costs	(11,627)	(11,850)	(10,951)	(6,103)	(6,039)	(10,887)
Impairment of goodwill and other assets	—	(959)	—	—	—	—
Operating profit	**64,598**	**65,036**	**65,408**	**32,656**	**22,020**	**40,742**
Financial expense	(18,473)	(11,258)	(19,704)	(7,744)	(23,423)	(42,654)
Profit / (loss) before taxation	**46,125**	**53,778**	**45,704**	**24,912**	**(1,403)**	**(1,912)**
Taxes on income	(13,603)	(11,618)	(12,083)	(7,824)	(5,245)	(6,134)
Net profit / (loss) from continuing operations	**32,522**	**42,160**	**33,621**	**17,088**	**(6,648)**	**(8,046)**
Net profit / (loss)	**32,522**	**42,160**	**33,621**	**17,088**	**(6,648)**	**(8,046)**

Consolidated Statement of Financial Position Data

	Rhiag				Parent
	As at December 31			As at June 30	As at June 30
	2011	2012	2013	2013	2014
			(EUR thousands)		
ASSETS:					
Non-current assets					
Tangible assets	26,472	26,625	26,954	25,747	26,476
Intangible assets and goodwill	272,531	273,592	268,444	271,003	466,050
Other non-current assets[(1)]	4,454	5,042	7,259	5,534	7,526
Total non-current assets	**303,457**	**305,259**	**302,657**	**302,284**	**500,052**
Current assets					
Inventory	119,672	127,750	130,556	133,091	138,554
Trade receivables	119,239	126,532	140,703	148,028	154,295
Other current receivables	12,296	15,940	21,970	18,272	17,250
Tax receivables	436	491	1,773	483	800
Cash and cash equivalents	34,417	55,953	34,870	62,349	23,138
Total current assets	**286,060**	**326,666**	**329,873**	**362,223**	**334,037**
Non current assets held for sale	—	—	—	463	—
Total assets	**589,517**	**631,925**	**632,530**	**664,970**	**834,089**
Total shareholders' equity	**176,396**	**219,734**	**243,862**	**230,572**	**142,824**
LIABILITIES:					
Non-current liabilities					
Non-current financial liabilities[(2)]	237,881	227,393	177,082	209,618	411,129
Non-current non-financial liabilities[(3)]	14,291	10,899	12,793	13,830	77,513
Total non-current liabilities	**252,172**	**238,292**	**189,875**	**223,448**	**488,642**
Current liabilities					
Trade payables	86,505	106,409	109,742	121,588	107,583
Other current liabilities	48,856	42,327	54,686	43,808	47,039
Tax payables	1,642	1,428	1,488	5,441	2,322
Bank borrowings	13,538	13,893	1,856	27,675	29,314
Notes liabilities	—	—	—	—	2,409
Other financial liabilities	2,215	2,370	22,739	2,728	2,486
Provisions for risks and charges	8,193	7,472	8,283	9,710	11,470
Total current liabilities	**160,949**	**173,899**	**198,794**	**210,950**	**202,623**
Liabilities related to non-current assets held for sale	—	—		—	
Total liabilities	**413,121**	**412,191**	**388,669**	**434,398**	**691,265**
Total liabilities and shareholders' equity	**589,517**	**631,925**	**632,530**	**664,970**	**834,089**

(1) Other non-current assets includes deferred tax assets, investments in associated companies and non-current receivables and other financial assets.

(2) Non-current financial liabilities includes non-current bank borrowings, other non-current financial liabilities and derivative financial instruments.

(3) Non-current non-financial liabilities includes a provision relating to personnel and agents, deferred compensation, deferred tax liabilities and other non-current liabilities.

Consolidated Cash Flow Data

	Rhiag				Parent
	Year Ended December 31			Six Months Ended June 30	Six Months Ended June 30
	2011	2012	2013	2013	2014
			(EUR thousands)		
Net cash flow generated/(absorbed) by operating activities	**45,738**	**46,708**	**40,304**	**17,993**	**(14,719)**
Net cash flow (absorbed) by investing activities	**(12,426)**	**(12,045)**	**(11,198)**	**(4,473)**	**(3,589)**
Net cash flow generated/(absorbed) by financing activities	**(14,601)**	**(13,998)**	**(45,681)**	**(5,832)**	**2,735**
Exchange rate effect	(1,565)	871	(4,506)	(1,292)	(2,716)
Total cash flow generated/(absorbed) by continuing activities operations[1]	**17,146**	**21,536**	**(21,081)**	**6,396**	**(18,289)**
Total opening cash and cash equivalents	17,271	34,417	55,953	55,953	41,427
Total closing cash and cash equivalents	34,417	55,953	34,870	62,349	23,138

(1) The following table sets out our changes in net working capital for the periods as indicated below:

	Rhiag				Parent
	Years Ended December 31			Six Months Ended June 30	Six Months Ended June 30
	2011	2012	2013	2013	2014
			(EUR thousands)		
Changes in trade receivables and other current receivables	(2,533)	(10,883)	(20,357)	(23,835)	(9,103)
Changes in inventory	(7,626)	(8,078)	(2,805)	(5,340)	(7,998)
Changes in trade payables	13,174	19,904	3,333	15,179	(2,159)
Changes in provisions	(8)	(900)	(66)	2,137	3,187
Changes in other payables and deferred compensation	(2,503)	(5,124)	12,529	1,498	(14,481)[a]
Changes in net working capital	**504**	**(5,081)**	**(7,366)**	**(10,361)**	**(30,554)**

(a) In the six months ended June 30, 2014, we recorded changes in other current liabilities of €14,481 thousand, which were primarily attributable to the incurrence of transaction costs with respect to the Rhiag Acquisition Transactions as well as bonuses paid to members of management.

Other Consolidated Financial Data

	Rhiag				Parent	
	Years Ended December 31			Six Months Ended June 30	Six Months Ended June 30	Pro Forma Twelve Months Ended June 30
	2011	2012	2013	2013	2014	2014
	(EUR thousands, except for ratios and %)					
Net sales	615,861	637,639	691,558	337,228	354,728	709,058
Gross profit % of net sales	20.7%	19.5%	18.7%	19.1%	19.6%	18.9%
EBITDA(1)	73,552	74,922	75,009	36,968	40,495	78,416
EBITDA Margin % of net sales	11.9%	11.8%	10.8%	11.0%	11.4%	11.1%
Adjusted EBITDA(1)	79,404	77,071	82,752	39,101	41,901	85,432
Adjusted EBITDA Margin % of net sales	12.9%	12.1%	12.0%	11.6%	11.8%	12.0%
Adjusted EBIT(1)	70,450	67,185	73,151	34,789	23,426	47,758
Adjusted EBIT Margin % of net sales	11.4%	10.5%	10.6%	10.3%	6.6%	6.7%
Net financial debt(2)	219,217	187,703	166,807	177,672	422,200	422,200
Net cash interest expense(3)	15,017	10,446	11,676	4,196	17,091	30,654
Capital expenditures(4)	10,638	9,723	12,354	4,727	4,548	12,175
Capital expenditures % of net sales	1.7%	1.5%	1.8%	1.4%	1.3%	1.7%
Adjusted net working capital(5)	114,640	120,549	129,087	129,037	153,955	153,955
Cash Flow Conversion(6)	69,269	62,267	63,032	24,012	6,799	53,404
Cash Flow Conversion Rate(7)(8)	87.2%	80.8%	76.2%	N/A	N/A	62.5%

	As Adjusted *Pro Forma* As at and for the Twelve Months Ended September 30, 2014
	(EUR thousands, except for ratios)
As Adjusted *Pro Forma* Financial Data of the Parent	
As adjusted *pro forma* Adjusted EBITDA(9)	93,074
As adjusted *pro forma* net financial debt(10)	460,428
As adjusted *pro forma* net cash interest expense(11)	33,867
Ratio of as adjusted *pro forma* net financial debt to as adjusted *pro forma* Adjusted EBITDA	4.9x
Ratio of as adjusted *pro forma* Adjusted EBITDA to as adjusted *pro forma* net cash interest expense	2.7x

(1) EBITDA is net profit/(loss) excluding net finance expenses, taxes on income, depreciation of PPE and amortization of intangible assets. Adjusted EBITDA is net profit/(loss) excluding net finance expenses, taxes on income, depreciation of PPE, amortization of intangible assets, non-recurring items and restructuring costs and impairment of goodwill. Adjusted EBIT is net profit/(loss) excluding net finance expenses, taxes on income, and non-recurring items and restructuring costs.

We believe EBITDA, Adjusted EBITDA and Adjusted EBIT, respectively, provide useful information in that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. We note, however, that EBITDA, Adjusted EBITDA and Adjusted EBIT, respectively, may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our operating results as reported under IFRS. See "*Presentation of Financial and Other Data—Non-IFRS and Other Financial Measures*".

The following table sets out a reconciliation of EBITDA, Adjusted EBITDA and Adjusted EBIT to Net profit/(loss) for the periods indicated.

	Rhiag				Parent	
	Year Ended December 31			Six Months Ended June 30	Six Months Ended June 30	Pro Forma Twelve Months ended June 30
	2011	2012	2013	2013	2014	2014
Net profit/(loss)	**32,522**	**42,160**	**33,621**	**17,088**	**(6,648)**	**(8,046)**
Net financial expenses	18,473	11,258	19,704	7,744	23,423	42,654
Taxes on income	13,603	11,618	12,083	7,824	5,245	(6,134)
Depreciation of PPE	7,243	6,996	7,303	3,371	3,462	7,394
Amortization of intangible assets	1,711	1,931	2,298	941	15,013	30,280

	Rhiag				Parent	
	Year Ended December 31			Six Months Ended June 30	Six Months Ended June 30	Pro Forma Twelve Months ended June 30
	2011	2012	2013	2013	2014	2014
EBITDA	**73,552**	**73,963**	**75,009**	**36,968**	**40,495**	**78,416**
Non-recurring items and restructuring costs[(a)]	5,852	2,149	7,743	2,133	1,406	7,016
Impairment of goodwill	—	959	—	—	—	—
Adjusted EBITDA	**79,404**	**77,071**	**82,752**	**39,101**	**41,901**	**85,432**
Depreciation of PPE	(7,243)	(6,996)	(7,303)	(3,371)	(3,462)	(7,394)
Amortization of intangible assets	(1,711)	(1,931)	(2,298)	(941)	(15,013)	(30,280)
Impairment of goodwill	—	(959)	—	—	—	—
Adjusted EBIT	**70,450**	**67,185**	**73,151**	**34,789**	**23,426**	**47,758**

(a) Non-recurring items represents costs outside of the ordinary operating activities of our business. Non-recurring items and restructuring costs comprise of the following for the periods presented below:

	Rhiag				Parent	
	Years Ended December 31			Six Months Ended June 30	Six Months Ended June 30	Pro Forma Twelve Months Ended June 30
	2011	2012	2013	2013	2014	2014
Issuance of the Original Notes and the Rhiag Acquisition[(i)].	—	—	3,735	—	626	4,361
IPO costs[(ii)]	3,079	57	—	—	—	—
Special purpose legal and consultancy costs[(iii)]	314	257	499	423	101	177
Restructuring and reorganization costs[(iv)]	2,016	393	1,886	409	715	2,192
Group accounting methodology alignment[(v)]	—	884	—	—	—	—
Other non-recurring expenses/(income)[(vi)]	443	558	1,623	1,301	(36)	286
Total	**5,852**	**2,149**	**7,743**	**2,133**	**1,406**	**7,016**

(i) Issuance of the Original Notes and the Rhiag Acquisition consist of the costs incurred in connection with the issuance of the Original Notes and the Rhiag Acquisition.

(ii) IPO costs relate to the planned initial public offering of Rhiag by our former shareholders, which was subsequently terminated.

(iii) Special purpose legal and consultancy costs relate to fees with respect to special projects in each period, primarily comprising of (a) consultancy fees in connection with reviewing our management of receivables accounts in Italy in 2011, (b) consultancy fees in connection with the evaluation of potential new markets in 2012, (c) consultancy fees in connection with reviewing our management of receivables accounts and analysis of our customer credit risk in Italy in 2013 and (d) legal costs with respect to the termination of our general managers in Romania and Switzerland in the six months ended June 30, 2014.

(iv) Restructuring and reorganization costs in 2011 primarily consist of the costs incurred in connection with the relocation of the Auto Kelly CZ central warehouse in Prague. Restructuring and reorganization costs in 2012 primarily consisted of costs in connection with the relocation of one of our two central warehouses in Switzerland and restructuring costs with respect to reorganizing our operations in Hungary to operate under a single legal entity. Restructuring and reorganization costs consist mainly of the costs incurred for our personnel redundancy plan in Italy ("*piano di mobilità*") and costs incurred in connection with the relocation of the Turin and Rome branches in 2013. Restructuring and reorganization costs in the six months ended June 30, 2014 primarily consist of mainly of the costs incurred for our personnel redundancy plan in Italy ("*piano di mobilità*") and non-recurring severance payments with respect to the termination of our general managers in Romania and Switzerland.

(v) Group accounting methodology alignment in 2012 refers to the change in the accounting policies of Auto Kelly CZ in order to align its policies with those of the rest of the Group. The change consisted of the recognition of some costs from a cash basis to an accrual basis. The double cost effect of the year, as a consequence of the change, was reported in non-recurring expenses.

(vi) Other non-recurring expenses in 2011 included bonus payments to certain members of management and costs with respect to recruiting certain members of senior management in Italy. Other non-recurring expenses in 2012 included costs with respect to various marketing and networking events we hosted for our customers and employees in connection with our 50th anniversary. Other non-recurring expenses in the six months ended June 30, 2013 and for year ended December 31, 2013, respectively, are primarily related to increase accrual of bad debt provision regarding receivables due from Autoscocca Italiana S.r.l. Other non-recurring expenses in the six months ended June 30, 2013 and 2013 are primarily related to the closure of our CRR branch in Barletta in June 2013. Other non-recurring income in the six months ended June 30, 2014 represents the release of a provision we made to cover flood damage with respect to two of our Czech branches, for which we made an insurance claim that was subsequently paid in full.

(2) Net financial debt includes non-current financial liabilities, bank borrowings and other financial liabilities, net of cash and cash equivalents.

Net financial debt comprises of the following for the periods presented below:

	Rhiag				Parent
	As at December 31			As at June 30	As at June 30
	2011	2012	2013	2013	2014
Non-current financial liabilities[(i)]	237,881	227,393	177,082	209,618	411,129
Bank borrowings	13,538	13,893	1,856	27,675	29,314
Notes liabilities	—	—	—	—	2,409
Other financial liabilities	2,215	2,370	22,739	2,728	2,486
Less: Cash and cash equivalents	(34,417)	(55,953)	(34,870)	(62,349)	(23,138)
Net financial debt	**219,217**	**187,703**	**166,807**	**177,672**	**422,200**

(i) As at December 31, 2011 and 2012 and as at June 30, 2013, non-current financial liabilities primarily consisted of indebtedness under the ING Credit Facilities. As at December 31, 2013, non-current financial liabilities primarily consisted of indebtedness under the Auto Kelly Funding Loans, the Bertolotti Funding Loans and the Original Rhiag Funding Loans. As at June 30, 2014, non-current financial liabilities primarily consisted of indebtedness under the Original Notes.

(3) Net cash interest expense is comprised of the interest paid and interest received as shown in our cash flow statement. *Pro forma* net cash interest expense for the twelve months ended June 30, 2014 represents *pro forma* financial expense for the twelve months ended June 30, 2014 of €42,654 thousand less *pro forma* amortized debt issuance costs of €2,109 thousand, the mark-to-market cost of our interest rate swap in connection with the Original Floating Rate Notes in an amount of €4,146 thousand, transactional net losses on foreign exchange and net losses on certain foreign exchange swaps of €4,922 thousand, non-recurring interest expense of €687 thousand in connection with withholding tax due with respect to interest payments under the ING Credit Facilities in the year ended December 31, 2008 and other non-cash effects of €136 thousand.

(4) Capital expenditure for the periods indicated consists of purchases of property, plant and equipment and intangible assets as shown in our cash flow statement.

(5) Adjusted net working capital includes net working capital excluding cash and cash equivalents, bank borrowings, current portion of provisions for risks and charges and other financial liabilities. The following table sets out the reconsolidation of adjusted net working capital to the current assets and current liabilities reported on our statement of financial position for the periods as indicated below:

	Rhiag				Parent
	As at December 31			As at June 30	As at June 30
	2011	2012	2013	2013	2014
Current assets	286,060	326,666	329,873	362,223	334,037
Less: current liabilities	(160,949)	(173,899)	(198,794)	(210,950)	(202,623)
	125,111	152,767	131,079	151,273	131,414
Excluding:					
Cash and cash equivalents	(34,417)	(55,953)	(34,870)	(62,349)	(23,138)
Bank borrowing	13,538	13,893	1,856	27,675	29,314
Current portion of provisions for risks and charges	8,193	7,472	8,283	9,710	11,470
Notes liabilities	—	—	—	—	2,409
Other financial liabilities	2,215	2,370	22,739	2,728	2,486
Adjusted net working capital	**114,640**	**120,549**	**129,087**	**129,037**	**153,955**

(6) Cash Flow Conversion is cash flows generated/(absorbed) by operating activities excluding interest received, interest paid, income taxes paid, gain on sale of property, plant, and equipment, non-recurring items and restructuring costs, and non-recurring finance income/expense, less capital expenditures. *Pro forma* Cash Flow Conversion for the twelve months ended June 30, 2014 represents cash flows generated / (absorbed) by operating activities excluding interest received, interest paid, income taxes paid, gain on sale of property, plant and equipment, non-recurring items and restructuring costs, and non-recurring finance income / (expense), less capital expenditures adjusted to take into account opening balances at the level of the Parent primarily related to other current liabilities outstanding as of December 31, 2013 in amount of €7,714 thousand.

The following table sets outs a reconciliation of Cash Flow Conversion to Cash flows generated/(absorbed) by operating activities for the periods presented:

	Rhiag				Parent	
	Years Ended December 31			Six Months Ended June 30	Six Months Ended June 30	Pro forma Twelve Months Ended June 30
	2011	2012	2013	2013	2014	2014
Cash flows generated/(absorbed) by operating activities	45,738	46,708	40,304	17,993	(14,719)	9,094
Interest received	(201)	(243)	(267)	(128)	(47)	(186)
Interest paid	15,218	10,689	11,943	4,324	17,138	30,840
Tax paid	15,176	12,629	15,394	4,330	6,773	17,837
Gain on sale of property, plant, and equipment	142	195	269	87	109	291
Non-recurring items and restructuring costs	5,852	2,149	7,743	2,133	1,406	7,016
Non-recurring finance (income)/expense[(i)]	(2,018)	(137)	40,304	17,993	687	687
Less:						
Capital expenditures	(10,638)	(9,723)	(12,354)	(4,727)	(4,548)	(12,175)
Cash Flow Conversion	**69,269**	**62,267**	**63,032**	**24,012**	**6,799**	**53,404**

(i) Non-recurring finance income in 2012 is presented net of reversal of the provision of €2,108 thousand for the final earn out relating to the acquisition of the Auto Kelly Group in 2010.

(7) Cash Flow Conversion Rate is the ratio of Cash Flow Conversion to Adjusted EBITDA.

(8) Cash Flow Conversion Rates for the six months ended June 30, 2013 and 2014, respectively, are not meaningful.

(9) As adjusted *pro forma* Adjusted EBITDA for the twelve months ended September 30, 2014, refers to Adjusted EBITDA of the Parent as adjusted to give effect to the Era Acquisition. The following table shows the adjustments and estimates we have made to arrive at as adjusted *pro forma* Adjusted EBITDA for the period indicated:

	Pro Forma Twelve Months Ended September 30, 2014
	(EUR thousands)
Adjusted EBITDA	86,269
Adjusted EBITDA of Era[(a)]	6,427
Cost savings[(b)]	378
As adjusted *pro forma* Adjusted EBITDA	**93,074**

(a) Represents the estimated Adjusted EBITDA of Era, which was acquired on October 16, 2014, on a stand-alone basis for the twelve month period ended September 30, 2014, as if the Era Acquisition had occurred on October 1, 2013 to show the assumed contribution to the Group's Adjusted EBITDA of the Era Acquisition for the twelve month period ended September 30, 2014. This data is solely based on management information prepared by management of Era which have not been audited or reviewed by independent auditors.

(b) Represents cost savings we expect to realize in connection with the Era Acquisition including: €200 thousand, representing the difference in remuneration costs for Era's existing board of directors and Era's newly appointed board of directors following the Era Acquisition, which we have appointed; annualized savings of €19 thousand in connection with the termination of Era's former outsourced payroll services; annualized cost savings of €77 thousand to be realized in connection with the termination of a third party consultancy agreement entered into by Era and one of its former shareholder's on completion of the Era Acquisition; and €82 thousand, representing certain non-recurring costs and expenses, including recruitment costs, legal fees and expenses and other consulting costs.

(10) As adjusted *pro forma* net financial debt represents the net financial debt of the Parent on a consolidated basis, adjusted for the Transactions and the Era Acquisition. The following table sets out the reconciliation of total financial debt of the Parent to *pro forma* total financial debt to as adjusted *pro forma* net financial debt for the period indicated:

	As Adjusted Pro Forma As at September 30, 2014
	(EUR thousands)
Total financial debt of the Parent	454,231
Total financial debt of Era	2,878
Financial debt as adjusted for this Offering	34,100
As Adjusted *Pro forma* total financial debt	**491,209**
Cash and cash equivalents of the Parent	32,321
Cash and cash equivalents of Era	860
Cash and cash equivalents used in connection with the Transactions	(2,400)
As Adjusted *Pro forma* cash and cash equivalents	**30,781**
As Adjusted *Pro forma* net financial debt	**460,428**

(11) As adjusted *pro forma* net cash interest expense represents the net cash interest expense of the Parent on a consolidated basis adjusted for (i) the Transactions, as if they had occurred on October 1, 2013 and (ii) the issuance of the Original Notes (excluding costs relating to the interest rate swap entered into in connection with the Original Floating Rate Notes) and the application of the proceeds therefrom, as if they occurred on October 1, 2013. As adjusted *pro forma* net cash interest expense includes commitment fees with respect to the Revolving Credit Facility and assumes the expected outstanding amount under the Revolving Credit Facility as of the Issue Date for the entire twelve month period ended September 30, 2014. As adjusted *pro forma* net cash interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expenses would have actually been had the Transactions and the Original Notes issuance occurred on the date assumed, nor does it purport to project our net cash interest expense for any future period or our financial condition at any future date.

Operating Data

	Rhiag				Parent
	Year Ended December 31			Six Months Ended June 30	Six Months Ended June 30
	2011	2012	2013	2013	2014
	(thousands except for ratios and %)				
Number of customers:[1]					
Italy	6,379	7,773	6,322	5,882	6,231
Eastern Europe	64,518	73,763	81,647	69,714	75,624
Czech Republic	40,905	45,236	47,135	42,043	43,266
Slovakia	8,731	10,298	12,283	10,087	11,908
Switzerland	1,630	1,707	1,769	1,501	1,599
SKUs[2]:					
Italy	97,953	131,843	131,870	156,200	134,030
Eastern Europe	585,818	642,983	718,874	544,006	685,415
Czech Republic	265,789	273,296	283,589	228,533	260,325
Slovakia	129,436	148,328	164,867	126,628	151,432
Switzerland	32,231	34,605	39,435	36,540	34,683
Branches:					
Italy	19	20	19	19	18
Eastern Europe	155	171	181	175	192
Czech Republic	91	97	98	97	102
Slovakia	27	30	33	31	38
Switzerland[3]	n/a	n/a	n/a	n/a	n/a
Average daily deliveries:					
Italy	2x-4x	2x-4x	2x-4x	2x-4x	2x-5x
Eastern Europe[4]					
Czech Republic	2x-4x/3x-5x	2x-4x/3x-5x	2x-4x/3x-5x	3x-5x	3x-5x
Slovakia	3x-4x/3x-5x	3x-4x	3x-4x	4x-6x/3x-5x	3x-4x
Switzerland	2x	1x-3x	1x-3x	1x-3x	1x-3x
Service level:[5]					
Italy	87.1%-90.6 %	87.5%-90.7%	88.1% 90.9%	88.3%-91.2 %	87.6%-91.0 %
Eastern Europe					
Czech Republic		74.7-78.2 %[6]	74.7-78.2 %[6]		74.3-77.5 %
Slovakia		71.0-78.4 %[6]	74,6-79.9%		77,2-79.2 %
Switzerland		94.0%	94.5%		94.3 %

(1) The number of customers refers to customers at country or entity level. Some overlapping among countries or entities may occur.

(2) The number of SKUs refers to SKUs at country or entity level. Some overlapping among countries or entities may occur.

(3) Switzerland has only two central warehouses.

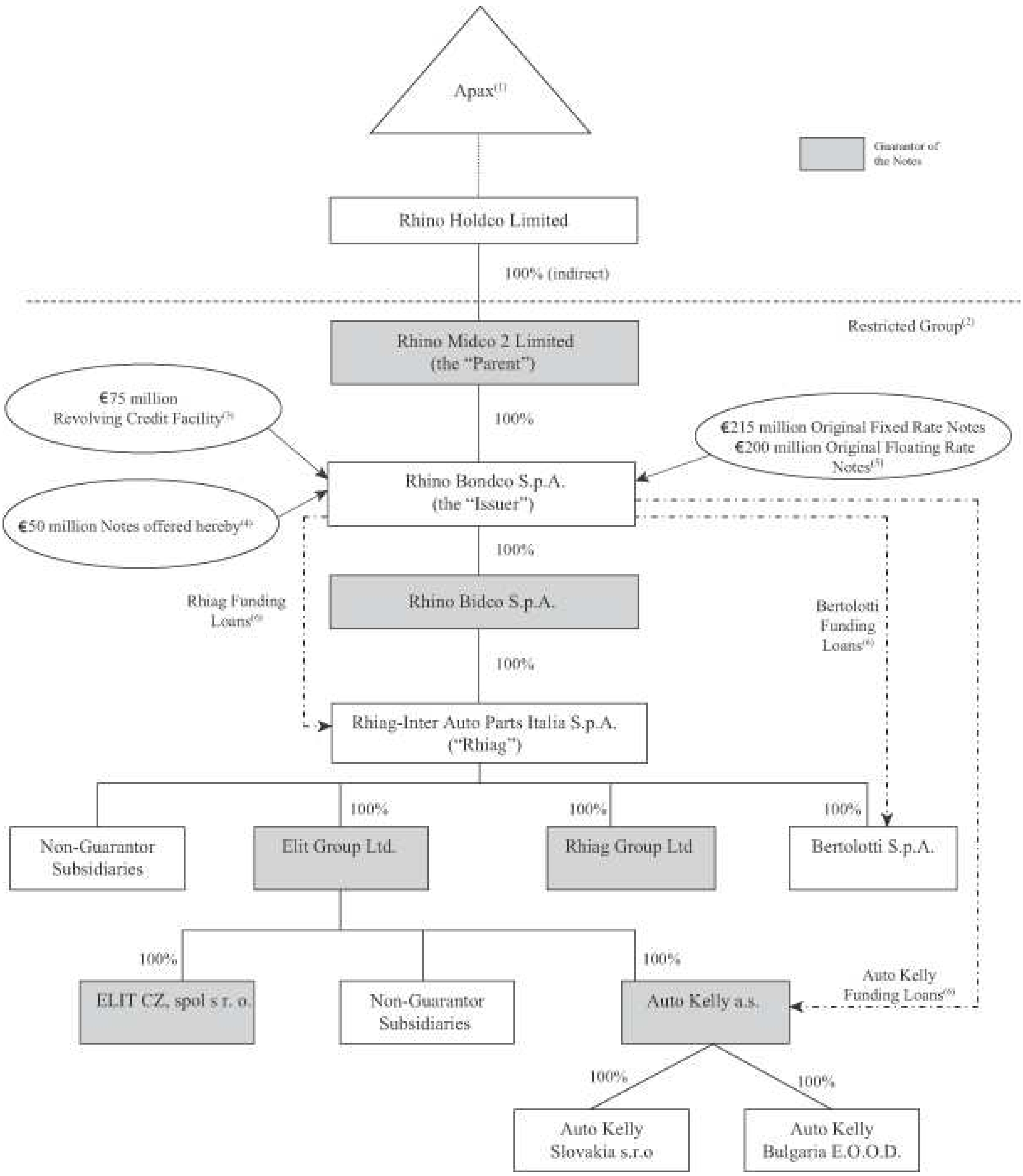
(4) Refers to average number of deliveries made daily in major cities.

(5) "Service level" refers to the percentage of products immediately available at central warehouses. Service level variations reflect the different business models in each geographic area.

(6) Refers to service level at branch level.

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following diagram summarizes our corporate structure and principal outstanding financing arrangements after giving effect to the Transactions. The diagram does not include all entities in the Group, 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 Senior Secured Notes*", "*Description of Certain Financing Arrangements*" and "*Capitalization*" for further information.



(1) "Apax" refers to one or more funds or limited partnerships managed or advised by Apax Partners LLP or any of its affiliates or direct or indirect subsidiaries from time to time investing, directly or indirectly, in Rhino Holdco Limited. Certain members of management have invested in Rhino Holdco Limited. See "*Principal Shareholders*".

(2) The entities in the "Restricted Group" are subject to the covenants in the Revolving Credit Facility Agreement and in the Indenture.

(3) On November 5, 2013, the Parent, the Issuer and Bidco, among others, entered into the Revolving Credit Facility Agreement to provide for a revolving credit facility of up to €75 million. The Issuer, Bidco, Auto Kelly CZ, Bertolotti, Elit, Elit CZ, Rhiag and RGL, respectively, are borrowers under the Revolving Credit Facility. The Revolving Credit Facility is guaranteed by Issuer, the Parent, Bidco, Auto Kelly CZ, Bertolotti, Elit, Elit CZ, Rhiag and RGL. The Revolving Credit Facility is secured by first-ranking security interests (subject to the operation of the Agreed Security Principles and certain perfection requirements and any Permitted Collateral Liens (as defined under the Revolving Credit Facility)) granted on an equal and ratable first-priority basis over (i) the Notes Collateral and (ii) the shares in Bertolotti, RGL and Elit. See "*Description of Certain Financing Arrangements—Revolving Credit Facility—Security*". Under the terms of the Intercreditor Agreement, lenders under the Revolving Credit Facility, other indebtedness permitted to be secured by the Notes Collateral and counterparties to certain hedging obligations will receive proceeds from the enforcement of the Notes Collateral in priority to the holders of the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for further information. As at

June 30, 2014, the outstanding principal amount of indebtedness under the Revolving Credit Facility was €27.0 million, which excludes accrued and unpaid interest. On October 14, 2014, the Issuer borrowed an amount of €36.5 million under the Revolving Credit Facility to fund the purchase price for the Era Acquisition. As at October 23, 2014, the outstanding principal amount of indebtedness under the Revolving Credit Facility was €63.5 million, which excludes accrued and unpaid interest. We intend to repay €14.0 million of indebtedness under the Revolving Credit Facility prior to the Issue Date. On or about the Issue Date, we intend to use a portion of the proceeds of this Offering to repay €35.4 million under the Revolving Credit Facility, together with any accrued interest and break costs.

(4) The Notes will be the Issuer's senior obligations and will be guaranteed on a senior secured basis by the Parent, Auto Kelly CZ, RGL, Bidco, Elit and Elit CZ. The Note Guarantees will be subject to certain contractual and legal limitations under applicable laws, and may be released under certain circumstances. See "*Limitations on validity and enforceability of the Note Guarantees and the Security Interests and Certain Insolvency Law Considerations*" and "*Description of the Senior Secured Notes—Guarantees*". The Issuer did not represent any percentage of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and did not contribute to the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013. The Guarantors accounted for €348,224 thousand and 40.9% of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and €28,636 thousand and 34.6% of the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013. Our subsidiaries (other than the Issuer and the Guarantors) accounted for €503,011 thousand and 59.1% of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and €54,070 thousand and 65.4% of the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013. The Issuer, the Guarantors and the Funding Loan Borrowers collectively accounted for €793,504 thousand and 93.2% of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and €76,935 thousand and 93.1% of the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013. The Notes and the Note Guarantees will be secured on a first-ranking basis (subject to the operation of the Agreed Security Principles and certain perfection requirements and any Permitted Collateral Liens) by security interests granted over: (i) the shares of the Issuer, Auto Kelly CZ, Bidco, Rhiag and Elit CZ; (ii) substantially all of the assets of the Parent; (iii) certain bank accounts of the Issuer and Bidco; (iv) the Issuer's rights under the Auto Kelly Funding Loans; (v) the Issuer's rights under the Bertolotti Funding Loans; (vi) the Issuer's rights under the Rhiag Funding Loans; and (vii) the rights of Bidco under the documents governing the Rhiag Acquisition.

(5) The Original Notes are the Issuer's senior obligations, guaranteed on a senior secured basis by each of the Guarantors. The Original Notes and the guarantees in respect thereof, are secured on a first-ranking basis by security interests granted over the Notes Collateral.

(6) On December 16, 2013, the Issuer entered into the Auto Kelly Funding Loans, the Bertolotti Funding Loans and the Original Rhiag Funding Loans, under which it lent a portion of the proceeds of the Original Notes to Auto Kelly CZ, Bertolotti and Rhiag, respectively. The Issuer will enter into the New Rhiag Funding Loans on or about the Issue Date in connection with the issuance of the Notes. See "*Description of the Certain Financing Arrangements—Funding Loans*" for further information.

THE OFFERING

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

Issuer:	Rhino Bondco S.p.A., a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy.
Notes:	€50,000,000 aggregate principal amount of 7.25% Senior Secured Notes due 2020. The Notes offered hereby will be issued as additional notes under the indenture entered into by the Issuer, among others, dated November 5, 2013, pursuant to which the Original Notes were issued. The Notes will initially be issued bearing temporary international securities identification numbers (the "ISINs") and temporary common codes that differ from the original ISINs and original common codes assigned to the Original Fixed Rate Notes, and will also bear an applicable restrictive Securities Act legend referred to under the heading "*Transfer Restrictions*" in this offering memorandum. See "*Description of the Senior Secured Notes—Transfer and Exchange*". On and from the applicable consolidation date, the Notes will be consolidated and fully fungible with the Original Fixed Rate Notes. The consolidation date for Notes sold outside the United States in reliance on Regulation S under the U.S. Securities Act will be the earlier of 40 days after the later of the issue date of the Notes and the earliest date or dates permitted under U.S. federal securities laws. The consolidation date for Notes sold within the United States to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will be the earlier of one year after the later of the date of the original issue of these Notes and the earliest date or dates permitted under U.S. federal securities laws. Following the replacement of the applicable temporary ISINs and temporary common codes as set forth above, the Notes will become fully fungible with the Original Fixed Rate Notes for trading purposes. The Notes offered hereby (i) will have substantially the same terms as those of the Original Fixed Rate Notes and (ii) together with the Original Fixed Rate Notes, will be treated as a single class for all purposes under the Indenture, including with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise specified with respect to the Notes.
Issue Date:	October 30, 2014.
Issue Price:	100.0% plus accrued interest from May 15, 2014 to the Issue Date.
Maturity Date:	November 15, 2020.
Interest Payment Dates:	Semi-annually in arrears on each May 15 and November 15, commencing November 15, 2014. Interest will accrue from May 15, 2014.
Interest:	7.25% per annum.
Denomination:	Each Note will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.
Ranking of the Notes:	The Notes will: • be general, senior obligations of the Issuer, secured as set forth below under "—*Security*"; • rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including the Issuer's obligations in respect of the Revolving Credit Facility as a borrower thereunder and the Original Notes; • rank senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes; • be effectively senior to all existing and future indebtedness of the Issuer that is unsecured, or secured on a basis junior to the Notes,

in each case to the extent of the value of the property or assets securing the Notes;

- be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such indebtedness;
- be effectively junior to any existing and future indebtedness of the Issuer that will receive proceeds from any enforcement action over the property and assets securing the Notes on a priority basis, including indebtedness under the Revolving Credit Facility, certain hedging obligations and certain other future indebtedness;
- benefit from a guarantee on a senior secured basis from each of the Guarantors, which Note Guarantees are subject to certain limitations on recovery; and
- be effectively subordinated to any existing and future indebtedness of subsidiaries of the Issuer that are not Guarantors.

Note Guarantees:

The Issuer's obligations under the Notes will be guaranteed on a senior secured basis by Parent, Auto Kelly CZ, RGL, Bidco, Elit and Elit CZ.

The Issuer did not represent any percentage of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and did not contribute to the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013. The Guarantors accounted for €348,224 thousand and 40.9% of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and €28,636 thousand and 34.6% of the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013. Our subsidiaries (other than the Issuer and the Guarantors) accounted for €503,011 thousand and 59.1% of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and €54,070 thousand and 65.4% of the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013. The Issuer, the Guarantors and the Funding Loan Borrowers collectively accounted for €793,504 thousand and 93.2% of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and €76,935 thousand and 93.1% of the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013.

The Note Guarantees will be subject to certain contractual and legal limitations under applicable laws, and may be released in certain circumstances. See "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests and Certain Insolvency Law Considerations*", "*Description of the Senior Secured Notes—Guarantees*" and "*Risk Factors—Risks Related to our Structure*".

Ranking of the Guarantees:

Each Note Guarantee will:

- be a general, senior obligation of the relevant Guarantor, secured on a first-priority basis as set forth below under "*—Security*";
- rank *pari passu* in right of payment with all existing and future indebtedness of that Guarantor that is not subordinated in right of payment to such Guarantor's Note Guarantee, including such Guarantor's obligations in respect of the Revolving Credit Facility and the Original Notes;
- rank senior in right of payment to all existing and future indebtedness of that Guarantor that is subordinated in right of payment to such Guarantor's Note Guarantee;
- be effectively senior to all of that Guarantor's existing and future indebtedness that is unsecured, or secured on a basis junior to the security granted by such Guarantor in respect of its Note Guarantee, in each case to the extent of such Guarantor' assets securing its Note Guarantee;

- be effectively subordinated to any existing and future indebtedness of that Guarantor that is secured by property or assets that do not secure that Guarantor's guarantee of the Notes on an equal basis, to the extent of the value of the property or assets securing such indebtedness; and
- be effectively junior to any existing and future indebtedness of such Guarantor that will receive proceeds from any enforcement action over the property and assets securing the Notes on a priority basis, including indebtedness under the Revolving Credit Facility, certain hedging obligations and certain other future indebtedness.

The Note Guarantees will be subject to the terms of the Intercreditor Agreement, and will be released in certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

Security: The Notes and the Note Guarantees will be secured on a first-ranking basis, subject to the operation of the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, by security interests granted over:

- the capital stock of the Issuer, Bidco, Rhiag, Auto Kelly CZ and Elit CZ;
- substantially all of the assets of the Parent;
- certain bank accounts of the Issuer and Bidco;
- the Issuer's rights under the Auto Kelly Funding Loans, the Bertolotti Funding Loans and the Rhiag Funding Loans; and
- the rights of Bidco under the documents governing the Rhiag Acquisition.

The Notes Collateral has been granted in favor of the Original Notes and Revolving Credit Facility and will be granted in favor of the Notes offered hereby on or about the Issue Date pursuant to the Security Documents entered into in connection with the Original Notes and the Revolving Credit Facility (collectively, the "Existing Security Documents"), certain additional security agreements and, as applicable, confirmations and extensions in respect of the Existing Security Documents to be entered into in respect of the Notes. See "*Description of the Senior Secured Notes—Security*".

In addition to the Notes Collateral, the Revolving Credit Facility is also secured on a first-ranking basis, subject to the operation of the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, by security interests granted over the shares in Bertolotti, Elit and RGL. See "*Description of Certain Financing Arrangements—Revolving Credit Facility—Security*".

The security interests securing the Notes may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. For more information, see "*Risk Factors—Risks Related to our Structure*".

The security interests securing the Notes may be released under certain circumstances. See "*Risk Factors—Risks Related to our Structure*", "*Description of the Senior Secured Notes—Security*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

The Intercreditor Agreement provides that lenders under the Revolving Credit Facility, certain other indebtedness permitted to be secured by the Notes Collateral and counterparties to certain hedging obligations, respectively, will receive the proceeds from the enforcement of the Notes Collateral in priority to holders of the Notes. See "*Description of the Senior Secured Notes—Security*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for further information.

Additional Amounts: Any payments made with respect to the Notes will be made without withholding or deduction for or on account of taxes in any relevant taxing jurisdiction unless required by law. If withholding or deduction for such taxes is required to be made with respect to a payment under the Notes, subject to certain exceptions, the Issuer or the relevant Guarantor will pay the additional amounts necessary so that the net amount received by the holders of the relevant Notes after the withholding or deduction is not less than the amount that they would have received in the absence of the withholding or deduction. See "*Description of the Senior Secured Notes—Withholding Taxes*".

Subject to and as set out in "*Description of the Senior Secured Notes—Withholding Taxes*", the Issuer will not be liable to pay any additional amounts to holders of the Notes in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended, or supplemented from time to time) where the relevant Notes are held by a person resident in a country that does not allow for satisfactory exchange of information with Italy (such countries being those not included in the list set forth in the Ministerial Decree of September 4, 1996, as subsequently amended and supplemented) and otherwise in the circumstances as described in "*Description of the Senior Secured Notes—Withholding Taxes*". See also "*Risk Factors—Risks Related to the Notes—Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax*".

The Notes may not be transferred to any person that is located in or resident in a "black listed" territory.

Optional Redemption:

The Issuer may redeem all or part of the Notes at any time on or after November 1, 2016, at the redemption prices as described under the caption "*Description of the Senior Secured Notes—Optional Redemption*".

At any time prior to November 1, 2016, the Issuer may redeem all or part of the Notes, at a redemption price equal to 100% of the principal amount of such Notes, plus a "make whole" premium as of, and accrued and unpaid interest and additional amounts to, if any, the redemption date, as described under "*Description of the Senior Secured Notes—Optional Redemption*".

At any time prior to November 1, 2016, the Issuer will be entitled at its option, on one or more occasions, to redeem the Notes in an aggregate principal amount not to exceed 40% of the Fixed Rate Notes with the net cash proceeds from certain equity offerings at a redemption price equal to 107.25% plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, so long as at least 60% of the original aggregate principal amount of the Fixed Rate Notes remain outstanding immediately after each such redemption and each such redemption occurs no later than 180 days after the date of closing of the relevant equity offering. See "*Description of the Senior Secured Notes—Optional Redemption*".

Optional Redemption for Taxation Reasons:

In the event of certain developments affecting taxation or in certain other circumstances, the Issuer may redeem the Notes and the Original Fixed Rate 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 Senior Secured Notes—Redemption for Taxation Reasons*".

Change of Control:

Upon the occurrence of certain events constituting a "change of control", the Issuer may be required to offer to repurchase the Notes at a purchase price in cash equal to 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. A Change of Control will not be deemed to have occurred on one occasion if certain consolidated leverage ratios are not exceeded as a result of such event that constitutes a Specified Change of Control (as defined in "*Description of the Senior Secured Notes—Certain Definitions—Specified Change of Control Event*"). See "*Description of the Senior Secured Notes—Change of Control*".

Certain Covenants:

The Indenture limits, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;

- make certain payments, including dividends or other distributions, with respect to the shares of the Parent;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Parent or its restricted subsidiaries;
- sell, lease or transfer certain assets including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses or engage in prohibited activities;
- consolidate or merge with other entities;
- impair the security interests for the benefit of the holders of the Notes; and
- amend certain documents.

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

Use of Proceeds:	The proceeds of the offering of the Notes will be used: to prepay a portion of the outstanding borrowings under the Revolving Credit Facility, plus accrued and unpaid interest and any break costs through the date of repayment; to loan €11.6 million to Rhiag under the New Rhiag Funding Loans; and to pay fees and expenses in connection with the Transactions, including the fees and expenses to be incurred in connection with the Offering. See "*Use of Proceeds*".
Transfer Restrictions:	The Notes and the Note Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale and may only be offered or sold in transactions that are exempt from, or not subject to, the registration requirements of the U.S. Securities Act. We have not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer) under the U.S. Securities Act. See "*Transfer Restrictions*" and "*Plan of Distribution*".
No Prior Market Listing:	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the relevant Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
Listing:	Application has been made for the Notes to be admitted to trading on the Irish Stock Exchange's Global Exchange Market and to listing on the Official List of the Irish Stock Exchange, in accordance with the rules and regulations of such exchange. In addition, application will be made to the Borsa Italiana S.p.A. for the Notes to be listed on the ExtraMOT, Professional Segment.
Governing Law for the Notes, the Note Guarantees and the Indenture:	New York.
Governing Law for the Intercreditor Agreement:	England and Wales.
Governing Law for the Security Documents:	England and Wales, Italy and the Czech Republic.
Trustee:	The Law Debenture Trust Corporation p.l.c.
Irish Listing Agent:	Arthur Cox Listing Services Limited.
Principal Paying Agent:	Deutsche Bank AG, London Branch.
Registrar and Transfer Agent:	Deutsche Bank Luxembourg S.A.

Security Agent:	BNP Paribas Securities Services, Milan Branch.
ISINs and Common Codes:	The Notes will initially have different ISINs and common codes to the Original Fixed Rate Notes. Once the Notes have become freely tradeable, the Notes will share the same ISINs and common codes as the Original Fixed Rate Notes and such Notes will thereafter be fungible with the Original Fixed Rate Notes.
Temporary ISINs:	Reg S: XS1130814145; Rule 144A: XS1130814574
Temporary Common Codes:	Reg S: 113081414; Rule 144A: 113081457
Permanent ISINs:	The permanent ISIN for the Notes sold pursuant to Regulation S will be XS0986071537 and the permanent ISIN for the Notes sold pursuant to Rule 144A will be XS0986072691, respectively, once the Notes have become freely tradeable.
Permanent Common Codes:	The Notes sold pursuant to Regulation S and Rule 144A will have the permanent common codes 098607153 and 098607269, respectively, once the Notes have become freely tradeable.
Risk Factors:	Investing in the Notes involves a high degree of risk. See the "*Risk Factors*" section in this offering memorandum for a description of certain of the risks you should carefully consider before investing in the Notes.

RISK FACTORS

An investment in the Notes involves risks. In addition to considering carefully, in light of the circumstances and your individual investment objectives, the information contained elsewhere in this offering memorandum, you should carefully consider the risks described below before investing in the Notes. If any of the events described below actually occurs, our business, results of operations, financial condition or prospects could be materially adversely affected and, accordingly, the value and the trading price of the Notes may decline, resulting in a loss of all or part of any investment in the Notes. Furthermore, the risks and uncertainties described herein may not be the only ones that we face. Additional risks and uncertainties not presently known to us or that we currently consider to be immaterial may also have a material adverse effect on our business, results of operations, financial condition or prospects.

In these "Risk Factors", references to the term "Notes" refers to the Notes offered hereby as well as the Original Notes, unless the context otherwise requires or is clear from context.

Risk Related to Our Business

Material disruptions at our warehouses or distribution centers could negatively impact our financial results.

As of June 30, 2014, our distribution network infrastructure comprised 10 storage warehouses (including both central and national storage warehouses), connected to 210 distribution centers (divided between branches and hubs), located in nine countries. A material disruption at any one of our warehouses or distribution centers caused, for example, by the revocation of, or disputes over, permits and licenses from governmental authorities, sudden reductions in our workforce or work stoppages, natural disasters, strikes, or breakdowns in equipment and other events, could adversely affect our ability to fulfill customer orders in a timely manner or at all, which, in turn, could have a material adverse effect on our business, results of operations or financial condition. Any failure to distribute the correct products to our customers may result in lost sales as well as claims against us.

We do not manufacture any of our products and are dependent on the ability of our third-party suppliers to meet our product requirements.

We do not manufacture any of our products and, therefore, rely on third-party suppliers for the provision of spare parts that are essential to our business. Our ability to acquire products from our suppliers in amounts and on terms acceptable to us is dependent upon a number of factors which are beyond our control. Furthermore, our ability to continue to develop relationships with a number of suppliers who can satisfy our standards of quality in a timely and efficient manner is a significant challenge. If our existing suppliers were unable or unwilling to continue to supply our needs, or if they are willing to do so only at higher prices or commercially unfavorable terms, our ability to provide products to our customers will be adversely affected. Since we may be unable to procure such products elsewhere at short notice, we may experience supply delays, and we may be forced to revise terms, including price, on which we supply products to our customers. Any such price increase may prompt our customers to purchase products from our competitors.

Due to long-standing relationships with a number of suppliers, our operations are closely tied to their production capacity and their ability to organize their production and distribution in a manner that meets our requirements. Significant reductions in one or several of our suppliers production capacity or other circumstances that restrict their ability to supply us in accordance with the applicable contractual arrangements, could have an adverse effect on the availability of the products that we distribute which, in turn could have a material adverse effect on our business, results of operations or financial condition.

Prolonged supply chain disruptions could have a material adverse effect on our profitability.

We sell a broad range of products to our customers and regularly receive these products from our suppliers as we aim to optimize our supply chain, costs and inventory levels. Disruptions to the supply of these products could be caused by a variety of factors, including closures of one of our suppliers' plants or critical manufacturing lines due to strikes, mechanical breakdowns, electrical outages, fires, explosions, public health crisis, economic difficulties or political upheaval, as well as logistical complications due to weather, volcanic eruptions or other natural disasters, mechanical failures, delayed customs processing or other events and could have a material adverse effect on our business, results of operations or financial condition.

Our suppliers are located in the Commonwealth of Independent States, Europe and Asia. As a result, our product supply is vulnerable to significant political or economic events in these regions, which could temporarily or permanently disrupt shipping and/or transportation routes. Any prolonged disruption in the supply of spare parts from our suppliers, could have a material adverse effect on our business, results of operations or financial condition.

Our failure to anticipate, identify and respond to changes in customer demand in a timely manner could have an adverse effect on our business.

Our supply chain is organized according to a "pull" model, whereby we calculate and continually adjust our product offering and distribution processes based on demand that we anticipate to be able to meet our customer requests and to efficiently manage our supply chain, inventory levels and costs. See "*Business—Business Model—Marketing and Procurement*". This model depends on our ability to gauge customer preferences and to rapidly provide products that satisfy shifting demands. In addition, we must offer a sufficient range of products to satisfy varying customer preferences.

If we are unable to successfully predict or respond to changes in customer demands, or if we misjudge market or customer demand or if there are sudden and/or unexpected changes in customer demand, customer purchasing behavior, or in the macroeconomic climate in our markets, we may not be able to accurately forecast the volumes as well as the timing of delivery of the products that are requested or lose sales opportunities, which could, in turn, have a material adverse effect on our business, results of operations or financial condition.

We maintain a large inventory stock and our business could be harmed if we are unable to maintain an optimal level of inventory.

We maintain a large product inventory stock at our 10 warehouses and routinely adjust our inventory levels based on the anticipated demand for our products and on changes in the availability of products from our suppliers. If there is a significant and/or unexpected drop in customer demand or if there is a significant increase in customer demand that we are unable to meet from our “on-hand” inventory stock or procure in time from our suppliers, our results of operations, financial condition and cash flows could be adversely affected. We may not accurately anticipate customer demands and respond appropriately. If we misjudge, fail to identify or fail to react swiftly to changes in customer preferences, it could result in a significant increase in our inventories, which may lead to an increase in our costs of goods if we choose to return unsold goods to our suppliers for a refund at a lower price than we purchased such goods. Conversely, if we underestimate or fail to respond to customer demand for our products, we may experience inventory shortages and lower gross sales and profitability than may have been realized.

We also depend on a timely supply of products from our suppliers in order to maintain an optimal level of inventory. If our suppliers fail to deliver their products to our warehouses on a timely basis, we may experience inventory shortages which could result in unfilled customer orders and lost revenues, as well as damage to our business reputation.

Adverse changes in the cost and/or availability of transportation services could adversely impact our ability to provide products to our customers in a timely manner.

We rely on road transportation for the transfer of our products between our warehouses/distribution centers and from our distribution centers directly to our customers. Accordingly, disruptions in the delivery of our products could arise due to weather-related problems, employee strikes, lock-outs and inadequacies in the transport infrastructure in the countries in which we operate, or other events. A failure by our transportation providers to deliver our products on a timely and consistent basis could adversely affect our ability to meet our customers’ orders, cause damage to our business reputation and adversely affect our market position.

We exclusively rely on third-party providers to handle our freight in Italy and Switzerland and, to a lesser extent, in other countries in which we operate. The termination or failure to renew one or more of our contracts with these freight providers, any contractual disputes or an increase in freight distribution costs, respectively, could result in a delay of our deliveries and/or we may be unable to engage alternative freight providers either on a timely basis, upon terms favorable to us, or at all, which could have a material adverse effect on our business, results of operations or financial condition.

Termination of our agreements with garages and car rental firms could have an adverse effect on our business.

In Italy, we have entered into agreements with three networks of independent garages: (i) the “A posto” and “Dedicar” networks, both of which operate in the passenger car market; and (ii) the “Optima Truck Service” network, which operates in the commercial vehicle market. Under our agreements with these garage networks, we permit them to use our licenses and trademarks for “A posto”, “Dedicar”, “Optima Truck Service” and “Rhiag”, respectively, and provide support, advisory and training services. In Eastern Europe, we have also entered into agreements with two networks of garages; “Partner Elit” (in most of the Eastern European countries in which we operate) and “Auto Kelly Autoservis” (in the Czech Republic and Slovakia). Our failure to maintain or renew these agreements could result in one or more of these garage networks obtaining some or all of their supplies from wholesalers other than our customers, which could have a material adverse effect on our business, results of operations and financial condition.

We have also entered into agreements with car rental companies, car leasing companies and car fleet management companies, respectively, to service their cars in our affiliated networks of garages which mainly purchase products from our wholesalers. If we are unable to renew such agreements on favorable terms, or at all, our profitability may be significantly harmed.

Disruptions in our information technology systems could adversely affect our operating results by limiting our capacity to effectively monitor and control our supply flows. We also may not be able to successfully grow our E-Platform.

The software we use and develop in collaboration with third party software companies facilitates our ability to efficiently manage supply flows and to provide management with current inventory levels at the various distribution centers as well as other operational data. In particular, our customized information technology systems allow us to identify, in real time, the availability of any particular product that is ordered within the distribution network in each of the geographical areas where we operate. We depend on the continuous availability and reliability of our information technology platform, which, in turn, depends on the functioning of our information technology hardware and is, therefore, subject to operational risks such as the occurrence of equipment failures, power interruptions and unlawful conduct by third parties.

The performance of our information technology systems also depends, among other things, on our ability to effectively safeguard our information technology systems and related equipment against damage from interruptions to telecommunication services and from computer viruses. The occurrence of any such events, and any consequent slowdown or interruption to telecommunication services may impair our ability to efficiently manage supply flows, which could, in turn, have a material adverse effect on our business, results of operations and financial condition.

We anticipate that we will from time to time be required to upgrade our information technology systems, which will entail significant investments. Introduction of new software or upgrades require not only considerable investment but also skilled personnel, and may not be successful or may take longer than anticipated. In addition, a considerable proportion of our information technology systems are hosted externally by third party service providers. Any significant disruption or breakdown at the relevant service provider's facilities could result in significant disruption to our operations, which could adversely affect our ability to manage our information technology systems.

One of our strategies is to increase the amount of online sales of our products through our E-Platform. Our ability to develop our E-Platform depends on a number of factors, including our ability to successfully market our e-catalog; the hiring, training and retention of qualified personnel; our ability to integrate our growing online operations on a profitable basis; the capability of our existing distribution center to accommodate our growing online operations; the effect of any competition our online operations may have with our existing stores; increased competition from our competitors as they introduce transactional websites or expand their existing online presence; and consumers' changing preferences with respect to how they shop online, for example, through mobile and tablet applications. Furthermore, our E-Platform is subject to numerous risks, including our reliance on third parties for computer hardware/software, the need to keep up with rapid technological change and the implementation of new systems and platforms; customers finding the E-Platform difficult to use; logistical difficulties in delivering products to customers in a satisfactory manner; liability for online content and security breaches from online hackers and consumer privacy concerns; negative reviews from dissatisfied customers spreading online or through social networks; liability for online credit card fraud and problems adequately securing our payment systems.

We cannot assure you that we will be able to maintain and upgrade our information technology systems or grow our E-Platform in a manner that will avoid interruptions or disruptions of such systems. A failure or inability to maintain and upgrade our information technology systems may have a material adverse effect on our business, result of operations and financial condition.

A decline in customer demand or default in payment by our customers, in particular our largest customers, could have an adverse effect on our business.

We typically receive purchase orders for specific spare parts and do not enter into extended supply contracts with our customers. In most instances, our customers purchase spare parts based on their existing needs, but are not required to purchase a minimum amount of any of our products. The contracts we have entered into with most of our largest customers are for a targeted amount of products and tend to be of short duration. Therefore, a significant decrease in demand for certain key spare parts for both passenger cars and commercial vehicles could have a material adverse effect on our results of operations. To the extent that we do not maintain our existing level of business with our largest customers, we will need to attract new customers or win new business with our existing customers and if we are unable to do so, our business, results of operations and financial condition may be adversely affected.

From time to time, we experience prolonged delays or defaults in payments by our customers. Such defaults in payments, particularly by our key customers, may have an adverse effect on our gross sales and profitability. From time to time, our customers may face financial difficulties which may result in their bankruptcy. As a result of such defaults in payments, we may be required to expend resources in terms of management time, legal fees and other costs, in order to make recovery claims as a trade creditor. To the extent that we are unable to recover such receivables at all or if we recover less than the amount owed to us by such customers, our business, results of operations and financial condition may be adversely affected.

Termination of one or more of our relationships with any of our suppliers could have an adverse effect on our business.

We rely on third-party suppliers for the provision of spare parts that are essential to our business. Our business and, ultimately, our results of operations are dependent on our suppliers' ability to provide us with such products. We generally obtain competitive pricing terms due, among other things, to our long-standing relationships with our suppliers and contractual arrangements requiring us to achieve certain annual purchasing with our suppliers. Failure to achieve such purchasing targets may, among other things, adversely affect our relationships with suppliers.

Our long-standing relationships with certain of our suppliers facilitate rapid product development and consistent quality of products. In the year ended December 31, 2013, we sourced 34.6% of our products our top 10 suppliers. Our ability to acquire products from our suppliers in amounts and on terms acceptable to us is dependent upon a number of factors which are beyond our control. Due to long-standing relationships with a number of suppliers, our operations are closely tied to their production capacity and their ability to organize their production and distribution in a manner that meets our requirements. A significant reduction in a supplier's production capacity or other circumstances that may restrict its ability to supply us in accordance with the applicable contractual arrangements or in a timely manner could have an adverse effect on the availability of the products we distribute.

Failure by one or more of our suppliers to meet their contractual obligations, including the delivery of products or any significant delays in the shipment or delivery of products to our central warehouses in Italy or to our other warehouses in Eastern Europe and Switzerland, could have a material adverse effect on our business, results of operations or financial condition.

We may be unable to successfully implement our business strategies.

Our future financial performance and success largely depends on our ability to implement our business strategies. We may not be able to successfully implement the business strategies described in this offering memorandum or those otherwise developed by our business, and these strategies may not sustain or improve our results of operations or justify their costs. Any failure to develop, revise or implement our business strategies in a timely and effective manner may adversely affect our business, financial condition, results of operations and cash flows.

We face risks associated with our expansion plans, including the Era Acquisition, that could adversely affect our business, results of operations and financial condition.

Our strategy for growth includes strengthening our market position in countries in which we currently operate and expansion into other international markets on a selected basis. We may implement this strategy through organic growth, selected acquisitions and/or by diversifying our activities within the various geographical areas in which we operate and/or plan to operate in the future. Our international presence and any further expansion of such presence does and will expose us to a series of risks associated with the complexity of the integration process following an acquisition, the management of an international company and economic, social and general political conditions in the countries in which we are present or into which we expand (such as fluctuations in exchange rates, restrictions upon international trade, instability in the equity markets, limitations on foreign investments, political instability, war and terrorism and differences in the legal, tax and administrative systems). Although we prepare investments in new locations on the basis of detailed market research analyses, we may still face the risk of unsatisfactory sales performance in new locations. Our market research analysis may prove to be inadequate, in particular due to factors which are difficult to predict, such as customer behavior. We cannot guarantee that investments in new locations will yield the anticipated returns. Investments in unsuitable locations could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Acquisitions pose additional risks, including overpayment in relation to purchase price or the assumption of unexpected liabilities in connection with the acquisition. Efforts to acquire other businesses, or the implementation of other elements of this business strategy, may divert managerial resources away from our business operations. In addition, our ability to engage in strategic acquisitions may depend on our ability to raise substantial capital and we may not be able to raise the funds necessary to implement our acquisition strategy on terms satisfactory to us, if at all. Our failure to identify suitable acquisition opportunities may restrict our ability to grow our business. In evaluating potential acquisitions, we make certain assumptions regarding the future combined results of the existing and acquired operations. In certain transactions, the acquisition analysis includes assumptions regarding the consolidation of operations and improved cost structures for combined operations. There can be no assurance that such synergies or benefits will be achieved on the assumed time schedule or in the assumed amount, if at all. In addition, the integration of an acquired business and its systems, operations and personnel, particularly in respect of businesses operating in adjacent markets, could be more difficult and time-consuming than anticipated, which could lead to increased operating costs, the loss of key employees and customers and a failure to realize anticipated operating synergies. Furthermore, our inability to realize anticipated cost-savings, synergies and revenue enhancements, whether from the Era Acquisition or other acquisitions, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Changes in currency exchange rates could adversely affect our business and results of operations.

Our results of operations are subject to foreign currency transaction effects and translation effects. We have operations in Italy, Switzerland and Eastern Europe and receive product deliveries from suppliers in the Commonwealth of Independent States region, Europe and Asia. Our sales are denominated in Euros in Italy and Slovakia and in local currencies in all of the other countries in which we operate our business. Rhiag presents its consolidated financial statements in Euro. As a result, our subsidiaries are required to translate their gross sales and purchases from local currencies to Euro at the prevailing foreign exchange rates. In particular, our companies operating in the Czech Republic, Hungary, Poland, Romania, Switzerland and Ukraine, generate gross sales in the relevant local currency and purchase their products for distribution principally in Euros and, in the case of Auto Kelly CZ, partially in U.S. dollars. They are therefore exposed to the risk of the relevant local currencies' depreciation against the Euro and the U.S. dollar. We are also exposed on a translational basis to fluctuations in the exchange rate of the euro against such other currencies as a consequence of operating and having assets and liabilities in jurisdictions which use currencies other than euro.

During the year ended December 31, 2013, we entered into short-term currency hedging transactions in order to address certain of the foregoing risks, which we have since terminated. We generally enter into short-term hedging transactions in countries where purchases are executed in a currency that is different from the one in which the relevant sales are recorded. This is done in order to minimize fluctuations in currency between our purchase and sales transactions, in order to protect any profitability on the hedged portion of the relevant purchases. Whilst we have, in the past, entered into currency hedging transactions with regard to the products we purchase from our suppliers, no assurance can be given that we may do so in the future or that such transactions will be sufficient to protect us from sudden or extreme fluctuations in exchange rates in the future and, accordingly, any significant price increases in the products we purchase could have an adverse effect on our operating results and financial condition, especially if our subsidiaries are unable to pass such price increases on to customers in their respective local markets.

Termination of existing lease agreements and failure to renew such leases on attractive terms or to identify new premises may have an adverse effect on our growth and profitability.

Most of our central and national warehouses, hubs and branches are located on premises we lease from third-parties. Depending on the country and the type of estate, our current leases expire at various dates ranging from less than a year to more than eight years. Our ability to maintain our existing rental rates upon renewal or to renew any expired lease on favorable terms will depend on many factors that are not within our control, such as conditions in the local real estate market, competition for desirable properties and our relationships with current and prospective landlords. If we are unable to renew our leases, our ability to lease a suitable replacement location on favorable terms is subject to the same foregoing factors. In addition, if our lease payments increase or if we are unable to renew our existing leases or lease suitable alternate locations, our profitability may be significantly harmed.

We intend to continue to expand our services to our existing markets and enter into new markets as part of our growth strategy, which will entail the need to identify new premises. A failure to identify suitable premises could have a material adverse effect on our growth strategy and, consequently, on our business, results of operations or financial condition.

We are exposed to substantial risks associated with the Eurozone debt crisis and the performance of the European economy.

The deterioration of financing conditions in several countries of the Eurozone, including, Italy, together with the risk of contagion to other, more stable, countries has raised a number of uncertainties regarding the stability and overall standing of the European Union. Concerns that the Eurozone sovereign debt crisis could worsen may lead to the reintroduction of national currencies in one or more Eurozone countries or, in particularly dire circumstances, the abandonment of the Euro. The departure or risk of departure from the Euro by one or more Eurozone countries and/or the abandonment of the Euro as a currency could have major negative effects on both our existing contractual arrangements and the fulfillment of obligations by us, our product suppliers and/or our customers, which would have a material adverse effect on our business, results of operations and financial condition.

Given our reliance on third-party suppliers for the provision of spare parts that are essential to our business, any continued or renewed downturn in the European economy could adversely affect the solvency of our suppliers generally and, in particular, the ability of our suppliers to access liquidity. This could lead to delivery delays or failures which could, in turn, materially and adversely affect our business, results of operations and financial condition. Furthermore, we believe that some of our customers may have postponed certain car repairs during the recent economic and financial downturn, especially in the second half of 2012 and in 2013. In such circumstances, we may experience a decline in sales which could, in turn, materially and adversely affect our business, results of operations and financial condition.

Our operations in certain countries may be affected by changes in the political environment. In particular, sanctions against Russia, sanctions imposed by Russia and the deteriorating political situation in the Ukraine may have an adverse effect on our results of operations and financial condition.

In the Ukraine, we operate through Elit Ukraine. For the twelve months ended June 30, 2014, our gross sales realized from Elit Ukraine represented 4.0% of our total gross sales. Due to recent developments in the Ukraine and Russia's annexation of Crimea, the United States and the EU have imposed sanctions on certain individuals and financial institutions in Russia and have proposed the use of broader economic sanctions. In response, Russia has imposed entry bans on certain U.S. and EU officials as well as on certain products produced in the United States or Member States of the EU. As a result of such developments, we closed our branch in Donetsk, Ukraine in July 2014. If the United States and the EU were to impose further sanctions, or if there were an increase in hostilities in the Ukraine or in the region, it could result in instability or worsening of the overall economic situation in Russia, Europe or in the global capital markets generally, which could further impact our operations in the Ukraine, and, could have a material adverse effect on business, financial condition, results of operations and cash flows.

Higher employment costs may have a material adverse effect on our business, results of operations and financial condition.

Due to the expansion of our operations, our labor costs have been increasing during the past three years. Our labor costs may rise faster than expected in the future as a result of increased workforce activism, a larger workforce, salary increases, headcount increases, government decrees and changes in social and pension contribution rules implemented to reduce government budget deficits or to increase welfare benefits to employees. We may be unable to offset the increase in labor costs through increased selling prices or productivity gains. If labor costs increase further, our operating costs will also increase, which could, if we are unable to recover these cost increases from our customers through increased selling prices or offset such cost increases through labor productivity gains or other measures, have a material adverse effect on our business, results of operations and financial condition.

We depend on key personnel whom we may not be able to retain.

Our operations are managed by a number of key executive officers, and our future performance also depends on the continued contribution of management personnel who have longstanding experience in the industry in which we operate and play a crucial role in the continued development of our business. Our business also requires us to hire and retain skilled employees, and our success depends in part on our ability to continue to attract, motivate and retain highly qualified employees. Competition for such personnel is intense, and we may not be able to attract and retain a sufficient number of qualified personnel in the future. In addition, a loss of one or more of our key executive officers or the inability to attract and retain qualified personnel could require additional costs and time in order to recruit suitable replacements and could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to claims and liabilities under environmental, health, safety and other laws and regulations which could be significant.

Our operations are subject to various environmental, health, safety and other laws and regulations, including those governing air emissions, solid waste and wastewater discharges and the use, storage, treatment and disposal of hazardous materials. The applicable requirements under these laws are subject to amendment, imposition of new or additional requirements and changing interpretations by governmental agencies or courts. Furthermore, our business operations expose us to the risk of claims under environmental, health, safety and other laws and regulations. The discovery of presently unknown environmental conditions, changes in environmental health, safety and other laws and regulations, enforcement of existing or new laws and regulations, and other unanticipated events could give rise to expenditures and liabilities, including fines or penalties, which could have a material adverse effect on our business, results of operations and financial condition.

We could face exposure to product liability claims for products we import from countries outside the European Union and sell under our own trademark.

Products that we sell may be faulty or defective. Such faults or defects can cause damage to the property or health of customers or third parties and could lead to serious indirect or consequential damages. As a distributor of spare parts, we may be held liable for defective products if (i) we brand products with our trademark and present ourselves as the producer of such products or (ii) we distribute products imported from countries outside of the European Union. Some of the products that the Group distributes are branded with the Auto Kelly Group's "Starline" trademark.

In addition, some of our companies sell products imported from countries outside of the European Union. By selling products imported from countries outside of the EU or under our trademark, we may be held liable for any unforeseen defects in products requiring repair under warranty or recall, which, notwithstanding possible recourse against the relevant manufacturer and supplier, could have a material adverse effect on our business, results of operations or financial condition.

Potential liabilities and costs from litigation could adversely affect our business.

We are involved in litigation and regulatory actions as part of our ordinary course of business. See "*Business—Legal Proceedings—Ongoing Tax Proceedings*". There is no guarantee that we will be successful in defending against civil suits. Even if a civil litigation claim is meritless, does not prevail or is not pursued, any negative publicity surrounding assertions against our business or products could adversely affect our reputation. Regardless of its outcome, litigation may result in substantial costs and expenses and divert the attention of our management. In addition to pending matters, future litigation could lead to increased costs or other interruptions.

We may be subject to inquiries, investigations, challenges or audits with respect to tax related matters or we may identify deficiencies that result in additional tax charges. In addition, we may be subject to changes in tax legislation that may adversely impact our results of operations.

From time to time, we are subject to tax audits and investigations by tax authorities, which include investigations with respect to the direct tax and indirect tax regime applicable to our business transactions. For example, in the past, we have received tax assessments in relation to tax deductions claimed for interest expense incurred under the ING Credit Facilities, which the Italian tax authorities determined should have instead been re-charged, in part, to our former parent company, Lanchester S.A., and claimed as revenues for the Rhiag Group. We have also received a tax assessment for the fiscal year 2008 from the Italian tax authorities with respect to non-payment of withholding tax in relation to interest payments made under the ING Credit Facilities, and we are in process of negotiating amounts of unpaid interest withholding tax due in connection with the ING Credit Facilities with respect to tax assessments received for the fiscal years 2009 and 2010. We cannot guarantee that we will not receive any additional tax assessments from the Italian tax authorities for subsequent periods prior to the repayment of the ING Credit Facilities in 2013 as part of the Rhiag Acquisition Transactions. Additionally, on May 20, 2014 the finance police (*guardia di finanza*) commenced an investigation at our registered and operating offices in connection with the payment of certain taxes due for the fiscal years 2010, 2011 and 2012. Such investigation is currently ongoing. See "*Business—Litigation—Ongoing Tax Proceedings*" for further information regarding each of the foregoing tax proceedings.

Adverse developments in laws or regulations, or any change in position by the relevant tax authorities regarding the application, administration or interpretation of laws or regulations, could have a material adverse effect on our business, results of operations and financial condition. In addition, the relevant tax authority may disagree with the position we have taken or intend to take regarding the tax treatment, characterization of any of our transactions, or as a result of any of our transactions. We could also fail, whether inadvertently or through reasons beyond our control, to comply with tax laws and regulations relating to the tax treatment of our transactions or financing arrangements, which could result in unfavorable tax treatment for such transactions or arrangements, and possibly lead to significant fines or penalties. It may be necessary to defend our tax filings in court if a reasonable settlement cannot be reached with the relevant tax authorities. Such ensuing litigation could be costly and distract management from operating our business. Tax audits and investigations by the competent tax authorities may generate negative publicity which could harm our business reputation with customers, suppliers and counterparties.

Moreover, the current political climate and recent political and media focus on austerity increases the risk of such discussions or disputes with tax authorities.

We are subject to certain competition and antitrust laws.

Our business is subject to applicable competition and antitrust laws, rules and regulations of the European Union. We may become subject to legal action and/or investigations and proceedings by national and supranational competition and antitrust authorities for alleged infringements of antitrust laws, which could result in fines or other forms of liability, or otherwise damage our business reputation, which could have a material adverse effect on our business, results of operations and financial condition. Such laws and regulations could limit or prohibit our ability to grow in certain markets.

Compliance with or changes in the regulatory environment could adversely affect our business.

We are subject to any must comply with various European directive and other national and local laws and regulations governing, among other things, advertising, intellectual property protection, product-safety, labor, environment, tax and other laws and regulations. These laws and regulations may change or become stringent and consequently compliance with these regulations could result in substantial fines, revocation of applicable permits and increased costs for future liabilities, which, in turn, could have a material adverse effect on our business, results of operations or financial condition.

Our corporate and financing structure may expose us to potentially adverse tax consequences.

We are subject to taxation, and to the tax laws and regulations, in all countries in which we have business operations. We are also subject to transfer pricing and other related laws, including those relating to the flow of funds among our companies pursuant to, for example, purchase agreements and licensing agreements. Adverse developments in these laws or regulations, or any change in position by the relevant tax authority regarding the application, administration or interpretation of these laws or regulations, could have a material adverse effect on our business, results of operations and financial condition. In addition, the tax authorities in the jurisdictions in which we operate may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions, including the tax treatment or characterization of our indebtedness, including the Notes, existing and future intercompany loans and guarantees or the deduction of interest expense on our indebtedness. We could also fail, whether inadvertently or through reasons beyond our control, to comply with tax laws and regulations relating to the tax treatment of our financing arrangements, which could result in unfavorable tax treatment for such arrangements and possibly lead to significant fines or penalties.

Our insurance may be insufficient and, due to factors beyond our control or a claim by us, our insurance premiums may increase significantly, which may adversely affect our results of operations.

We seek to cover foreseeable risks through insurance coverage. Such insurance coverage, however, may not fully cover the risks to which we are exposed. This can be the case with insurance covering legal and administrative claims as well as with respect to insurance covering other risks. For certain risks, adequate insurance coverage may not be available in the market or may not available on reasonable terms. If an uninsured loss were to occur, we could experience significant disruptions to our operations, suffer significant losses and may be required to make significant payments for which we would not be compensated, any of which, in turn, could have a material adverse effect on our business, results of operations or financial condition. In addition, in the event of significant claims by us, our insurance premiums may increase significantly.

Prolonged disruptions of business operations due to work stoppages or strikes could adversely affect our business.

Our employees belong to industrial or regional professional trade unions in Italy. Although we believe that we have good relations with the labor unions that represent our labor force, we cannot assure you that we will not encounter strikes or other disturbances occasioned by our unionized labor force. Furthermore, we cannot assure you that upon expiration of existing collective bargaining agreements with the unions representing our labor force that we will be able to reach new agreements on satisfactory terms or that we would negotiate such new agreements without work stoppages, strikes or similar industrial actions. If our employees were to engage in industrial actions, our operations could be adversely affected, which, in turn, could have a material adverse effect on our business, results of operations or financial condition.

Our high level of goodwill and intangible assets could generate significant future asset impairments, which could be recorded as operating losses.

We recognize a significant amount of goodwill and intangible assets on our consolidated financial statements. As at June 30, 2014, the amount of goodwill on our consolidated statement of financial position was equal to €211,319 thousand, representing 25.3% of total assets and 148.0% of shareholders' equity, and the amount of intangible assets on our consolidated statement of financial position was equal to €254,731 thousand, representing 30.5% of total assets and 178.4% of shareholders' equity. In addition, as at June 30, 2014, our intangible assets primarily comprise of €208,791 thousand allocated to customer relationships and €42,744 thousand allocated to our "Starline" brand.

Our goodwill is tested annually (or more frequently if specific events or changes in circumstance indicate the possibility that value has been impaired) for impairment, and is not subject to amortization. The recoverable amount of our intangible assets is also valued annually in order to determine if the carrying value of our intangible assets exceeds the fair value. If, in the future, we experience a decline in our ability to generate cash flow or record operating results that are below our estimates on which the impairment test is based, the carrying value of our goodwill may exceed its fair value. In either of these cases, we will reduce the carrying value of our goodwill or reduce the recoverable amount of our intangible assets to the fair value and as a result, recognize an impairment charge, which could have a material adverse effect on our business, results of operations and financial condition.

The interests of our principal shareholders, in certain circumstances, may conflict with your interests as holders of the Notes.

Investment funds or limited partnerships associated with or designated by Apax control us. See "*Principal Shareholder*". Apax has the ability to appoint a majority of our board of directors and to determine our corporate strategy, management and policies. In addition, Apax has control over our decisions to enter into any corporate transaction and the ability to prevent any transaction that requires the approval of shareholders regardless of whether holders of the Notes believe that any such transactions are in their own best interests. For example, the shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement so permit. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate revenues, each of which could adversely affect holders of the Notes.

Additionally, Apax is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. Apax may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. So long as investment funds associated with or designated by Apax collectively continue to own a significant amount of our capital stock, even if such amount is less than 50%, Apax will continue to be able to strongly influence or effectively control our decisions. The interests of Apax may conflict with the interests of holders of the Notes.

Risks Related to our Market

A decrease in road transportation and miles travelled on the road could adversely affect our business and results of operations.

Our business depends on the use of road transportation. Moreover, a high amount of miles travelled on the road is crucial for our business because high mileage vehicles typically have a greater need for repair services and spare parts. A decrease in miles travelled due to, for example, an increase in fuel prices, inclement weather, general economic conditions or governmental incentive programs discouraging car and truck transportation or encouraging the use of public transportation, respectively, could have a material adverse effect on our business, results of operations and financial condition.

Technological improvements may lead to higher quality components and, therefore, a decrease in demand for our spare parts.

The demand for our products is affected by technological and qualitative improvements in new passenger cars and commercial vehicles. Improvements that increase the durability and resistance of the components used in the manufacturing of passenger and commercial vehicles, may, in the short term, result in a decrease in demand for the repair and replacement of such components, which could, in turn, have a material adverse effect on our business, results of operations or financial condition.

Governmental incentive plans to encourage car owners to replace their old vehicles with new models could result in a lower average age of the number of vehicles on the road, which could reduce the demand for our products.

The demand for our products is affected by the size, composition and average age of the number of vehicles on the road in the geographical areas in which we operate our business. To stimulate new car sales in connection with the recent global economic crisis, governments of certain of the countries in which we operate our business have introduced incentive plans in the form of subsidies to encourage car owners to exchange their old vehicles with new models. In certain cases, these incentive plans have resulted in a rapid renewal of vehicles on the road and have had an impact on the average age of the vehicles on the road in certain of the countries in which we operate our business, including Italy. This has resulted in a decrease in demand for our products, as newer car models typically require fewer repairs. Similar governmental incentive plans may be implemented in the future and could have a material adverse effect on our business, results of operations or financial condition.

Failure by independent garages to keep up to date with new technological developments in the manufacturing of vehicle components could result in a decrease in the demand for services provided by independent garages.

The independent aftermarket, in which we operate, differs from the OES aftermarket, in which operators are linked to the car manufacturers who directly supply them with the necessary technical information on vehicle components. Due to ongoing technological developments in the manufacturing of passenger and commercial vehicles, independent garages are required to gain appropriate technical expertise in newly developed components. The failure of independent garages to gain the appropriate technical expertise, or access to the tools, instruments and stock that such technological developments demand, may result in an increase in demand for maintenance and repair services provided by OES garages with the necessary technical expertise (and with whom we have no interaction), which could, in turn, have a material adverse effect on our business, results of operations or financial results.

Demand for our products could decrease if vehicle manufacturers introduce new incentives for customers to service their cars at OES garages.

Manufacturers of passenger and commercial vehicles may introduce a comprehensive warranty or warranties for a longer period, including for replacement spare parts, and provide for long term service programs to customers. If we and independent garages, which are our direct or indirect clients, are unable to respond appropriately, demand for the products we distribute could decrease, which could have a material adverse effect on our business, results of operations or financial condition.

We operate in a highly competitive environment and competitive pressures could lead to a decrease in our market share.

The markets for the distribution of automotive spare parts are highly competitive. In particular, we face competitive pressures from vehicle manufacturers, original equipment suppliers and other spare parts distributors. In Bulgaria, Hungary, Poland, Romania, Switzerland and Ukraine, the independent aftermarket is characterized by a high level of competition and some of our competitors have a significantly larger market share. In Italy, the Czech Republic and Slovakia, we believe that we were a leading independent distributor in terms of gross sales, however, we continually experience significant competition in these markets.

We compete with a number of other distributors and producers targeting independent aftermarket customers. We primarily compete on the basis of price, product availability, product quality and product range. Our products may not be able to compete successfully with our competitor’s products and we may also encounter increased competition in the future from existing or new competitors. Increased competition could result in a reduction of our sales, which could, in turn, have a material adverse effect on our business, results of operations or financial condition.

Risks Related to our Financial Profile

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

We have a significant amount of outstanding debt with substantial debt service requirements. As at June 30, 2014, on a *pro forma* basis after giving effect to the Transactions, including the issuance of the Notes and the application of the proceeds thereof as described in “*Use of Proceeds*” we would have had total financial debt of €491.1 million. In addition, as at June 30, 2014, we also had €2.5 million outstanding but undrawn borrowings under our working capital lines, letters of credit, overdraft facilities, guarantees and treasury lines, as well as €4.1 million representing the mark-to-market costs with respect to our interest rate swap in connection with the Original Floating Rate Notes. In addition, we may incur additional indebtedness to fund all or a portion of the purchase price of the potential acquisition that we are currently considering in a geography that would be new for us. See “*Capitalization*”. See “*Summary—Strategy—Pursue Selective Acquisition Opportunities*”.

Our significant leverage could have important consequences for our business and operations and for holders of the Notes, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes and our other debts and liabilities;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our Cash Flow Conversion 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 disadvantage to our competitors, to the extent that they are not as highly leveraged;
- restricting us from pursuing strategic acquisitions or pursuing certain business opportunities; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

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

Despite our significant leverage, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, including secured indebtedness and indebtedness drawn under our Revolving Credit Facility. Although the Indenture and the Revolving Credit Facility Agreement contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. Increases in our total indebtedness could also lead to a downgrade of the ratings assigned to the Group or the Notes, which could negatively affect their trading price. In addition, the Indenture and the Revolving Credit Facility Agreement do not prevent us from incurring obligations that do not constitute "indebtedness" as defined under those respective agreements.

We may not be able to generate sufficient cash to meet our debt service obligations.

Our ability to make scheduled interest payments when due on our indebtedness and to meet our other debt service obligations, including under the Notes and the Revolving Credit Facility, or to refinance our debt, depends on our future operating and financial performance, which will be affected by our ability to successfully implement our business strategy as well as general economic, financial, competitive, regulatory and other factors, many of which are beyond our control, as well as those factors discussed in these "*Risk Factors*" and elsewhere in this offering memorandum. If we cannot generate sufficient cash to meet our debt service requirements, we may, among other things, need to refinance all or a portion of our debt, including the Notes and the Revolving Credit Facility, obtain additional financing, delay planned capital expenditures or investments or sell material assets. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including under the Notes and the Revolving Credit Facility. In addition, the terms of our Revolving Credit Facility and the Indenture and any future debt may limit our ability to pursue any of the foregoing measures.

If our future cash flows from operations and other capital resources (including borrowings under the Revolving Credit Facility) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditure;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In such an event, we may not have sufficient assets to repay all of our debt.

Any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes, the Original Notes, the Indenture and the Revolving Credit Facility Agreement may limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations. There can be no assurance that any assets that we could be required to dispose of could be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale would be acceptable. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations.

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

The Indenture and the Revolving Credit Facility restricts, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Parent;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Parent or its restricted subsidiaries;
- sell, lease or transfer certain assets including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;

- enter into unrelated businesses or engage in prohibited activities;
- consolidate or merge with other entities;
- impair the security interests for the benefit of the holders of the Notes; and
- amend certain documents.

All of these limitations are subject to significant exceptions and qualifications. See "*Description of the Senior Secured 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 are subject to the affirmative and negative covenants contained in the Revolving Credit Facility Agreement. A breach of any of those covenants or other restrictions could result in an "event of default" under the Revolving Credit Facility Agreement. Upon the occurrence of any event of default under the Revolving Credit Facility Agreement, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the Revolving Credit Facility and elect to declare all amounts outstanding under the Revolving Credit Facility Agreement, together with accrued interest, immediately due and payable. In addition, any default under the Revolving Credit Facility Agreement could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture. If our creditors, including the creditors under the Revolving Credit Facility, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any collateral granted to them to secure repayment of those amounts.

We are exposed to interest rate risk and shifts in such rates may adversely affect our debt service obligations.

The Original Floating Rate Notes and loans under our Revolving Credit Facility currently, bear interest at variable rates, generally linked to market benchmarks such as EURIBOR and LIBOR, as applicable. To the extent that the interest rates were to increase significantly on such indebtedness, the related interest expense would correspondingly increase, reducing our cash flow. Although we have entered into certain hedging arrangements designed to fix these interest rates with respect to the Original Floating Rate Notes, there can be no assurance that any such current or future hedging arrangements will adequately protect our operating results from the effects of interest rate fluctuations or will not result in losses or that our risk management practices and procedures will operate successfully.

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

We have entered into interest rate hedging arrangements in respect of the Original Floating Rate Notes. Under any such agreements, we are exposed to credit risks of our counterparties. If one or more of our counterparties falls into bankruptcy, claims we have under the swap agreements or other hedging arrangements may become worthless. In addition, in the event that we refinance our debt or otherwise terminate hedging agreements, we may be required to make termination payments, which would result in a loss.

Risks Related to the Notes

Creditors under the Revolving Credit Facility, certain hedging obligations and other additional super priority secured debt that we incur in the future may be entitled to be repaid with the proceeds of the Notes Collateral in priority to the Notes.

The Notes Collateral also secures the Revolving Credit Facility, certain hedging obligations and certain future ancillary facilities. Under the terms of the Intercreditor Agreement and the Security Documents, proceeds from enforcement of the Notes Collateral securing the Notes must first be applied in satisfaction in full of obligations under the Revolving Credit Facility and under "super priority" hedging obligations and only thereafter to repay the obligations of the Issuer and the Guarantors under the Notes and the Note Guarantees, respectively.

The Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement permit, under certain conditions, additional "super priority" debt and additional "super priority" hedging obligations to be incurred. Any such "super priority" debt or "super priority" hedging obligations may be secured by the same rights, property and assets that secure the Notes.

As such, in the event of enforcement of the Notes Collateral, you may not be able to recover on the Notes Collateral if the then-outstanding liabilities under such "super priority" debt, including the Revolving Credit Facility, and certain "super priority" hedging obligations, are greater than the proceeds realized in the event of enforcement of the Notes Collateral.

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

To the extent permitted under applicable law, and subject to the Agreed Security Principles, the Notes offered hereby will be secured on a first-priority basis by substantially the same rights, property and assets securing the obligations under the Revolving Credit Facility, the Original Notes and certain hedging obligations, respectively. In addition, under the terms of the Indenture, we are permitted to incur significant additional indebtedness and other obligations that may be secured by the Notes Collateral.

The Intercreditor Agreement provides that, except in certain circumstances, the agent of the creditor class which is secured by the Notes Collateral who wishes to deliver an enforcement instruction must first consult with every agent or representative of the other relevant creditor classes, certain creditors and the Security Agent for a period of 30 days (or such shorter period as may be agreed). Upon conclusion of this "30-day consultation period", the Security Agent may act upon the instructions of an "instructing group", which may constitute holders of 66 $^{2}/_{3}$% of the aggregate principal amount of the Notes outstanding or creditors of 66 $^{2}/_{3}$% of the aggregate principal amount of "super senior" indebtedness (which includes drawn and undrawn commitments under the Revolving Credit Facility, certain other indebtedness and certain hedging obligations). To the extent there are conflicting instructions following such 30-day consultation period, those instructions given on behalf of holders of the Notes will prevail. However, in certain circumstances the creditors under the Revolving Credit Facility and counterparties to certain hedging arrangements and certain other indebtedness secured by the Notes Collateral will have control over enforcement of the Notes Collateral, including if (i) such creditors have not been fully repaid within six months of the end of the 30-day consultation period, (ii) the Security Agent has not commenced any enforcement action within three months of the end of the 30-day consultation period or (iii) an insolvency event has occurred and the Security Agent has not commenced any enforcement action.

The foregoing arrangements could result in the enforcement of the Notes Collateral in a manner that results in lower recoveries by holders of the Notes.

Disputes may occur between the holders of the Notes and creditors under our Revolving Credit Facility, the counterparties to certain hedging arrangements and/or creditors of certain other "super priority" indebtedness as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the Notes Collateral securing such obligations. In such an event, the holders of the Notes will be bound by any decisions of the relevant instructing group, which may result in enforcement action in respect of the relevant Notes Collateral, whether or not such action is approved by the holders of the Notes or may be adverse to such noteholders. The creditors under the Revolving Credit Facility, the counterparties to certain hedging arrangements or the holders of certain other "super priority" indebtedness secured by the Notes Collateral may have interests that are different from the interest of holders of the Notes and they may elect to pursue their remedies under the relevant Security Documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so.

The holders of the Notes will also have no separate right to enforce the Notes Collateral. In addition, the holders of the Notes will not be able to instruct the Security Agent, force a sale of the Notes Collateral or otherwise independently pursue the remedies of a secured creditor under the relevant Security Document, unless they comprise an "instructing group" which is entitled to give such instructions, which, in turn, will depend on certain conditions and circumstances including those described above.

Furthermore, other creditors not subject to the Intercreditor Agreement could commence enforcement action against the Parent, the Issuer or any of its subsidiaries during such period, and the Parent, the Issuer or one or more of its subsidiaries could seek protection under applicable bankruptcy laws, or the value of certain Notes Collateral could otherwise be impaired or reduced in value.

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

The security interests in the Notes Collateral may be limited by local law or subject to certain limitations or defenses that may adversely affect their validity and enforceability.

The ability of the Security Agent to enforce on certain of the Notes Collateral may be subject to mandatory provisions of applicable law, certain statutory limitations and defenses or to limitations contained in the terms of the Security Documents designed to ensure compliance with applicable statutory requirements.

Under Italian law and Czech law, the beneficiary of a security interest must be clearly identified and indicated in the relevant security instrument. Due to the difficulty of clearly identifying and keeping track of the names of the individual holders of the Notes over time, there is a risk that holders of the Notes who are not identified in the relevant security instrument as registered holders may not be able to validly enforce their security interests in the relevant Notes Collateral. To address the foregoing risk, the Intercreditor Agreement provides for the creation of a "parallel debt". Pursuant to this parallel debt structure and subject to the terms of the Intercreditor Agreement and applicable law, the Security Agent, in its individual capacity acting in its own name and not as agent or representative of the holders of the Notes, shall hold a claim in an amount equal to the amount payable by the Issuer and the Guarantors under the Notes, which "parallel debt" claim will also be secured by the Notes Collateral which is governed by Italian law and Czech law, respectively. To date, the Italian and Czech courts have not considered the enforceability of certain rights of a Security Agent benefiting from a parallel debt claim and, accordingly, there is no certainty that the parallel debt procedure will *per se* eliminate or mitigate the risk of unenforceability by the holders of the Notes of Italian and Czech law governed security interests granted for their benefit. In addition, to the extent that the security interests in the Notes Collateral located in Italy and in the Czech Republic created under the parallel debt structure are successfully challenged by other parties, there is the risk that holders of the Notes (in relation to which the relevant perfection formalities acknowledging their status as secured creditors are not perfected at the time of the enforcement) will not receive any proceeds from enforcement of their security interest in the relevant Notes Collateral.

In addition, notwithstanding the position under Italian law that the transfer of an underlying debt obligation implies the automatic transfer of the relevant security interest, the abovementioned risk of unenforceability of the Notes Collateral located in Italy applies, *inter alia,* to any person acquiring a Note in relation to which the relevant perfection formalities acknowledging its status as a secured creditor are not perfected at the time of the enforcement. Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect of the claims of other creditors. For a more detailed description of various limitations on the security interests in the Notes Collateral under Italian law, see "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests and Certain Insolvency Law Considerations—Republic of Italy*".

Under the laws of Switzerland, due to corporate benefit laws, it is required and standard market practice to limit the value of amounts secured by an entity organized under the laws of Switzerland (a "Swiss Entity") to its freely distributable equity at the time of enforcement if the Notes Collateral granted by the Swiss Entity is of an "upstream" or "cross-stream" nature. This limitation can reduce the value of the foregoing security interest by a substantial amount. In addition, intercompany loans or other obligations undertaken by a Swiss Entity from time to time may reduce the amount of its freely distributable equity. See "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests and Certain Insolvency Law Considerations—Switzerland*".

The Notes will be structurally subordinated to the liabilities of the Issuer's existing or future subsidiaries that are not, or do not become, guarantors of the Notes.

Not all of the Issuer's subsidiaries will guarantee the Notes. The Guarantors accounted for €348,224 thousand and 40.9% of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and €28,636 thousand and 34.6% of the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013. The Issuer, the Guarantors and the Funding Loan Borrowers collectively accounted for €793,504 thousand and 93.2% of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and €76,935 thousand and 93.1% of the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013. As at June 30, 2014, on a pro forma basis after giving effect to the Transactions, including the issuance of the Notes and the application of the proceeds thereof as described in "Use of Proceeds", our non-Guarantor subsidiaries (other than the Issuer) would have had €2,206 thousand of financial liabilities outstanding. Unless a member of the Group is a Guarantor, such member will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. The Indenture, subject to some limitations, permits our non-Guarantor restricted subsidiaries to incur substantial amounts of additional indebtedness and does not restrict the amount of other liabilities that may be incurred by these subsidiaries.

Generally, holders of indebtedness of, and trade creditors of, a non-Guarantor subsidiary of the Issuer, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuer or any Guarantor, as a direct or indirect shareholder. Accordingly, in the event that any non-Guarantor subsidiary of the Issuer becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

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

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

The Note Guarantees will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may adversely affect their validity and enforceability.

Each Note Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. The Indenture provides that each Note Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor. For example, under the laws of Switzerland, due to corporate benefit laws, it is required and standard market practice to limit the value of amounts guaranteed by a guarantor organized under the laws of Switzerland (a "Swiss Guarantor") to its freely distributable equity at the time of enforcement if the guarantee granted by the Swiss Guarantor is of an "upstream" or "cross-stream" nature. This limitation can reduce the value of the foregoing guarantee by a substantial amount. In addition, intercompany loans or other obligations undertaken by a Swiss Guarantor from time to time may reduce the amount of its freely distributable equity. See "*Description of the Senior Secured Notes—Note Guarantees*" and "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests and Certain Insolvency Law Considerations*".

In order to provide the Note Guarantee and to grant the security interests described in this offering memorandum to secure the Notes, Bidco carried out a "whitewash procedure" under Article 2358 of the Italian Civil Code on October 14, 2014. The applicable limitation will be as set out in the Indenture and the Note Guarantee by Bidco will be limited to the aggregate amount of the distributable profits and the available reserves as evidenced in the financial statements of Bidco used for the purpose of the procedure under Article 2358 of the Italian Civil Code less the amount specified in the Indenture. The current maximum aggregate amount of the guarantee by Bidco under the Indenture is equal to €269,442,919.20 but the maximum size of the Note Guarantee by Bidco may be increased or decreased from time to time based on the most recently available financial statements of Bidco in line with the procedures outlined in the Indenture and in accordance with Italian law (including through one or more additional "whitewash procedures"). See "*Description of the Senior Secured Notes—Note Guarantees*" and "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests and Certain Insolvency Law Considerations*".

The Note Guarantees and the enforcement thereof are subject to certain generally available defenses. Defenses generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

If one or more of the foregoing laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its Note Guarantee depending on the amounts of its other obligations and applicable law.

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

- the relevant Note Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant Guarantor or, in certain jurisdictions, when the granting of the relevant Note Guarantee has the effect of giving a creditor a preference or the creditor was aware that the relevant Guarantor was insolvent when the relevant Note Guarantee was given;
- the relevant Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Note Guarantee and/or the relevant Guarantor was: (i) insolvent or rendered insolvent because of the relevant Note Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Note Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Note Guarantee was held to exceed the corporate objects of the relevant Guarantor or not to be in the best interests or for the corporate benefit of the relevant Guarantor; or
- the amount paid or payable under the relevant Note Guarantee was in excess of the maximum amount permitted under applicable law.

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

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

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

The Issuer may amend the economic terms and conditions of the Fixed Rate Notes without the prior consent of the relevant noteholders with the vote of either 75% or 50% of the aggregate principal amount of the relevant series of outstanding Notes.

The Indenture contains provisions for calling meetings of the holders of the Fixed Rate Notes to consider matters affecting their interests generally. As set forth in "*Description of the Senior Secured Notes—Meeting of Holders of Notes*", the majority required to pass an extraordinary resolution at any meeting of such noteholders will be one or more persons holding or representing at least 75% of the aggregate principal amount of the Fixed Rate Notes. These provisions permit defined majorities (50% or 75%) to bind all holders of the Fixed Rate Notes, including noteholders who did not attend and vote at the relevant meeting, and noteholders who vote in a manner contrary to the relevant majority. In particular, under the Indenture, an extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the Fixed Rate Notes, to change the date on which the Fixed Rate Notes may be subject to redemption or to reduce the redemption price, to change the currency of payments under the relevant notes and/or to change the quorum requirements relating to meetings and/or the majority required to pass a resolution, and change the amendment provisions. These and other changes may adversely impact noteholders' rights and may have a material adverse effect on the market value of the Fixed Rate Notes. Under Italian law, the approval of an extraordinary resolution typically requires the consent of more than one-half of the aggregate principal amount of the relevant series of outstanding notes. Our decision to increase the majority requirement to 75% is untested under Italian law, and may be challenged by holders of the relevant notes, the Issuer and/or others, and if challenged, may not be upheld by an Italian court, with the consequence that the majority voting threshold would be reduced from 75% to 50% for the Fixed Rate Notes.

Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax.

The Issuer is not liable to pay any additional amounts in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as amended or supplemented) where the Notes are held by a person resident in a country that does not allow for satisfactory exchange of information with Italy (as per Article 168-bis, Italian Presidential Decree No. 917 of December 22, 1986) and otherwise in the circumstances as described under the caption "*Description of the Senior Secured Notes—Withholding Taxes*". Holders of the Notes who are resident in such countries or holders of the Notes that are resident in a country allowing for the satisfactory exchange of information with Italy (as per Article 168-bis, Italian Presidential Decree No. 917 of December 22, 1986) but who do not satisfy the conditions set forth by Italian Legislative Decree No. 239 of April 1, 1996 (as amended or supplemented), as well as certain categories of holders of the Notes who are resident in Italy, will only receive the net proceeds of their investment in the Notes. See "*Tax Considerations—Certain Italian Tax Considerations*" and "*Description of the Senior Secured Notes—Withholding Taxes*".

A tax ruling signed by the Swiss Federal Tax Administration confirms that the Issuer is not considered a resident in Switzerland for Swiss withholding tax purposes and that, subject to other conditions being met, no Swiss withholding tax will be payable on interest payments made by the Issuer in respect of the Notes. In the event that Issuer does not meet the conditions agreed in the tax ruling, there is a risk that Swiss withholding tax at a rate of 35% as at the date on the front cover of this offering memorandum would need to be deducted from all interest payments made by the Issuer in respect of the Notes. Under Swiss law, the Issuer's obligation to gross-up, indemnify or otherwise hold harmless the holders of the Notes for the deduction of Swiss withholding tax as described under the caption "*Description of the Senior Secured Notes—Withholding Taxes*", may not be valid and, accordingly, may prejudice the enforceability of anything to the contrary contained in the Indenture or any other documentation in connection thereto.

Further, in the event that the Notes qualify as collective funding scheme (under the so called "10/20 non-bank rules"), any subsequent transfer of the Notes may also be subject to the Swiss transfer stamp duty (*Umsatzabgabe*) if (i) a "securities dealer" as defined in the Swiss Stamp Tax Act (*Bundesgesetz über die Stempelabgaben*) is involved in the transaction (including transfer or sale of the Notes by or through an intermediary qualifying as a securities dealer) and (ii) no other exception applies under Swiss taxation law.

In addition, the enforcement of RGL's and Elit's guarantee of the Notes may give rise to Swiss withholding taxes (of up to 35% at current rates, subject to applicable double-taxation treaties) to the extent that the payment or enforcement of such guarantees are regarded as a deemed dividend distribution (each term as defined under the caption "*Limitations on validity and enforceability of the Note Guarantees and the Security Interests and Certain Insolvency Law Considerations—Switzerland—Limitations on Enforcement of Guarantees and Security Interests*").

Payments made by Auto Kelly CZ and Elit CZ as a Guarantor under its respective Note Guarantee to holders of the Notes may be subject to taxation at source in the Czech Republic, if the legal nature of the payment is the fulfillment of the liability of the Issuer to pay interest, penalty interest or similar income on the Notes. In such a case, Auto Kelly CZ and Elit CZ would be obliged to withhold from such payments Czech withholding tax of 15% or 35%, depending on the tax residency of the respective noteholder, unless a relevant double taxation treaty provides otherwise.

Taxation laws in Italy may restrict the deductibility of all or a portion of the interest expense on our indebtedness, including interest expense in respect of the Notes.

Article 96 of Italian Presidential Decree No. 917 of December 22, 1986, as amended and restated, generally outlines the rules on deductibility of interest expense for Italian corporate income tax purposes. Specifically, the rules allow for the full tax deductibility of interest expense incurred by an Italian tax resident company in each fiscal year up to the amount of the interest income incurred in the same fiscal year, as evidenced by the relevant annual financial statements. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of the EBITDA of an Italian tax resident company (*i.e.*, *risultato operativo lordo della gestione caratteristica* or "ROL") as recorded in such company's profit and loss account. The amount of ROL not used for the deduction of the amount of interest expense that exceeds interest income can be carried forward, increasing the amount of ROL for the following fiscal years. Interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years, provided that, in such fiscal years, the amount of interest expense that exceeds interest income is lower than 30% of ROL. In the case of Italian tax resident companies participating in the same tax consolidated group, interest expense not deducted by an entity participating in the tax consolidated group due to a lack of ROL can be deducted at the tax consolidated group level, within the limit of the surplus of ROL of the other companies in that tax consolidated group.

In addition, Article 3(115) of Italian Law No. 549 of December 28, 1995 ("Article 3(115)") also sets forth certain limitations to the deductibility of interest expense arising from bonds or notes issued by Italian companies other than banks or listed companies. Currently, under the provisions of Article 32 of Italian Law Decree No. 83 of June 22, 2012, interest on bonds or notes issued by Italian non-listed companies, other than banks and "micro enterprises" as defined by EC Recommendation No. 2003/361/EC of May 6, 2003, is not subject to the limitations set out in Article 3(115) and is deductible to the extent mentioned above, provided that, *inter alia*, such bonds or notes are listed upon their issuance on a regulated market or on a multilateral trading platform of a Member State of the European Union and of the States of the European Economic Area listed in Ministerial Decree of September 4, 1996, as subsequently amended and supplemented, and in the Ministerial Decree that will be issued in accordance with Article 168-*bis* of Italian Presidential Decree No. 917 of December 22, 1986. See "*—The Notes may not become, or remain, listed and no assurance can be given that, once listed, such listing will satisfy the listing requirement of Article 32(8) of Law Decree No. 83 of June 22, 2012 and Italian Legislative Decree No. 239 of April 1, 1996*" below.

Any future changes in Italian tax laws or in their interpretation (including any future limitation on the use of the ROL of the Issuer and its subsidiaries or changes in the tax treatment of interest expense arising from any indebtedness incurred by the Issuer and its subsidiaries, including in respect of the Notes), the failure to satisfy the applicable Italian legal requirements relating to the deductibility of interest expense incurred in respect of the Notes or the application by the Italian tax authorities of certain existing interpretations of Italian tax law may result in our inability to fully deduct our interest expense in respect of the Notes, which may have an adverse impact on our financial condition.

The Notes may not become, or remain, listed on the Irish Stock Exchange or the ExtraMOT, Professional Segment of Borsa Italiana S.p.A., and no assurance can be given that, once listed, such listing will satisfy the listing requirement of Article 32(8) of Law Decree No. 83 of June 22, 2012 and Italian Legislative Decree No. 239 of April 1, 1996.

Although applications will be made for the Notes offered hereby to be listed on (i) the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange, and (ii) the ExtraMOT, Professional Segment of Borsa Italiana S.p.A. (together, the "Stock Exchanges", and each a "Stock Exchange"), respectively, the Issuer cannot assure you that the Notes will become, or remain listed on each of the Stock Exchanges or any other stock exchange.

If the Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange and the Issuer can no longer maintain such listing or if it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List of the Irish Stock Exchange, *provided*, *however,* that it will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on another "recognized stock exchange", although there can be no assurance that the Issuer will be able to do so.

The Italian tax authorities have issued an interpretive circular relating to, *inter alia*, the listing requirement provided for by Italian tax legislation in order for the Notes offered hereby to be eligible to benefit from the favorable provisions relating to deductibility of interest expense and the exemption from withholding tax, as discussed above under "*—Taxation laws in Italy may restrict the deductibility of all or a portion of the interest expense on our indebtedness, including interest expense in respect of the Notes*". According to a stringent interpretation of this circular, the Notes offered hereby may not be eligible to benefit from such provisions if the listing of the Notes is not effective as of the settlement date. In the event that the Notes offered hereby are not listed or that such listing requirement is not satisfied, our ability to deduct interest expense related to the Notes could be adversely impacted. In addition, in such circumstances, payments of interest, premium and other income with respect to the Notes would be subject to a withholding tax (*ritenuta*), and we would be required to pay additional amounts with respect to such withholding taxes such that beneficial owners receive a net amount that is not less than the amount that they would have received in the absence of such withholding. The possible limitation on the deductibility of interest expense and the imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay additional amounts to the relevant holders of the Notes could have a material adverse effect on our financial condition and results of operations.

In addition, although no assurance is made as to the liquidity of the Notes offered hereby as a result of listing such Notes on the Official List of the Irish Stock Exchange, the ExtraMOT, Professional Segment of Borsa Italiana S.p.A. or another recognized stock exchange in accordance with the Indenture, failure to obtain approval for the listing or the delisting of the Notes from the Official List of the Irish Stock Exchange, the ExtraMOT, Professional Segment of Borsa Italiana S.p.A. or another recognized stock exchange, as applicable, may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

The interests of the holders of Fixed Rate Notes and the interests of the holders of the Original Floating Rate Notes may be inconsistent and the interests of holders of additional notes under the Indenture may be inconsistent with the noteholders under the Indenture.

The Notes will be issued pursuant to the Indenture which also governs the Original Notes and the Notes and the Original Notes will vote as a single class with respect to amendments, waivers or other modifications of the Indenture other than with respect to amendments, waivers or other modifications that will only affect the Fixed Rate Notes or the Original Floating Rate Notes (as the case may be). The Notes offered hereby and the Original Fixed Rate Notes bear interest at a fixed rate, have a different call schedule and call protection and have other features that differ from the Original Floating Rate Notes. As a result of these differences, the interests of holders of the Fixed Rate Notes and the interests of holders of the Original Floating Rate Notes could conflict. For example, the holders of Fixed Rate Notes may be in a position to agree to certain terms to the Indenture in a consent solicitation that would be beneficial to such series of Notes but adverse to the economic interest of the holders of Original Floating Rate Notes; *however,* to the extent the relevant amendment or waiver is approved by the holders of a majority in aggregate principal amount of the Fixed Rate Notes and the Original Floating Rate Notes (subject to the limited exceptions described above), all holders of the Fixed Rate Notes and the Original Floating Rate Notes will be bound by such amendment. Further, series of additional notes may be issued under the Indenture which have different terms in respect of currency, interest rate, maturity, call schedule and other matters. Such additional notes will also generally vote as a single class with other series of notes issued under the Indenture, but may have interests that differ from the holders of other series of notes issued under the Indenture, including the Notes.

The consolidated financial data included in this offering memorandum may be of limited use in assessing the financial position of the Guarantors.

The consolidated financial data included in the Listing Particulars contains financial data of all subsidiaries of the Parent and Rhiag, including those of the Issuer, the Guarantor and non-Guarantor subsidiaries of the Parent. As the non-Guarantor subsidiaries of the Parent represent in excess of 25% of the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013, the consolidated financial data included in this offering memorandum may be of limited use in assessing the financial position of the Guarantors.

Risks Related to our Structure

The Issuer is a holding company and conducts no business operations of its own and will depend on cash flows from its subsidiaries to make payments on the Notes.

The Issuer is a holding company that conducts no business operations of its own and has no significant assets other than the shares it holds in its direct subsidiary, Bidco, and its claims under the Auto Kelly Funding Loans, the Bertolotti Funding Loans and the Rhiag Funding Loans, respectively. Repayment of the Issuer's indebtedness, including under the Notes offered hereby, is dependent on the ability of our subsidiaries to make such cash available to us, by dividend distributions, payments under each of the Auto Kelly Funding Loans, the Bertolotti Funding Loans and the Rhiag Funding Loans, other intercompany loans or otherwise. Our subsidiaries may not be able to, or may be restricted by the terms of their existing or future indebtedness, or by law, in their ability to make distributions or advance upstream loans to enable us to make payments in respect of our indebtedness, including the Notes offered hereby. Each subsidiary of ours is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries.

While the Indenture and the Revolving Credit Facility Agreement, respectively, limit the ability of our subsidiaries to incur contractual restrictions on their ability to pay dividends or make other intercompany payments to us, such limitations are subject to certain significant qualifications and exceptions. In the event that we do not receive distributions or other payments from our subsidiaries, we may be unable to make required principal and interest payments on the Notes offered hereby. We do not expect to have any other sources of funds that would allow us to make payments to holders of the Notes offered hereby.

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

The Notes and the Note Guarantees will be secured by first-priority security interests in the Notes Collateral described in this offering memorandum, which Notes Collateral also secures the obligations under the Revolving Credit Facility Agreement, certain hedging obligations and certain future ancillary facilities. The Notes Collateral will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Notes Collateral securing the Notes offered hereby and the Note Guarantees, respectively, as well as the ability of the Security Agent to realize or foreclose on such Notes Collateral.

If there is an event of default on the Notes, the holders of the Notes will be secured only by the Notes Collateral. There is no guarantee that the value of the Notes Collateral will be sufficient to enable the Issuer to satisfy its obligations under the Notes. The proceeds of any sale of the Notes Collateral following an event of default with respect to the Notes may not be sufficient to satisfy, and may be substantially less than, amounts due on the Notes.

Not all of our assets will secure the Notes offered hereby. The value of the Notes Collateral and the amount to be received upon an enforcement of the Notes Collateral will depend upon many factors, including, among others, the ability to sell the Notes Collateral in an orderly sale, whether or not the business is sold as a going concern, economic conditions where operations are located, the availability of buyers for the relevant Notes Collateral and any fees, taxes or duties required to be paid under applicable law in connection with the enforcement of the Notes Collateral. The book value of the Notes Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Notes 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 Notes Collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, the pledges, shares and ownership interests of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding because all or part of the obligations of the entity must first be satisfied, leaving little or no remaining assets in the entity.

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

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

If the proceeds of any sale of the Notes Collateral are not sufficient to repay all amounts due on the Notes and the Note Guarantees, investors (to the extent not repaid from the proceeds of the sale of the Notes Collateral) would have only an unsecured claim (if the relevant Note Guarantee has not been released) against the Issuer's and the Guarantors' remaining assets. Each of these factors or any challenge to the validity of the Notes Collateral or the intercreditor arrangement governing our creditors' rights could reduce the proceeds realized upon enforcement of the Notes Collateral.

In addition, the Notes Collateral may not be liquid, and its value to other parties may be less than its value to us. Likewise, we cannot assure you that there will be a market for the pledged shares or other Notes Collateral or that, if such market does exist, there will not be substantial delays in their liquidation. In addition, the value of this Notes Collateral may fluctuate over time.

The security interests will be subject to practical problems generally associated with the realization of security interests in collateral. For example, the Security Agent may need to obtain the consent of a third party to enforce a security interest or, as is the case under Swiss law, the enforcement of a security interest over shares, whether by means of a sale or an appropriation, is subject to certain specific requirements. We cannot assure you that the Security Agent will be able to obtain any such consent or promptly satisfy such requirements. We also cannot assure you that the consent of any third party will be given when required to facilitate a foreclosure on such asset. Similarly, under Czech law, the foreclosure or direct sale of shares may be subject to certain legal impediments associated with recent recodification of Czech civil law. Accordingly, the Security Agent may not have the ability to foreclose upon that asset, and the value of the Notes Collateral may, as a consequence, significantly decrease.

The rights of holders of the Notes in the Notes Collateral may be adversely affected by the failure to perfect the security interests in the Notes 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 in the Notes Collateral securing the Notes offered hereby may not be perfected with respect to the claims of such Notes if we fail or are unable to take the actions required to be taken in order to perfect any of these liens. Such failure may result in the invalidity of the relevant security interest in the Notes Collateral or adversely affect the priority of such security interest in favor of the Notes offered hereby against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same collateral. Furthermore, it should be noted that neither the Trustee nor the Security Agent have any obligation to take any steps or action to perfect any of the liens in the Notes Collateral to secure the Notes offered hereby.

The granting of the security interests in the Notes Collateral in connection with the issuance of the 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 the Notes Collateral in connection with the issuance of the Notes offered hereby may create hardening periods for such security interests in certain jurisdictions. The applicable hardening period for these new security interests will run from the moment each such security interest has been granted, perfected, extended or recreated. At each time, if the security interest granted, perfected, extended or recreated were to be enforced before the end of the respective applicable hardening period, it may be declared void and/or it may not be possible to enforce it. In addition, the granting of a shared security interest to secure existing and new indebtedness (such as the Original Notes, the Notes offered hereby and any additional notes) or future indebtedness, as the case may be, may restart or reopen hardening periods in certain jurisdictions. If the grantor of such security interest were to become subject to a bankruptcy or winding up proceeding after the Issue Date, any mortgage or security interest in Notes Collateral delivered after the Issue Date would face a greater risk than security interests in place on the Issue Date of being avoided by the grantor or by its trustee, receiver, liquidator, administrator or similar authority, or otherwise set aside by a court, as a preference under insolvency law. See "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests and Certain Insolvency Law Considerations*".

The security interests in the Notes Collateral will not be granted directly to the holders of the Notes.

The security interests in the Notes Collateral that will secure the obligations of the Issuer under the Notes offered hereby and the obligations of the Guarantors under the Note Guarantees, respectively, will not be granted directly to the holders of the Notes but will rather be granted in favor of the Security Agent (and, in respect of the Notes Collateral governed by Italian law and Czech law, in favor of the Security Agent as beneficiary of the "parallel debt" claim and of other relevant creditors). The Indenture and the Intercreditor Agreement each provide that only the Security Agent shall have the right to enforce on the relevant Notes Collateral. As a consequence, holders of the Notes (and in respect to the Notes Collateral located in Italy, holders of the Notes in relation to which the relevant perfection formalities acknowledging their status as secured creditors are not perfected at the time of the enforcement) will not have direct security interests and will not be entitled to take enforcement action in respect of the Notes Collateral securing the Notes, except through the Trustee who will (subject to the provisions of the Indenture and the Intercreditor Agreement) provide instructions to the Security Agent in respect of the Notes Collateral.

The providers of the security interests securing the Notes will have control over the Notes Collateral, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents will allow the relevant provider of the security interest securing the Notes offered hereby to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from, the relevant Notes Collateral. So long as no "default" or "event of default" under the Indenture would result therefrom, the relevant security provider, may, among other things, and subject to the terms of the applicable Security Document, without any release or consent by the Security Agent or the Trustee, conduct ordinary course activities with respect to certain of the Notes Collateral such as selling, factoring, abandoning or otherwise disposing of such Notes Collateral and making ordinary course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Notes Collateral, which could reduce the amounts payable to you from the proceeds of any sale of the Notes Collateral in the case of an enforcement of the liens on the Notes Collateral.

The grant of the Notes Collateral to secure the Notes might be challenged or voidable in an insolvency proceeding.

The grant of the Notes Collateral to secure the Notes offered hereby may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may be otherwise set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified "clawback" period following the grant. To the extent that the grant of any security interest is voided, holders of the Notes would lose the benefit of the relevant security interest. See "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests and Certain Insolvency Law Considerations*".

The insolvency laws of the Republic of Italy or the jurisdiction of incorporation or formation of each of the Guarantors may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar.

The rights of holders under the Notes offered hereby and the Note 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 Rhiag Bondco S.p.A., which is incorporated under the laws of Italy, and will be guaranteed by entities organized or incorporated in England and Wales, the Czech Republic, Italy and Switzerland. In the event of a bankruptcy or insolvency event, proceedings could be initiated in Italy 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 the rights of holders of the Notes. The bankruptcy laws of these jurisdictions may be less favorable to your interests as a creditor than the bankruptcy laws of the U.S. or any other jurisdiction you may be familiar with, including in respect of priority of creditors, the ability to obtain post-petition interest and the ability to influence proceedings and the duration thereof, and this may limit your ability to receive payments due on the Notes. In the event that any one or more of the Issuer, the Guarantors, any future guarantors of the Notes, if any, or any other of our subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. The insolvency and other laws of different jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer and certain other transactions, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce the rights of holders of the Notes under the Note Guarantees or the rights of holders of the Notes under the relevant Notes Collateral in these jurisdictions and limit any amounts that you may receive. In addition, in actions brought in countries outside of the United States, courts may choose to apply their own law rather than the law of the State of New York, which governs the Indenture, the Notes offered hereby and the Note Guarantees. The application of foreign law may limit your ability to enforce your rights under the Notes offered hereby and the Note Guarantees. See "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests and Certain Insolvency Law Considerations*" for further information.

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

Under various circumstances, the Notes Collateral securing the Notes offered hereby and the Note Guarantees may be released automatically without the consent of the holders of the Notes or the Trustee, including:

- as described under the caption "*Description of the Senior Secured Notes—Amendments and Waivers*";
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions "*Description of the Senior Secured Notes—Defeasance*" and "*Description of the Senior Secured Notes—Satisfaction and Discharge*";
- in connection with certain asset disposals, if such asset disposal is permitted under the terms of the Indenture, the Revolving Credit Facility Agreement and is not a "distressed disposal", as described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*"; and

- in connection with certain enforcement actions taken by certain of our creditors in accordance with the Intercreditor Agreement, as further described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

The Intercreditor Agreement also provides that the Notes Collateral securing the Notes may be released and retaken in connection with certain permitted transactions if the Parent has confirmed in writing to the Security Agent that it has determined in good faith that it is either not possible or not desirable to implement any such refinancing on terms satisfactory to it by instead granting additional collateral and/or amending the terms of the existing Notes Collateral. In certain jurisdictions, such a release and retaking of the Notes Collateral may give rise to the start of a new "hardening period" in respect of such Notes Collateral. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity and enforceability of the grant of such Notes Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of such Notes Collateral and thus reduce your recovery under the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

The Issuer's right to receive payments under the Auto Kelly Funding Loans, the Bertolotti Funding Loans and the Rhiag Funding Loans, respectively, may be subordinated under applicable law to the obligations of other creditor and are subordinated under the Intercreditor Agreement.

The holders of the Notes will benefit from the Issuer's pledge of its rights under each of the Auto Kelly Funding Loans, the Bertolotti Funding Loans and the Rhiag Funding Loans, respectively, and the Issuer will, in part, rely on payments under these debt instruments in order to make payments of principal, interest and premium (if any) under the Notes. Payments under each of the Bertolotti Funding Loans and the Rhiag Funding Loans, respectively, to the Issuer may be restricted or prohibited as a result of equitable subordination or a similar risk under Italian law.

Rhiag and Bertolotti are Italian companies, and each of the Funding Loans are governed by Italian law. Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof. In this respect, a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that company or (ii) a quotaholder in the case of a person incorporated in Italy as a limited liability company (*società a responsabilità limitata*), respectively, will be subordinated to all other creditors of that company and rank senior only to the equity in that company, if the loan is made when, taking into account the kind of business of the company, there was an excessive imbalance of the company's indebtedness compared to its net assets or the company was already in a financial situation requiring an injection of equity and not a loan ("undercapitalization"). Any payment made by the company with respect to any such loan within one year prior to a bankruptcy declaration under Italian law would be required to be returned to the company.

There are few court precedents interpreting the provisions and requirements summarized above and limited guidance has been provided to date by the Italian courts on the specific features and extent of the undercapitalization requirement.

Upon the occurrence of the requirements provided for by the relevant provisions, there is a risk that Italian courts may interpret the Italian Civil Code to apply the undercapitalization principles with respect to any or all of the Rhiag Funding Loans and the Bertolotti Funding Loans. Accordingly, there can be no assurance that an Italian court would conclude that the Issuer's rights and the applicable borrower's obligations under each of the Rhiag Funding Loans and the Bertolotti Funding Loans, respectively, are not subordinated to all of its obligations to other creditors (e.g., unsecured lenders and trade creditors).

Should the Issuer's rights under any or all of the Rhiag Funding Loans and the Bertolotti Funding Loans be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to its equity, the Issuer may not be able to recover any amounts under the Bertolotti Funding Loans and/or the Rhiag Funding Loans, respectively, and the security interests granted in respect thereto (it being noted, however, that the enforceability of a secured shareholder loan and its treatment, in the context of an Italian insolvency, is also untested in the Italian courts). See "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests and Certain Insolvency Law Considerations—Republic of Italy*" for further information.

Under the Intercreditor Agreement, the Funding Loans are deemed to be intra-group liabilities and thus are contractually subordinated to the obligations under the Notes, the Note Guarantees, the Revolving Credit Facility, certain hedging obligations and certain other future indebtedness. As a consequence of this subordination, among other things, the claims under the Funding Loans rank junior in right of payment to such other obligations and are subject to limitations on the right of enforcement. Moreover, due to such contractual subordination, there is a risk that the obligations under the Funding Loans could be deemed to be subordinated to the obligations of the borrowers under the Funding Loans to other creditors. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

You may face foreign exchange risks by investing in the Notes, which risk may be increased if the Euro no longer exists or if the Notes are otherwise redenominated as a result of member states leaving the Eurozone.

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

Investments in the Notes denominated in a currency other that U.S. dollars by U.S. investors may also have important tax consequences as a result of foreign exchange gains. See "*Tax Considerations—Certain U.S. Federal Income Tax Consequences*".

Despite the measures taken by countries in the Eurozone to alleviate credit risk, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the Euro and the suitability of the Euro as a single currency given the diverse economic and political circumstances in individual Eurozone member states. These and other concerns could lead to the reintroduction of individual currencies in one or more Eurozone member states, or, in more extreme circumstances, the possible dissolution of the Euro entirely. Should the Euro dissolve entirely, the legal and contractual consequences for holders of Euro-denominated obligations would be determined by laws in effect at such time. We cannot assure you that the official exchange rate at which the Notes may be redenominated would accurately reflect their value in Euro. These potential developments, or market perceptions concerning these developments and related issues, could adversely affect the value of the Notes.

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

The Indenture contains provisions relating to certain events constituting a "change of control". Upon the occurrence of a change of control, the Issuer will be required to offer to repurchase all of the outstanding Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions in the Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement or our other than existing contractual obligations would allow the Issuer to make such required repurchases. A change of control may result in an "event of default" under, or "acceleration" of, the Revolving Credit Facility, and certain other indebtedness or trigger a similar obligation to offer to repurchase loans or notes thereunder (as the case may be). The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not.

The ability of the Issuer to receive cash from its subsidiaries to make cash payments to the relevant holders of the Notes following the occurrence of a change of control, may be limited by our then existing financial resources. If an event constituting a "change of control" (as defined in the Indenture) occurs at a time when we are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any tendered Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that we would be able to obtain such financing.

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

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

In addition, a Change of Control will not be deemed to have occurred on one occasion if certain consolidated leverage ratios are not exceeded as a result of such event that constitutes a Specified Change of Control (as defined in "*Description of the Senior Secured Notes—Certain Definitions—Specified Change of Control Event*").

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

The Notes will be initially issued with temporary ISINs and common codes. In the event that we are unable to transfer the Notes to the permanent ISINs and common codes, the Notes will continue to trade under a separate ISIN and common code to the Original Notes, which may adversely affect the liquidity of the Notes and cause the Notes to trade at different prices than the Original Notes.

Once the Notes offered hereby have become freely tradeable upon the expiration of the relevant restrictive period under Rule 144A and Regulation S under the U.S. Securities Act, we expect that the Notes will share a single ISIN and common code with the relevant Rule 144A and Regulation S Original Notes, and that the Notes and the Original Notes will thereafter be fungible. However, in the event that we are unable to transfer the Notes to the permanent ISINs and common codes, the Notes will continue to trade under separate ISINs and common codes to the Original Notes, which may adversely affect the liquidity of the Notes and cause the Notes to trade at different prices than the Original Notes.

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

Owners of the book-entry interests will not be considered owners or holders of Notes offered hereby unless and until "definitive" Notes are issued in exchange for book-entry interests. Instead, the common depositary (or its nominee) for Euroclear and Clearstream, Luxembourg will be the sole registered holder of the Notes offered hereby in global form.

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made to the Principal Paying Agent, which will make payments to Euroclear and Clearstream, Luxembourg. Thereafter, such payments will be credited to Euroclear and Clearstream, Luxembourg participants' accounts that hold book-entry interests in the Notes in global form and credited by such participants to indirect participants. After payment to Euroclear and Clearstream, Luxembourg, as described above, none of the Issuer, the Trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts to Euroclear and Clearstream, Luxembourg, or to owners of book-entry interests. Accordingly, if you own a book-entry interest in the Notes, you must rely on the procedures of Euroclear and Clearstream, Luxembourg and, if you are not a participant in Euroclear and/or Clearstream, Luxembourg, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Owners of book-entry interests will not have the direct right to act upon any solicitations for consents or requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be reliant on the common depositary (or its nominee) (as registered holder of the Notes) to act on your instructions and/or will be permitted to act directly only to the extent you have received appropriate proxies to do so from Euroclear and/or Clearstream, Luxembourg or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action on a timely basis.

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

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

We cannot assure you as to:

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

The Notes offered hereby will have a different restricted trading period than the Original Fixed Rate Notes, given that (i) for the 40 day period after the closing date of the Offering, the Notes issued under Regulation S will not be fungible with the Original Fixed Rate Notes issued under Regulation S and (ii) for the one year period after the closing date of the Offering, the Notes issued under Rule 144A will not be fungible with the Original Fixed Rate Notes issued under Rule 144A. Accordingly, the Notes will be new securities for which there is no existing trading market and, as such, there can be no assurance that an active or liquid trading market will develop in respect of the Notes in the future.

Future trading prices for the Notes offered hereby will depend on many factors, including, among other things, the period upon which such Notes are restricted from trading with the Original Fixed Rate Notes, 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 offered hereby. The liquidity of a trading market for the Notes offered hereby 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 offered hereby may attract different investors and this may affect the extent to which such Notes may trade. It is possible that the market for the Notes offered hereby will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

In addition, the Indenture allows us to issue additional Fixed Rate Notes in the future, which could adversely impact the liquidity of the Notes offered hereby.

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

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

Investors in the Notes may have limited recourse against our independent auditors.

In respect of the audit report relating to the financial statements of the Parent for the period from December 16, 2013 to December 31, 2013, reproduced herein, Deloitte LLP, our independent auditor provides: "This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed".

Investors in the Notes offered hereby should understand that these statements are intended to disclaim any liability to parties (such as purchasers of the Notes) other than to the Parent with respect to such audit report. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act, or in a report filed under the U.S. Exchange Act. If a U.S. court (or any other court) were to give effect to the language quoted above, the recourse that investors in the Notes may have against the independent auditor based on their audit report or the consolidated financial statements to which they relate could be limited. The extent to which auditors have responsibility or liability to third parties is unclear under the laws of many jurisdictions, including the United Kingdom, and the legal effect of these statements in the audit report is untested in the context of an offering of securities. The inclusion of the language referred to above, however, may limit the ability of holders of the Notes to bring any action against our auditors for damages arising out of an investment in the Notes.

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

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

Transfers of the Notes are restricted, which may adversely affect the value of the Notes.

The Notes are being offered and sold pursuant to an exemption from registration under the U.S. Securities Act and applicable state securities laws of the United States. The Notes have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws. Therefore you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes and the Indenture contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S under the U.S. Securities Act, or other exemptions under the U.S. Securities Act. In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes in an aggregate principal amount of less than €100,000. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Transfer Restrictions*".

Provisions of the EU Savings Directive and other legislation may adversely affect your investment in the Notes.

EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from January 1, 2015.

The Council of the European Union has adopted a Directive (the "Amending Directive") which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by January 1, 2016, which legislation must apply from January 1, 2017.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26 – 27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directives, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

The Issuer is required, to the extent possible, to use reasonable efforts to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive, which may mitigate an element of this risk if the Holder is able to arrange for payment through such a Paying Agent. However, investors should choose their custodians and intermediaries with care, and provide each custodian and intermediary with any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive, as amended.

Investors who are in any doubt as to their position should consult their professional advisers.

USE OF PROCEEDS

The gross proceeds of the offering of the Notes will be €50 million excluding payment of interest from May 15, 2014 to the Issue Date. On or about the Issue Date, the Issuer will use the proceeds of the Notes:

- to prepay a portion of the outstanding borrowings under the Revolving Credit Facility, plus accrued and unpaid interest and any break costs through the date of repayment;
- to loan €11.6 million to Rhiag under the New Rhiag Funding Loans; and
- to pay fees and expenses in connection with the Transactions, including the fees and expenses to be incurred in connection with the Offering.

Proceeds from the issue of the Notes will be exclusively used outside of Switzerland unless use in Switzerland is permitted under Swiss tax laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

For descriptions of our anticipated indebtedness following the Offering of the Notes, see "*Description of the Senior Secured Notes*" and "*Description of Certain Financing Arrangements*".

Sources and Uses for this Offering

The expected estimated sources and uses of the funds of this Offering are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including differences in the estimated total transaction costs and the exact amount of accrued interest on the date of repayment of the Revolving Credit Facility.

Sources of Funds	(EUR millions)	Uses of Funds	(EUR millions)
Notes offered hereby(1)	50.0	Revolving Credit Facility(2)	35.4
		New Rhiag Funding Loans(3)	11.6
		Estimated transaction fees and expenses(4)	3.0
Total sources..	**50.0**	**Total uses ....**	**50.0**

(1) Consists of the aggregate principal amount of the gross proceeds from the Notes offered hereby excluding payment of interest from May 15, 2014 to the Issue Date.

(2) As part of the Transactions, a portion of the outstanding indebtedness under the Revolving Credit Facility will be repaid on or about the Issue Date, together with any accrued interest and break costs. As at June 30, 2014, the outstanding principal amount of indebtedness under the Revolving Credit Facility was €27.0 million, which excludes accrued and unpaid interest. On October 14, 2014, the Issuer borrowed an additional principal amount of €36.5 million under the Revolving Credit Facility to fund the Era Acquisition and related costs and expenses in connection therewith. As at October 23, 2014, the outstanding principal amount of indebtedness under the Revolving Credit Facility was €63.5 million, which excludes any accrued and unpaid interest. We intend to repay €14.0 million of indebtedness under the Revolving Credit Facility prior to the Issue Date. On or about the Issue Date, we intend to use a portion of the proceeds of this Offering to repay €35.4 million under the Revolving Credit Facility, together with any accrued interest and break costs. The Revolving Credit Facility matures on December 16, 2019.

(3) As part of the Transactions, the Issuer will enter into the New Rhiag Funding Loans on or about the Issue Date. The New Rhiag Funding Loans will comprise of a floating rate intercompany loan in an aggregate principal amount of €5,590,361 and a fixed rate intercompany loan in an aggregate principal amount of €6,009,639.

(4) Represents estimated fees and expenses associated with the Transactions, including underwriting commissions and professional fees, and other transaction costs.

CAPITALIZATION

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

- On an actual basis as at June 30, 2014, derived from the Parent's unaudited interim condensed consolidated financial statements as at and for the six months ended June 30, 2014, which were prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*", as adopted by the European Union and are included elsewhere in this offering memorandum;
- As adjusted to give effect to the Era Acquisition as if it had occurred on June 30, 2014; and
- As further adjusted to give effect to the Transactions as described in "*Use of Proceeds*" as if they had occurred on June 30, 2014.

You should read the following table in conjunction with "*Summary—The Financing*", "*Use of Proceeds*", "*Summary—Recent Developments*", "*Management's Discussion and Analysis of Our Financial Condition and Results of Operations*", "*Description of Certain Financing Arrangements*" and the consolidated financial statements and the accompanying notes of the Parent included elsewhere in this offering memorandum.

Except as set forth below, there have been no other material changes to the Parent's capitalization since June 30, 2014.

	As at June 30, 2014		
	Actual	**As Adjusted for the Era Acquisition**	**As Further Adjusted for the Transactions**
		(EUR millions)	
Total cash and cash equivalents[1]	**23.1**	**23.7**	**21.3**
Revolving Credit Facility[2]	27.0	63.5	14.1
Original Notes[3]	415.0	415.0	415.0
Notes offered hereby	—	—	50.0
Other financial debt[4]	8.6	12.0	12.0
Total debt[5]	**450.6**	**490.5**	**491.1**
Total equity	**142.8**	**142.8**	**142.8**
Capitalization	**593.4**	**633.3**	**633.9**

(1) Cash and cash equivalents in the As Adjusted for the Era Acquisition column has been adjusted for cash acquired in the Era Acquisition of €0.6 million. Cash and cash equivalents in the As Further Adjusted for the Transactions column has been further adjusted to reflect the repayment of €14.0 million of indebtedness under the Revolving Credit Facility prior to the Issue Date using €2.4 million in cash through the repayment of the Auto Kelly Funding Loans and the Bertolotti Funding Loans.

(2) As at June 30, 2014, the outstanding principal amount of indebtedness under the Revolving Credit Facility was €27.0 million, which excludes accrued and unpaid interest of €0.3 million. On October 14, 2014, we borrowed an additional principal amount of €36.5 million under the Revolving Credit Facility to fund the Era Acquisition and related costs and expenses in connection therewith. As at October 23, 2014, the outstanding principal amount of indebtedness under the Revolving Credit Facility was €63.5 million, which excludes any accrued and unpaid interest. We intend to repay €14.0 million of indebtedness under the Revolving Credit Facility prior to the Issue Date. As part of the Transactions, on or about the Issue Date, we intend to use a portion of the proceeds of this Offering to repay €35.4 million under the Revolving Credit Facility, together with any accrued interest and break costs. The Revolving Credit Facility matures on December 16, 2019.

(3) Represents €215.0 million aggregate principal amount of the Original Fixed Rate Notes and €200.0 million aggregate principal amount of the Original Floating Rate Notes issued on November 5, 2013 and excludes accrued and unpaid interest of €2.4 million as of June 30, 2014.

(4) Other financial debt reflects finance leases of €4.7 million and overdraft facilities of €3.9 million for the Parent as of June 30, 2014. The As Adjusted for the Era Acquisition column has been adjusted for finances leases of €1.6 million, overdraft facilities of €0.9 million and an outstanding vendor loan of €0.9 million entered into by Era (the "Era Vendor Loan"), which were acquired as part of the Era Acquisition. The Era Vendor Loan matures on June 30, 2015.

(5) Total debt excludes liabilities in respect of Auto Kelly CZ deferred payments between 2014 and 2020 in an aggregate amount of approximately €3.2 million, payable to the former shareholders of the Auto Kelly Group as well as unamortized debt issuance costs of €15.4 million as of June 30, 2014. The estimated amount of unamortized debt issuance costs as further adjusted for the Transactions is €18.4 million.

SELECTED HISTORICAL FINANCIAL INFORMATION

Financial Information

The following tables present the selected consolidated historical and *pro forma* financial and other data as at and for the periods indicated below:

- consolidated income statement, statement of financial position and cash flow information of Rhiag as at and for the three years ended December 31, 2013, 2012 and 2011;
- unaudited consolidated income statement, statement of financial position and cash flow information of the Parent as at and for the six months ended June 30, 2014; and
- unaudited consolidated income statement, statement of financial position and cash flow information of Rhiag as at and for the six months ended June 30, 2013.

Each of the Parent, the Issuer, and Bidco, respectively, were formed for the purpose of facilitating the Rhiag Acquisition Transactions. The Parent was formed on October 7, 2013, and is the holding company for the Group. The Parent has no revenue-generating operations or operating assets of its own, other than the ownership of the share capital of its subsidiary, the Issuer. The Issuer was formed on October 21, 2013 and has no independent operations of its own. The Issuer, through its wholly-owned subsidiary, Bidco, acquired the entire share capital of Rhiag on December 16, 2013. Prior the Rhiag Acquisition Completion Date, (i) the Parent, the Issuer and Bidco had no material assets or liabilities (other than in respect of the issuance of the Original Notes) and did not engage in any activities other than those related to the Rhiag Acquisition Transactions and (ii) the reporting entity for the Group's financial statements was Rhiag. On and from the Rhiag Acquisition Completion Date, (x) the reporting entity for the Group's financial statements became the Parent and (y) the financial results of Rhiag were consolidated in our historical consolidated financial statements.

Based on the foregoing, and given the limited financial information of the Parent available prior to the Rhiag Acquisition Completion Date, in order to provide comparisons and analysis of the Group's results of operations and the development of our business over the last three fiscal years and the six months ended June 30, 2013 and 2014 within "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and elsewhere in this offering memorandum, we have included the (i) the Parent's consolidated financial statements subsequent to the Rhiag Acquisition Transactions which include the Successor Periods and (ii) the consolidated financial statements of Rhiag for the Predecessor Periods.

The material differences between the Parent's historical consolidated financial information and Rhiag's historical consolidated financial information relate to (i) the investment by Apax in the equity of the Parent as part of the Rhiag Acquisition Transactions, compared to the equity of Rhiag contributed by its former owners prior to the Rhiag Acquisition Completion Date, (ii) the indebtedness and interest expense incurred in connection with the Original Notes issued as part of the Rhiag Acquisition Transactions, compared to the outstanding indebtedness and interest expense of the Rhiag Group incurred under the ING Credit Facilities (as defined below) which were repaid and terminated on the Rhiag Acquisition Completion Date and (iii) the impact of the purchase price allocation performed in connection with the Rhiag Acquisition (including adjustments to goodwill and amortization of intangible assets) as well as the mark-to-market cost of our interest rate swap entered into in relation to the Original Floating Rate Notes and certain non-recurring transaction costs incurred in connection with the Rhiag Acquisition Transactions. As a result, the historical results of operations of the Parent and the historical results of operations for Rhiag, respectively, included elsewhere in this offering memorandum are not directly comparable. Please see the consolidated financial statements of the Rhiag and the notes thereto included elsewhere in this offering memorandum for further information.

Investors should read this section together with the information contained in "*Use of Proceeds*", "*Capitalization*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Presentation of Financial and Other Data*" and the consolidated financial statements of Rhiag and the Parent, respectively, included elsewhere in this offering memorandum.

Consolidated Income Statement Data

	Rhiag				Parent
	Year Ended December 31			Six Months Ended June 30	Six Months Ended June 30
	2011	2012	2013	2013	2014
			(EUR thousands)		
Gross sales	649,628	672,536	732,754	355,688	374,057
Direct selling costs	(33,767)	(34,897)	(41,196)	(18,460)	(19,329)
Net sales	**615,861**	**637,639**	**691,558**	**337,228**	**354,728**
Total cost of goods sold	(488,449)	(513,177)	(562,548)	(272,960)	(285,150)
Gross profit	**127,412**	**124,462**	**129,010**	**64,268**	**69,578**
Distribution costs	(31,538)	(31,526)	(32,862)	(16,489)	(17,452)
Administrative costs	(19,649)	(15,091)	(19,789)	(9,020)	(24,067)
Other operating costs	(11,627)	(11,850)	(10,951)	(6,103)	(6,039)

	Rhiag				Parent
	Year Ended December 31			Six Months Ended June 30	Six Months Ended June 30
	2011	2012	2013	2013	2014
			(EUR thousands)		
Impairment of goodwill and other assets	—	(959)	—	—	—
Operating profit	**64,598**	**65,036**	**65,408**	**32,656**	**22,020**
Financial expense	(18,473)	(11,258)	(19,704)	(7,744)	(23,423)
Profit / (loss) before taxation	**46,125**	**53,778**	**45,704**	**24,912**	**(1,403)**
Taxes on income	(13,603)	(11,618)	(12,083)	(7,824)	(5,245)
Net profit / (loss) from continuing operations	**32,522**	**42,160**	**33,621**	**17,088**	**(6,648)**
Net profit / (loss)	**32,522**	**42,160**	**33,621**	**17,088**	**(6,648)**

Consolidated Statement of Financial Position Data

	Rhiag				Parent
	As at December 31			As at June 30	As at June 30
	2011	2012	2013	2013	2014
	(EUR thousands)				
ASSETS:					
Non-current assets					
Tangible assets	26,472	26,625	26,954	25,747	26,476
Intangible assets and goodwill	272,531	273,592	268,444	271,003	466,050
Other non-current assets[(1)]	4,454	5,042	7,259	5,534	7,526
Total non-current assets	**303,457**	**305,259**	**302,657**	**302,284**	**500,052**
Current assets					
Inventory	119,672	127,750	130,556	133,091	138,554
Trade receivables	119,239	126,532	140,703	148,028	154,295
Other current receivables	12,296	15,940	21,970	18,272	17,250
Tax receivables	436	491	1,773	483	800
Cash and cash equivalents	34,417	55,953	34,870	62,349	23,138
Total current assets	**286,060**	**326,666**	**329,873**	**362,223**	**334,037**
Non current assets held for sale	—	—	—	463	—
Total assets	**589,517**	**631,925**	**632,530**	**664,970**	**834,089**
Total shareholders' equity	**176,396**	**219,734**	**243,862**	**230,572**	**142,824**
LIABILITIES:					
Non-current liabilities					
Non-current financial liabilities[(2)]	237,881	227,393	177,082	209,618	411,129
Non-current non-financial liabilities[(3)]	14,291	10,899	12,793	13,830	77,513
Total non-current liabilities	**252,172**	**238,292**	**189,875**	**223,448**	**488,642**
Current liabilities					
Trade payables	86,505	106,409	109,742	121,588	107,583
Other current liabilities	48,856	42,327	54,686	43,808	47,039
Tax payables	1,642	1,428	1,488	5,441	2,322
Bank borrowings	13,538	13,893	1,856	27,675	29,314
Notes liabilities	—	—	—	—	2,409
Other financial liabilities	2,215	2,370	22,739	2,728	2,486
Provisions for risks and charges	8,193	7,472	8,283	9,710	11,470
Total current liabilities	**160,949**	**173,899**	**198,794**	**210,950**	**202,623**
Liabilities related to non-current assets held for sale	—	—		—	
Total liabilities	**413,121**	**412,191**	**388,669**	**434,398**	**691,265**
Total liabilities and shareholders' equity	**589,517**	**631,925**	**632,530**	**664,970**	**834,089**

(1) Other non-current assets includes deferred tax assets, investments in associated companies and non-current receivables and other financial assets.

(2) Non-current financial liabilities includes non-current bank borrowings, other non-current financial liabilities and derivative financial instruments.

(3) Non-current non-financial liabilities includes a provision relating to personnel and agents, deferred compensation, deferred tax liabilities and other non-current liabilities.

Consolidated Cash Flow Data

	Rhiag				Parent
	Year Ended December 31			Six Months Ended June 30	Six Months Ended June 30
	2011	2012	2013	2013	2014
	(EUR thousands)				
Net cash flow generated/(absorbed) by operating activities	**45,738**	**46,708**	**40,304**	**17,993**	**(14,719)**
Net cash flow (absorbed) by investing activities	**(12,426)**	**(12,045)**	**(11,198)**	**(4,473)**	**(3,589)**
Net cash flow generated/(absorbed) by financing activities	**(14,601)**	**(13,998)**	**(45,681)**	**(5,832)**	**2,735**
Exchange rate effect	(1,565)	871	(4,506)	(1,292)	(2,716)
Total cash flow generated/(absorbed) by continuing activities operations[1]	**17,146**	**21,536**	**(21,081)**	**6,396**	**(18,289)**
Total opening cash and cash equivalents	17,271	34,417	55,953	55,953	41,427
Total closing cash and cash equivalents	34,417	55,953	34,870	62,349	23,138

(1) The following table sets out our changes in net working capital for the periods as indicated below:

	Rhiag				Parent
	Years Ended December 31			Six Months Ended June 30	Six Months Ended June 30
	2011	2012	2013	2013	2014
	(EUR thousands)				
Changes in trade receivables and other current receivables	(2,533)	(10,883)	(20,357)	(23,835)	(9,103)
Changes in inventory	(7,626)	(8,078)	(2,805)	(5,340)	(7,998)
Changes in trade payables	13,174	19,904	3,333	15,179	(2,159)
Changes in provisions	(8)	(900)	(66)	2,137	3,187
Changes in other payables and deferred compensation	(2,503)	(5,124)	12,529	1,498	(14,481)[a]
Changes in net working capital	**504**	**(5,081)**	**(7,366)**	**(10,361)**	**(30,554)**

(a) In the six months ended June 30, 2014, we recorded changes in other current liabilities of €14,481 thousand, which were primarily attributable to the incurrence of transaction costs with respect to the Rhiag Acquisition Transactions as well as bonuses paid to members of management.

UNAUDITED *PRO FORMA* CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited *pro forma* condensed consolidated financial information of the Parent has been prepared to reflect the following transactions:

- the effects of the Rhiag Acquisition. The Rhiag Acquisition has been accounted for under the acquisition method. The assets and liabilities of the acquired companies have been recorded at their estimated fair value at the acquisition date, however, the Parent has not yet finalized the allocation of the purchase consideration to acquired identifiable assets and liabilities. The consideration paid to acquire the Rhiag Group consisted of cash in the amount of €386.8 million; and
- the issuance of the Original Notes, our entry into the Revolving Credit Facility Agreement and the use of proceeds therefrom as if they had occurred on January 1, 2013 (the "Financing Transactions").

The Rhiag Acquisition and the Financing Transactions are collectively referred to herein as the "Rhiag Acquisition and Financing Transactions".

Basis of preparation

The unaudited *pro forma* condensed consolidated financial information comprises the unaudited *pro forma* condensed consolidated income statements for each of (i) the year ended December 31, 2013 and (ii) the six months ended June 30, 2013. The unaudited *pro forma* condensed consolidated financial information has been derived by the application of *pro forma* adjustments to the Parent's historical consolidated financial statements included elsewhere in this offering memorandum. The unaudited *pro forma* condensed consolidated financial information should be read in conjunction with the historical financial information included in this offering memorandum.

The unaudited *pro forma* condensed consolidated income statement for the year ended December 31, 2013 is based on (i) the consolidated income statement of the Parent for the period ended December 31, 2013 included elsewhere in this offering memorandum and (ii) the income statement of Rhiag Group for the year ended December 31, 2013 included elsewhere in this offering memorandum. The unaudited *pro forma* condensed consolidated income statement for the six months ended June 30, 2013 is based on the income statement of Rhiag Group for the six months ended June 30, 2013 included elsewhere in this offering memorandum. The Parent had no operations during the six months ended June 30, 2013. The consolidated statement of financial position of the Parent as at December 31, 2013 reflects the Rhiag Acquisition and Financing Transactions and therefore no unaudited *pro forma* condensed consolidated statement of financial position has been included.

The unaudited *pro forma* condensed consolidated income statements for the six month period ended June 30, 2013 and the year ended December 31, 2013 gives effect to the Rhiag Acquisition and Financing Transactions as if they occurred on January 1, 2013.

The *pro forma* adjustments are preliminary and are based upon currently available information and certain assumptions that we believe are reasonable and supportable. The actual adjustments will be made as of the finalization of the purchase price allocation of the Rhiag Acquisition and may differ from those reflected in the unaudited *pro forma* condensed consolidated financial information presented below. Such differences may be material. The unaudited *pro forma* condensed consolidated financial information included in this offering memorandum are for informational purposes only and is not intended to represent or be indicative of the condensed consolidated income statements of the Parent had the Rhiag Acquisition and Financing Transactions occurred as of the dates and for the periods presented nor is it necessarily indicative of future results.

The unaudited *pro forma* condensed consolidated financial information, has been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and as adopted by the European Union for the year ended December 31, 2013 and International Accounting Standards 34 Interim Financial Reporting as adopted by the European Union for the six months ended June 30, 2013.

Unaudited *Pro Forma* Condensed Consolidated Income Statement for the Year Ended December 31, 2013

	Parent For the period ended December 31, 2013	Rhiag Group For the year ended December 31, 2013	Rhiag Group results subsequent to the Rhiag Acquisition	Rhiag Acquisition Adjustments	Rhiag Acquisition and Financing Transactions	Repayment of the Rhiag Group debt	Parent *Pro forma* For the year ended December 31, 2013
			Note (1)	Note (2) (EUR thousands)	Note (3)	Note (4)	
Sales gross	26,528	732,754	(26,528)	—	—	—	732,754
Direct selling costs	(1,379)	(41,196)	1,379	—	—	—	(41,196)
Sales net	25,149	691,558	(25,149)	—	—	—	691,558
Cost of sales	(19,968)	(562,548)	19,968	—	—	—	(562,548)
Gross profit	5,181	129,010	(5,181)	—	—	—	129,010
Distribution costs	(1,180)	(32,862)	1,180	—	—	—	(32,862)
Administrative expenses	(18,653)	(19,789)	1,819	(11,106)	—	—	(47,729)
Other operating expenses	(573)	(10,951)	573	—	—	—	(10,951)
Profit from operations	(15,225)	65,408	(1,609)	(11,106)	—	—	37,468
Finance (costs)/income	(5,606)	(19,704)	546	851	(26,379)	13,027	(37,265)
Result from ordinary activities	(20,831)	45,704	(1,063)	(10,255)	(26,379)	13,027	203
Tax	(151)	(12,083)	428	6,463	3,582	(3,582)	(5,343)
Net results from continuing operation	(20,982)	33,621	(635)	(3,792)	(22,797)	9,445	(5,140)

The accompanying notes are an integral part of this pro forma financial information

Unaudited *Pro Forma* Condensed Consolidated Income Statement for the Six Months Ended June 30, 2013

	Parent For the six months ended June 30, 2013	Rhiag Group For the six months ended June 30, 2013	Rhiag Acquisition Adjustments	Rhiag Acquisition and Financing Transactions	Repayment of the Rhiag Group debt	Parent *Pro forma* For the six months ended June 30, 2013
			Note (2) (EUR thousands)	Note (3)	Note (4)	
Sales gross	—	355,688	—	—	—	355,688
Direct selling costs	—	(18,460)	—	—	—	(18,460)
Sales net	—	337,228	—	—	—	337,228
Cost of sales	—	(272,960)	—	—	—	(272,960)
Gross profit	—	64,268	—	—	—	64,268
Distribution costs	—	(16,489)	—	—	—	(16,489)
Administrative expenses	—	(9,020)	(13,910)	—	—	(22,930)
Other operating expenses	—	(6,103)	—	—	—	(6,103)
Profit from operations	—	32,656	(13,910)	—	—	18,746
Finance (costs)/income		(7,744)	—	(15,712)	5,422	(18,034)
Result from ordinary activities	—	24,912	(13,910)	(15,712)	5,422	712
Tax	—	(7,824)	3,370	1,491	(1,491)	(4,454)
Net results from continuing operation	—	17,088	(10,540)	(14,221)	3,931	(3,742)

The accompanying notes are an integral part of this pro forma financial information

Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information

(1) Removal of the results of operations of the Rhiag Group subsequent to the Rhiag Acquisition

The Rhiag Acquisition occurred on December 16, 2013. As a result, the audited consolidated income statement of the Parent for the period ended December 31, 2013 includes the activity of the Rhiag Group for the period subsequent to the Rhiag Acquisition (and from December 16, 2013 through December 31, 2013). The unaudited *pro forma* condensed consolidated income statement for the year ended December 31, 2013 presented is based on the consolidated income statement of the Parent for the period ended December 31, 2013 and the consolidated income statement of Rhiag Group for the year ended December 31, 2013. Therefore, the results of operations in the historical financial information of the Rhiag Group for the period from December 16, 2013 through December 31, 2013 must be removed as a *pro forma* adjustment in the year ended December 31, 2013.

(2) Adjustments related to the Rhiag Acquisition:

(a) Amortization of Fair Value Adjustments:

This adjustment reflects the amortization of new intangible assets (Customer relationships and Starline brand) identified in connection with the Rhiag Acquisition. In connection with the provisional purchase price allocation, part of the purchase price has been allocated to Customer Relationships for a total amount of €221.9 million and to Starline Brand for a total amount of €44.2 million.

The useful economic lives are outlined as follows:

Acquired customer relationships: 4 to 13 years;

Starline Brand: 15 years

As a result of the recognition of these intangible assets, additional amortization would have been recognized during the year ended December 31, 2013 and during the six months ended June 30, 2013 assuming the Rhiag Acquisition occurred on January 1, 2013.

For the purposes of the unaudited pro forma condensed consolidated financial information, we have utilized the provisional fair value assigned to the identified intangible assets described above as of December 16, 2013, including the applicable foreign exchange rate at that date. The table below illustrates the calculation of the amortization of new intangible assets arising from the Rhiag Acquisition (note that the amortization of the acquired intangible assets subsequent to the Rhiag Acquisition has been included in the consolidated income statement of the Parent for the period ended December 31, 2013):

	Intangible Asset Amount	**Useful Life (years)**	**Amortization from January 1, 2013 to December 15, 2013**	**Amortization for the six months ended June 30, 2013**
	€ '000		**€ '000**	**€ '000**
Customer Relationships (by CGU):				
Italy Rhiag	128,564	13	9,483	4,945
Italy Bertolotti	12,491	7	1,711	892
Switzerland	21,783	10	2,089	1,089
Auto Kelly CZ	44,992	6	7,191	3,749
Elit CZ	14,097	4	3,379	1,762
Total Customer Relationships	221,927		23,853	12,438
Starline Brand	44,173	15	2,824	1,472
Total			**26,677**	**13,910**

(b) Transaction costs

Costs recognized by the Parent in relation to the Rhiag Acquisition during the period ended December 31, 2013 amounted to €16.4 million. As there is no continuing impact on the Parent, all of these transaction costs have been removed as pro forma adjustments in the year ended December 31, 2013. There were no transaction costs recognized during the six months ended June 30, 2013.

(3) Financing Transactions

On November 5, 2013, in order to finance the Rhiag Acquisition, the Issuer issued the Original Notes and entered into the Revolving Credit Facility Agreement. The Revolving Credit Facility was drawn on December 16, 2013 by the Issuer for an amount of €26 million. Interest on the Original Fixed Rate Notes accrues at a rate of 7.25% per annum. Interest on the Original Floating Rate Notes accrues at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 5.5%. Interest on the Revolving Credit Facility Agreement accrues at a rate per annum equal to EURIBOR for amounts drawn in Euro or LIBOR for amounts drawn in U.S. dollars plus 3.5%. In addition, commitment fees are payable on a quarterly basis on the aggregate undrawn amount of the Revolving Credit Facility Agreement at the rate of 40% of the then applicable margin of the Revolving Credit Facility. On December 20, 2013, the Issuer entered into an interest rate swap with Nomura International PLC in order to hedge future cash flows regarding the Original Floating Rate Notes from changes in interest rate. As this interest rate swap was not directly related to the Rhiag Acquisition, no *pro forma* adjustments related to the interest rate swap have been included in the unaudited *pro forma* financial information. Adjustments have been made to reflect the additional interest expense incurred on the Financing Transactions. The interest expense on the Original Fixed Rate Notes has been calculated based on a coupon of 7.25% and the amortization of the financing fees over the 7 year term. The interest expense on the Original Floating Rate Notes has been calculated based on three-month EURIBOR plus 5.5%, reset quarterly. Accordingly, interest expense has been calculated using an interest rates of 5.69% in the first quarter 2013, 5.71% in the second quarter 2013, 5.72% in the third quarter 2013 and 5.73% in the fourth quarter 2013 and the amortization of the financing fees over the six year term.

The interest expense on the Revolving Credit Facility has been calculated based on EURIBOR plus 3.5% on the principal amount of €26 million that has been drawn. Accordingly, interest expense has been calculated using interest rates of 3.69% in the first quarter 2013, 3.71% in the second quarter 2013, 3.72% in the third quarter 2013 and 3.73% in the fourth quarter 2013 and the amortization of the financing fees over the 6 year term. The commitment fees payable has been calculated on the undrawn principal amount of €49 million at 40% of the applicable margin of 3.5%, or 1.4%.

	For the six months ended June 30, 2013	**For the year ended December 31, 2013**
	(Euro in thousands)	
Revolving Credit Facility...........................	789	1,648
Amortization of financing fees on Revolving Credit Facility	124	292
Original Fixed Rate Notes..........................	7,794	15,588
Original Floating Rate Notes	5,699	11,423
Amortization of financing fees on the Original Notes	1,306	2,184
	15,712	31,135

It is expected that the actual interest rates that will apply to the Original Floating Rate Note and the Revolving Credit Facility may differ from the rates set out above due to changes in EURIBOR. The effect of a change of 12.5 basis points in the interest rates would result in an increase or decrease in interest expense of €340 thousand for the year ended December 31, 2013 and €175 thousand for the six months ended June 30, 2013.

As described above, the Original Notes were issued on November 5, 2013. As a result, the audited consolidated income statement of the Parent for the period ended December 31, 2013, includes €4.8 million of interest expense related to the issuance of the Original Notes for the from November 5, 2013 through December 31, 2013. Therefore, the interest expense related to the issuance of the Original Notes for the period from November 5, 2013 through December 31, 2013 must be removed as a *pro forma* adjustment in the year ended December 31, 2013.

(4) Repayment of the Rhiag Group debt

In connection with the Rhiag Acquisition on December 16, 2013, the existing Rhiag Group loan from ING Bank was repaid. We have adjusted the *pro forma* condensed consolidated financial statement for the year ended December 31, 2013 such that the interest expense has been reduced by the historical interest expense of €9.8 million and the amortization of deferred financing costs of €3.2 million that were recognized during the period from January 1, 2013 through December 15, 2013 on the Rhiag Group loan from ING Bank N.V. under the ING Credit Facilities that was repaid in connection with the Rhiag Acquisition. We have adjusted the unaudited *pro forma* condensed consolidated income statement for the six months ended June 30, 2013 such that the interest expense has been reduced by the historical interest expense of €4.9 million and the amortization of deferred financing costs from ING Bank N.V. under the ING Credit Facilities of €0.5 million that were recognized during the six months ended June 30, 2013 on the Rhiag Group loan that was repaid in connection with the Rhiag Acquisition.

(5) Income tax adjustments

We have apportioned the *pro forma* adjustments to the tax jurisdictions in which they would have been recognized and we have tax effected them based on their effect on taxable income in the relevant jurisdiction using the applicable statutory tax rate. In particular, we have tax effected the *pro forma* adjustments that affect taxable income in Italy at the Italian statutory tax rate of 27.5% adjusted for limitations of tax deductions for specific items and those that affect taxable income in the United Kingdom at an effective tax rate of 0% as the Company was not subject to income taxes in the United Kingdom due to the net loss in that jurisdiction.

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

Each of the Parent, the Issuer, and Bidco, respectively, were formed for the purpose of facilitating the Rhiag Acquisition Transactions. The Parent was formed on October 7, 2013, and is the holding company for the Group. The Parent has no revenue-generating operations or operating assets of its own, other than the ownership of the share capital of its subsidiary, the Issuer. The Issuer was formed on October 21, 2013 and has no independent operations of its own. The Issuer, through its wholly-owned subsidiary, Bidco, acquired the entire share capital of Rhiag on December 16, 2013. Prior the Rhiag Acquisition Completion Date, (i) the Parent, the Issuer and Bidco had no material assets or liabilities (other than in respect of the issuance of the Original Notes) and did not engage in any activities other than those related to the Rhiag Acquisition Transactions and (ii) the reporting entity for the Group's financial statements was Rhiag. On and from the Rhiag Acquisition Completion Date, (x) the reporting entity for the Group's financial statements became the Parent and (y) the financial results of Rhiag were consolidated in our historical consolidated financial statements.

Based on the foregoing, and given the limited financial information of the Parent available prior to the Rhiag Acquisition Completion Date, in order to provide comparisons and analysis of the Group's results of operations and the development of our business over the last three fiscal years and the six months ended June 30, 2013 and 2014 within "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this offering memorandum, we have included (i) the Parent's consolidated financial statements subsequent to the Rhiag Acquisition Transaction which include the Successor Periods and (ii) the consolidated financial statements of Rhiag for the Predecessor Periods.

The material differences between the Parent's historical consolidated financial information and Rhiag's historical consolidated financial information relate to (i) the investment by Apax in the equity of the Parent as part of the Rhiag Acquisition Transactions, compared to the equity of Rhiag contributed by its former owners prior to the Rhiag Acquisition Completion Date, (ii) the indebtedness and interest expense incurred in connection with the Original Notes issued as part of the Rhiag Acquisition Transactions, compared to the outstanding indebtedness and interest expense of the Rhiag Group incurred under the ING Credit Facilities (as defined below) which were repaid and terminated on the Rhiag Acquisition Completion Date and (iii) the impact of the purchase price allocation performed in connection with the Rhiag Acquisition (including adjustments to goodwill and amortization of intangible assets) as well as the mark-to-market cost of our interest rate swap entered into in relation to the Original Floating Rate Notes and certain non-recurring transaction costs incurred in connection with the Rhiag Acquisition Transactions. As a result, the historical results of operations of the Parent and the historical results of operations for Rhiag, respectively, included elsewhere in this offering memorandum are not directly comparable. Please see the consolidated financial statements of the Rhiag and the notes thereto included elsewhere in this offering memorandum for further information.

The following is a discussion and analysis of our results of operation and financial condition based on the audited consolidated financial statements of Rhiag as at and for the years ended December 31, 2011, 2012 and 2013, the unaudited interim consolidated financial statements of Rhiag as at and for the six months ended June 30, 2013, and the unaudited interim condensed consolidated financial statements of the Parent as at and for the six months ended June 30, 2014.

The consolidated financial statements of the Parent for the period ended December 31, 2013 have been included in this offering memorandum, but have not been included in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" as the consolidated financial statements only reflect 15 days of the results of operations of the Group following the Rhiag Acquisition on December 16, 2013. Please refer to the unaudited pro forma financial information of the Parent for the year ended December 31, 2013 and the six months ended June 30, 2013

You should read this discussion together with the consolidated financial statements of Rhiag and the Parent, and the related notes thereto, included elsewhere in this offering memorandum. See "Presentation of Financial and Other Data—Financial Data" for an explanation of the financial information in this "Management's Discussion and Analysis of Financial Condition and Results of Operations".

This discussion includes forward-looking statements, which, although based on assumptions 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. See "Information Regarding Forward-looking Statements" for a discussion of risks and uncertainties facing us. You should also see "Risk Factors".

Overview

We believe that we are a leading European distributor of aftermarket spare parts for passenger cars and commercial vehicles in the IAM segment. We operate in nine countries and we believe that we are a leading IAM distributor in the Czech Republic, Italy and Slovakia by gross sales. We also operate in Bulgaria, Hungary, Poland, Romania, Switzerland and Ukraine. We believe our markets are resilient, and benefit from positive long term trends. We generated gross sales of €732.8 million, Adjusted EBITDA of €82.8 million, and had an Adjusted EBITDA margin on net sales of 12.0%, in the year ended December 31, 2013. We generated gross sales of €374.1 million, Adjusted EBITDA of €41.9 million, and had an Adjusted EBITDA margin on net sales of 11.8%, in the six months ended June 30, 2014.

Our distribution model is characterized, on the upstream side, by established commercial relationships with spare parts manufacturers, on the midstream side, by an effective and efficient distribution model for products and, on the downstream side, by the ability to quickly reach thousands of customers with a broad product portfolio. Our suppliers, with many of whom we have longstanding relationships, deliver the spare parts to our 10 storage warehouses for further distribution to our 210 distribution centers using a hub and branch system. Our product portfolio offering is designed for the needs of each target market and ranges from approximately 40,000 SKUs sold for Switzerland to over 160,000 SKUs sold for Auto Kelly CZ. In the year ended December 31, 2013, we had approximately 90,000 customers.

We distribute our products to a broad, diversified clientele comprised of local wholesalers, garages and a small number of retail customers. We aim to provide our customers with a high level of customer service. Our supply chain is organized using a "pull" model, which is directed by order flow and demand, and allows us to promptly and continually adjust our offerings and distribution processes. Our customized IT system plays a key role in the efficient management of our inventory.

We operate in three geographic segments: Italy, Eastern Europe (Bulgaria, Czech Republic, Hungary, Poland (beginning in February 2014), Romania, Slovakia and Ukraine), and Switzerland.

Segment Reporting

We present separate operating information for our three geographic segments: Italy, Eastern Europe and Switzerland. This information is prepared based on the internal reports and operating activities of Rhiag and its subsidiaries. The results are reviewed on a regular basis at the Group level in order to allocate resources and to evaluate our results.

In this discussion, we present an analysis of gross sales and Adjusted EBITDA for each of our three geographic segments.

Key Factors Affecting Our Results of Operations

The following are key factors that have significantly affected our results of operations and financial condition and liquidity during the six months ended June 30, 2013 and 2014 and the years ended December 31, 2011, 2012 and 2013 or which we expect will significantly affect (or continue to affect) our results of operations in the future.

Resilience of the European Spare Parts Aftermarket

We believe that historically our business has generally proven to be resilient through economic cycles.

The recent economic and financial downturn has had a range of effects on some of the key drivers of the European spare parts aftermarket and our business:

- **Stability of the car park size.** A stable car park contributes to the stability of the aftermarket for spare parts for the passenger cars and commercial vehicles sector. Notwithstanding the decrease in new car purchases due to the diminished spending power of consumers, the size of the car park in our reference markets has remained relatively stable over recent years.
- **Average age of the car park.** The decrease in new car purchases, as a result of the recent economic downturn, resulted in an increase in the average age of the car park. In general, an older car park requires more maintenance services and spare parts compared to a younger car park, which has a positive impact on our operations.
- **Postponement of certain car repairs.** During the recent economic and financial downturn, we believe that some of our consumers may have postponed certain car repairs. However, certain key maintenance inspections and repairs cannot be postponed for prolonged periods and ultimately need to be performed. We believe that the IAM segment, particularly in Italy, was affected by this temporary postponement of repairs, especially in the second half of 2012 and in 2013. We expect that discretionary car repairs will increase in line with the improvement in general economic conditions.
- **Miles travelled.** We believe that the deterioration of general economic conditions in Europe in recent years and the increase in the cost of fuel, particularly in Italy, has adversely affected the spending power of car owners, leading to a decrease in miles travelled per car for the periods under review. Typically, cars with greater mileage require more maintenance services and spare part replacements than cars that are used less often.
- **Preference of independent aftermarket ("IAM") segment versus original equipment supplier segment ("OES").** We believe that the diminished spending power of our consumers and the increasing age of the car park has encouraged some customers to rely more on garages operating in the IAM segment, as opposed to the OES segment. We believe that the IAM segment, on average, provides more competitive pricing than the OES segment, while offering the same quality spare parts.

Expansion in Eastern Europe

We have increased our presence in the Eastern European markets during the period under review through organic growth As a percentage of total gross sales, Eastern European gross sales increased from 45.8% for the year ended December 31, 2012 to 48.0% for the year ended December 31, 2013. In Eastern Europe, we currently operate in Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia and Ukraine and expect to further expand our operations in these countries. We commenced our operations in Bulgaria in May 2013 through the opening of one branch and as at June 30, 2014, we operated two branches in Bulgaria. In addition, we expanded our operations to Poland through the opening of one branch in February 2014.

Our experience of operating two different brands in Italy (Rhiag and Bertolotti) has contributed to our ability to effectively implement a similar approach in Eastern Europe. We operate in the Czech Republic and Slovakia through two brands (Elit Group and the Auto Kelly Group), which target different types of customers with different value-propositions, enabling us to maximize our coverage of the market and addressable customer base. We believe that this approach allows us to serve a broader customer base than our competitors.

The number of branches in our Eastern Europe segment has increased each year for the periods under review. We had 155 branches as at December 31, 2011, 171 branches as at December 31, 2012, 181 branches as at December 31, 2013 and 192 branches as at June 30, 2014. We expect to continue to expand our operations based on market conditions and consumer demand. Since June 30, 2014, we have opened an additional six branches in Eastern Europe and we intend to open a further nine branches in Eastern Europe by the end of 2014.

The independent aftermarket in Eastern Europe is at a different stage of maturity compared to the other markets in which we operate and therefore we expect to experience faster growth. Overall, also due to our non-leadership market position in certain Eastern European countries where we operate, our growth in Eastern Europe may negatively impact the total gross margins for the Group.

Expanding Product Offering and Distribution of Existing Products

Our results of operations are affected by our ability to develop and improve our product offering to our customers and increase availability of our products in the markets in which we operate. By diversifying our product offering, we seek to attract more customers. We have developed and improved our product portfolios by expanding existing products lines, for example, under our private label “Starline” and by introducing new product lines. We believe that our “Starline” brand has enabled us to address customer demand for lower-cost products for older vehicles. In addition, we have also expanded the distribution of our existing product lines across our other markets in order to broaden the choice of products we are able to offer our customers in all of our markets.

ATR International AG

In 2012, we joined one of the leading purchasing groups in Europe, ATR International AG (“ATR”), which includes some of the leading independent spare part distributors across Europe and has the objective of increasing its members’ bargaining power and obtaining higher bonuses on products manufactured by suppliers. While we continue to negotiate with the same suppliers on a local level, our membership through ATR entitles us to receive additional bonuses based on ATR’s consolidated turnover (calculated as the sum of all members’ purchases). This partnership has allowed us to achieve additional purchasing bonuses based on the significant purchases made by members of ATR. We received our first purchasing bonus from ATR in the six months ended June 30, 2014 in relation to purchases we made in 2013.

Fluctuations in Foreign Currency Exchange Rates

Our results of operations are subject to foreign currency transaction effects and translation effects. We have operations in Italy, Switzerland and Eastern Europe and receive product deliveries from suppliers in the CIS region, Europe and Asia. Our sales are in Euros in Italy and Slovakia and in local currencies in all of the other countries in which we operate. We present our financial statements in Euros.

Foreign currency translation effects primarily arise because our subsidiaries outside of Italy and Slovakia are required to translate their gross sales and purchases from local currencies to Euros at the prevailing average period rates and the balance sheet at the period end rates. Foreign currency transaction effects arise, primarily because our companies operating in the Czech Republic, Hungary, Poland, Romania, Switzerland and Ukraine generate gross sales in local currencies, purchase their products for distribution principally in Euros and, in the case of Auto Kelly Group, partly in U.S. dollars.

During the year ended December 31, 2013, we entered into short-term currency hedging transactions in order to manage certain foreign exchange risks, which we have since terminated. We generally enter into short-term hedging transactions in countries where purchases are made in a different currency compared to the sales of such products in order to mitigate fluctuations in currency between our purchases and sales transactions and to protect our profitability. Whilst, in the past, we have entered into currency hedging transactions with regard to the products we purchase from our suppliers, no assurance can be given that we may do so in the future or that such transactions will be sufficient to protect us from sudden or extreme fluctuations in exchange rates in the future.

From time to time, we may adjust the prices for our products in order to mitigate the effect of devaluations in local currencies. For example, we increased the prices of our products in the Ukraine in 2014 due to the devaluation of the Ukrainian Hryvnia as a result of recent developments in the Ukraine and Russia’s annexation of Crimea. In addition, we adjusted the price of certain of our products in the Czech Republic in 2013 and 2014 following a devaluation of the Czech Koruna as a result of interventions in the foreign exchange market by the National Central Bank of the Czech Republic in November 2013.

Any significant price increases in the products we purchase or devaluation of local currencies in which we make sales could have an adverse effect on our operating results and financial condition, especially if our subsidiaries are unable to pass on such price increases to customers in their respective local markets or to increase our prices to mitigate the effect of devaluations in local currencies.

Fluctuation in Interest Rates

A portion of our indebtedness, represented by the Original Floating Rates Notes and loans drawn under our Revolving Credit Facility, have a floating rate of interest. As a result, the unhedged portion of our interest expense depends upon prevailing interest rates. In December 2013, we entered into an interest rate swap to fix the interest rate expense in connection with the Original Floating Rates Notes, the cost of which increased our interest expense during the six month period to June 30, 2014.

Regulation

In recent years, due to European Union regulatory changes, the market for the supply and distribution of spare parts has generally been liberalized. This development has improved access to the spare parts market for IAM distributors.

The automotive wholesale sector in the European Union is currently regulated by Regulation (EU) No. 461/2010 (the "New BER"), which was adopted in 2010 and replaced Regulation (EC) No. 1400/2002 (the "BER 2002") A key aim of the New BER is to ensure fair competition in the automotive wholesale sector. In general, we believe that the current regulatory framework is favorable to our operations and ensures (i) full access for independent auto parts manufacturers and garages to the technical information needed to ensure effective competition within and between the IAM and the OEM segments, (ii) customers' rights to engage independent garages throughout the life of the vehicle with no warranty limitations, (iii) unrestricted sale of spare parts in the IAM segment, and (iv) resellers' rights to use private brands and logos for spare parts sales.

Impact of Era Acquisition

As a result of the Era Acquisition, we will offer a broader range of products in new locations, and as a result we expect that our net sales and costs of goods sold will increase in future periods. For the year ended December 31, 2013, the Era Group generated €36,938 thousand in net sales, and Adjusted EBITDA of €5,993 thousand, representing Adjusted EBITDA margin of 16.2%.

We believe that our acquisition of the Era Group was at an attractive valuation multiple. We further believe that the business of the Era Group is aligned with our strategies, and provides an opportunity to strengthen our market position through new product offerings and opportunities to sell our products in new markets while achieving purchasing synergies through an already established network infrastructure.

Explanation of Key Income Statement Items and Other Financial Information

Adjusted EBITDA

Adjusted EBITDA is net profit/(loss) excluding net finance expenses, taxes on income, depreciation of PPE, amortization of intangible assets, non-recurring items and restructuring costs and impairment of goodwill. For a reconciliation of Adjusted EBITDA to Net profit/(loss) for the periods indicated, please see *"Summary Historical Consolidated Financials and Other Data—Other Consolidated Financial Data"*. Adjusted EBITDA is a non-IFRS measure and may not be comparable to similarly titled measures of other companies and has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our operating results as reported under IFRS.

Gross Sales

Gross sales are calculated by adding gross sales from third parties plus commission income from third parties and non-recurring income, minus customer bonuses and non-recurring expenses.

Customer bonuses include amounts due to customers in cases where specific agreed sales targets per year are achieved.

Gross sales on a segmental basis also include sales made and services rendered to other companies in the Group.

Direct Selling Costs

Direct selling costs are calculated by adding sales transport fees, agent commissions, allocation to bad debt provisions and bad debts, cash discounts for early payment and non-recurring income and/or expenses.

Net Sales

Net sales are calculated by deducting direct selling costs from gross sales.

We recognize revenues to the extent that it is probable that the Group will obtain economic benefits whose value may reliably be determined. Revenues from the sale of goods are recognized at the time when the risks and benefits connected to the ownership of such goods are transferred to the purchaser, the selling price is agreed or can be determined and collection of the amount due is expected; this time generally corresponds with the delivery date of the goods to the customer. Revenues from services are recognized according to the stage of completion of the services.

Costs of Goods Sold

Costs of goods sold primarily includes the purchase costs of goods for sale, change in closing inventory, change in the inventory provisions, transport of goods purchased, personnel costs and non-recurring expenses.

Personnel Costs

Personnel costs comprise of wages, salaries and employee benefit costs.

Distribution Costs

Distribution costs mainly include costs for rents and operating leases, advertising, promotional and catalog costs, travel expenses and non-recurring expenses.

Administrative Costs

Administrative costs primarily includes costs for external services, legal and consulting costs, other income, administrative and other operational costs, amortization of intangible assets and non-recurring expenses.

Other Operating Costs

Other operating costs primarily include headquarters and branch costs, depreciation of property, plant and equipment, insurance costs and non-recurring expenses.

Impairment of Goodwill and Other Assets

Goodwill and other assets are assessed annually for impairment based on comparisons of their respective fair values to their carrying values.

Net financial Income/(Expense)

Financial income primarily includes interest income from bank accounts and deposits, exchange gains and non-recurring financial income. Financial expense primarily includes interest on loans, borrowings and bonds payable by the Group, exchange losses and non-recurring financial expenses.

Exchange gains mainly relate to the effects of exchange rate fluctuations on purchase and sales transactions. In particular, our subsidiaries in Eastern Europe (other than Slovakia) and Switzerland make some of their purchases in Euro while their sales in local markets are mainly recorded in local currency.

Tax Charge/(Credit) on Income

Tax charge/(credit) on income represents the sum of the current and deferred tax.

Results of Operations

The financial review set forth below is based on Rhiag's consolidated historical financial information for the three years ended December 31, 2011, 2012 and 2013, and for the six months ended June 30, 2013, and the Parent's consolidated historical financial information for the six months ended June 30, 2014.

The following table sets forth a summary of our results of operations for the six months ended June 30, 2013 and 2014 and for the years ended December 31, 2011, 2012 and 2013 under IFRS.

	Rhiag				Parent
	Years Ended December 31			Six Months Ended June 30	Six Months Ended June 30
	2011	2012	2013	2013	2014
	(EUR thousands)				
Gross sales	649,628	672,536	732,754	355,688	374,057
Direct selling costs	(33,767)	(34,897)	(41,196)	(18,460)	(19,329)
Net sales	**615,861**	**637,639**	**691,558**	**337,228**	**354,728**
Cost of goods sold	(488,449)	(513,177)	(562,548)	(272,960)	(285,150)
Gross profit	**127,412**	**124,462**	**129,010**	**64,268**	**69,578**
Distribution costs	(31,538)	(31,526)	(32,862)	(16,489)	(17,452)
Administrative costs	(19,649)	(15,091)	(19,789)	(9,020)	(24,067)
Other operating costs	(11,627)	(11,850)	(10,951)	(6,103)	(6,039)
Impairment of goodwill and other assets	—	(959)	—	—	—
Operating profit	**64,598**	**65,036**	**65,408**	**32,656**	**22,020**
Net financial expense	(18,473)	(11,258)	(19,704)	(7,744)	(23,423)
Profit/(loss) before taxation	**46,125**	**53,778**	**45,704**	**24,912**	**(1,403)**
Taxes on income	(13,603)	(11,618)	(12,083)	(7,824)	(5,245)

	Rhiag				Parent
	Years Ended December 31			Six Months Ended June 30	Six Months Ended June 30
	2011	2012	2013	2013	2014
			(EUR thousands)		
Net profit / (loss)	**32,522**	**42,160**	**33,621**	**17,088**	**(6,648)**
Adjusted EBITDA	**79,404**	**77,071**	**82,752**	**39,101**	**41,901**

Six Months Ended June 30, 2014 as Compared to Six Months Ended June 30, 2013

	Rhiag		Parent		Change	
	Six Months Ended June 30					
	2013	(% of Net Sales)	2014	(% of Net Sales)	Amount of Change	% Change
			(EUR thousands, except for %)			
Gross sales	355,688	105.5%	374,057	105.4%	18,369	5.2%
Direct selling costs	(18,460)	(5.5)%	(19,329)	(5.4)%	(869)	(4.7)%
Net sales	**337,228**	**100.0%**	**354,728**	**100.0%**	**17,500**	**5.2%**
Cost of goods sold	(272,960)	(80.9)%	(285,150)	(80.4)%	(12,190)	(4.5)%
Gross profit	**64,268**	**19.1%**	**69,578**	**19.6%**	**5,310**	**8.3%**
Distribution costs	(16,489)	(4.9)%	(17,452)	(4.9)%	(963)	(5.8)%
Administrative costs	(9,020)	(2.7)%	(24,067)	(6.8)%	(15,047)	(166.8)%
Other operating costs	(6,103)	(1.8)%	(6,039)	(1.7)%	64	1.0%
Impairment of goodwill and other assets	—	—	—	—	—	—
Operating profit / (loss)	**32,656**	**9.7%**	**22,020**	**6.2%**	**(10,636)**	**(32.6)%**
Net financial expense	(7,744)	(2.3)%	(23,423)	(6.6)%	(15,679)	(202.5)%
Profit / (loss) before taxation	**24,912**	**7.4%**	**(1,403)**	**(0.4)%**	**(26,315)**	**(105.6)%**
Taxes on income	(7,824)	(2.3)%	(5,245)	(1.5)%	2,579	33.0%
Net profit / (loss)	**17,088**	**5.1%**	**(6,648)**	**(1.9)%**	**(23,736)**	**(138.9)%**
Adjusted EBITDA	**39,101**	**11.6%**	**41,901**	**11.8%**	**2,800**	**7.2%**

Net Sales

The following table sets forth our gross sales and net sales for the six months ended June 30, 2013 and 2014.

	Rhiag		Parent		Change	
	Six Months Ended June 30					
	2013	(% of Net Sales)	2014	(% of Net Sales)	Amount of Change	% of Change
			(EUR thousands, except for %)			
Gross sales third parties	363,053	107.7%	382,658	107.9%	19,605	5.4%
Commissions income—third parties	842	0.2%	774	0.2%	(68)	(8.1)%
Customer bonuses	(8,430)	(2.5)%	(9,375)	(2.6)%	(945)	(11.2)%
Non-recurring income	223	0.1%	—	—	(223)	—
Gross sales	**355,688**	**105.5%**	**374,057**	**105.4%**	**18,369**	**5.2%**
Sales transport	(9,734)	(2.9)%	(10,131)	(2.9)%	(397)	(4.1)%
Agents commission	(7,316)	(2.2)%	(7,643)	(2.2)%	(327)	(4.5)%
Allocation to bad debt provisions and bad debts	(925)	(0.3)%	(1,389)	(0.4)%	(464)	(50.2)%
Cash discounts	(124)	—	(136)	—	(12)	(9.7)%
Non-recurring income	(361)	(0.1)%	(31)	—	330	91.4%
Direct selling costs	**(18,460)**	**(5.5)%**	**(19,329)**	**(5.4)%**	**(869)**	**(4.7)%**
Net sales	**337,228**	**100.0%**	**354,728**	**100.0%**	**17,500**	**5.2%**

Net sales increased by €17,500 thousand, or 5.2%, from €337,228 thousand for the six months ended June 30, 2013 to €354,728 thousand for the six months ended June 30, 2014. This increase is primarily attributable to organic growth of sales driven by developing and improving our product portfolios and the distribution of our existing product lines across our other markets in order to broaden the choice of products we are able to offer our customers in all of our markets. In addition, such increase was also attributable to the full year impact of sales generated by newly opened branches in Eastern Europe.

Direct selling costs increased by €869 thousand, or 4.7%, from €18,460 thousand (5.5% of net sales) for the six months ended June 30, 2013 to €19,329 thousand (5.4% of net sales) for the six months ended June 30, 2014, which increase in absolute amount was driven by the increase in gross sales.

Gross Sales Geographic Breakdown

The following table sets forth our gross sales for the geographic areas in which we operated for the six months ended June 30, 2013 and 2014.

	Rhiag		Parent		Change	
	Six Months Ended June 30					
	2013	(% of Gross Sales)	2014	(% of Gross Sales)	Amount of Change	% Change
	(EUR thousands, except for %)					
Italy	171,827	48.3%	181,377	48.5%	9,550	5.6%
Eastern Europe	168,856	47.5%	177,589	47.5%	8,733	5.2%
Switzerland	22,053	6.2%	22,753	6.1%	700	3.2%
Inter-segment adjustments	(7,048)	(2.0)%	(7,662)	(2.1)%	(614)	8.7%
Total gross sales	**355,688**	**100.0%**	**374,057**	**100.0%**	**18,369**	**5.2%**

Gross sales in Italy increased by €9,550 thousand, or 5.6%, from €171,827 thousand (48.3% of gross sales) for the six months ended June 30, 2013 to €181,377 thousand (48.5% of gross sales) for the six months ended June 30, 2014, despite two working days less compared to the same period of the previous year. This increase is primarily attributable to stronger organic growth driven by developing and improving our product portfolios by expanding existing products lines. Gross sales in Eastern Europe increased by €8,733 thousand, 5.2%, from €168,856 thousand (47.5% of gross sales) for the six months ended June 30, 2013 to €177,589 thousand (47.5% of gross sales) for the six months ended June 30, 2014. This increase is primarily driven by developing and improving our product portfolios by expanding existing products lines, including by expanding existing product lines under our private label, “Starline”. In addition, such increase was also attributable to the full year impact of sales generated by the opening of 10 new branches in Eastern Europe in the six months ended June 30, 2014.

Gross sales in Switzerland remained substantially stable, slightly increasing from €22,053 thousand (6.2% of gross sales) for the six months ended June 30, 2013 to €22,753 thousand (6.1% of gross sales) for the six months ended June 30, 2014.

Adjusted EBITDA

Adjusted EBITDA increased by €2,800 thousand, or 7.2%, from €39,101 thousand (11.6% of net sales) for the six months ended June 30, 2013 to €41,901 thousand (11.8% of net sales) for the six months ended June 30, 2014. This increase, as a percentage of net sales, was primarily due to (i) an increase in gross sales, mainly driven by developing and improving our product portfolios by expanding existing products lines, including through our expansive “Starline” product range, and the opening of 10 new branches in Eastern Europe, (ii) consistent product margins in the six months ended June 30, 2014 compared to the prior corresponding period despite market pressure and negative fluctuations in foreign exchange rates and (iii) our ongoing efforts to effectively manage our overall costs including personnel costs, transport of goods purchased and advertising and marketing costs and administrative costs.

The following table sets forth our Adjusted EBITDA for the geographic areas in which we operate for the six months ended June 30, 2013 and 2014.

	Rhiag		Parent		Change	
	Six Months Ended June 30					
	2013	(% of Gross Sales of the relevant geographic area)	2014	(% of Gross Sales of the relevant geographic area)	Amount of Change	% Change
	(EUR thousands, except for %)					
Italy	23,123	13.5%	24,350	13.4%	1,227	5.3%
Eastern Europe	13,421	7.9%	15,379	8.7%	1,958	14.6%
Switzerland	2,555	11.6%	2,522	11.1%	(33)	(1.3%)
Inter-segment adjustments	—	—	(350)	—	(350)	—
Adjusted EBITDA	**39,101**	**11.0%**	**41,901**	**11.2%**	**2,800**	**7.2%**

Adjusted EBITDA in Italy increased by €1,227 thousand, or 5.3%, from €23,123 thousand (13.5% of Italy gross sales) for the six months ended June 30, 2013 to €24,350 thousand (13.4% of Italy gross sales) for the six months ended June 30, 2014. The decrease as a percentage of gross sales mainly relates to the impact of greater competitive pressure on selling prices, which resulted in an increase in the cost of goods sold as a percentage of gross sales. Adjusted EBITDA for the six months ended June 30, 2013 reflects non-recurring costs in connection with our personnel redundancy plan undertaken in Italy during 2013 as well as other non-recurring expenses related to the closure of our CRR branch in Barletta in June 2013.

Adjusted EBITDA in Eastern Europe increased by €1,958 thousand, or 14.6%, from €13,421 thousand (7.9% of Eastern Europe gross sales) for the six months ended June 30, 2013 to €15,379 thousand (8.7% of Eastern Europe gross sales) for the six months ended June 30, 2014. This increase as a percentage of gross sales mainly relates to (i) the increase in prices of our products in the Ukraine in 2014 in response to the devaluation of the Ukrainian Hryvnia as a result of recent developments in the Ukraine and Russia's annexation of Crimea and (ii) improved collection of receivables in the six months ended June 30, 2013.

Adjusted EBITDA in Switzerland decreased by €33 thousand, or 1.3%, from €2,555 thousand (11.6% of Switzerland gross sales) for the six months ended June 30, 2013 to €2,522 thousand (11.1% of Switzerland gross sales) for the six months ended June 30, 2014. This decrease as a percentage of gross sales mainly relates to an increase in the cost of goods sold as a percentage of gross sales and to greater competitive pressure on selling prices.

Cost of Goods Sold

The following table sets forth our cost of goods sold for the six months ended June 30, 2013 and 2014.

	Rhiag		Parent		Change	
	Six Months Ended June 30					
	2013	(% of Net Sales)	2014	(% of Net Sales)	Amount of Change	% Change
	(EUR thousands, except for %)					
Purchases of goods for resale	234,105	69.4%	246,931	69.6%	12,826	5.5%
Change in inventory	(8,031)	(2.4)%	(9,517)	(2.7)%	(1,487)	18.5%
Change in inventory provision	538	0.2%	228	0.1%	310	57.6%
Transport on purchases	5,431	1.6%	5,867	1.7%	436	8.0%
Personnel costs	40,157	11.9%	41,142	11.6%	985	2.5%
Non-recurring expenses	760	0.2%	499	0.1%	(261)	(34.3)%
Total cost of goods sold	**272,960**	**80.9%**	**285,150**	**80.4%**	**12,190**	**4.5%**

Costs of goods sold increased by €12,190 thousand, or 4.5%, from €272,960 thousand (80.9% of net sales) for the six months ended June 30, 2013 to €285,150 thousand (80.4% of net sales) for the six months ended June 30, 2014. This decrease as a percentage of net sales was primarily attributable to the positive contribution of product margins from our Eastern Europe segment and a reduction in personnel costs as a result of the personnel redundancy plan undertaken in Italy during 2013.

The following table sets forth our personnel costs for the six months ended June 30, 2013 and 2014.

Personnel costs

	Rhiag		Parent		Change	
	Six Months Ended June 30					
	2013	(% of Net Sales)	2014	(% of Net Sales)	Amount of Change	% Change
	(EUR thousands, except for %)					
Wages and salaries	28,219	8.4%	28,843	8.1%	624	2.2%
Other personnel costs	11,938	3.5%	12,299	3.5%	361	3.0%
Personnel costs	**40,157**	**11.9%**	**41,142**	**11.6%**	**985**	**2.5%**
Non-recurring expenses	457	0.1%	499	0.1%	42	9.2%
Total personnel costs	**40,614**	**12.0%**	**41,641**	**11.7%**	**1,027**	**2.5%**

Personnel costs, excluding non-recurring expenses/(income) increased by €985 thousand, or 2.5%, from €40,157 thousand (11.9% of net sales) for the six months ended June 30, 2013 to €41,142 thousand (11.6% of net sales) for the six months ended June 30, 2014. This decrease as a percentage of net sales relates was primarily attributable to the personnel redundancy plan undertaken in Italy during 2013. Despite the redundancy plan, total staff increased by 241 employees, from 2,914 employees as at June 30, 2013 to 3,155 employees as at June 30, 2014.

Distribution Costs

The following table sets forth our distribution costs for the six months ended June 30, 2013 and 2014.

	Rhiag		Parent		Change	
	Six Months Ended June 30					
	2013	(% of Net Sales)	2014	(% of Net Sales)	Amount of Change	% Change
			(EUR thousands, except for %)			
Travel and subsistence expenses	2,169	0.6%	2,239	0.6%	70	3.2%
Rent and operating leases	7,655	2.3%	8,218	2.3%	563	7.4%
Advertising, promotional and catalogs costs	6,524	1.9%	6,932	2.0%	408	6.3%
Non-recurring expenses	141	—	62	—	(79)	(56.0)%
Total distribution costs	**16,489**	**4.9%**	**17,452**	**4.9%**	**963**	**5.8%**

Distribution costs increased by €963 thousand, from €16,489 thousand (4.9% of net sales) for the six months ended June 30, 2013 to €17,452 thousand (4.9% of net sales) for the six months ended June 30, 2014.

Administrative Costs

The following table sets forth our administrative costs for the six months ended June 30, 2013 and 2014.

	Rhiag		Parent		Change	
	Six Months Ended June 30					
	2013	(% of Net Sales)	2014	(% of Net Sales)	Amount of Change	% Change
			(EUR thousands, except for %)			
Outsourced services	4,172	1.2%	4,358	1.2%	186	4.5%
Legal and consulting fees	1,251	0.4%	1,596	0.4%	345	27.6%
Other income	(1,766)	(0.5)%	(1,655)	(0.5)%	111	6.3%
Administration and other operational costs	3,553	1.1%	3,861	1.1%	308	8.7%
Amortization of intangible assets	941	0.3%	15,013	4.2%	14,072	1,495.4%
Non-recurring expenses	869	0.3%	894	0.3%	25	2.9%
Total administrative costs	**9,020**	**2.7%**	**24,067**	**6.8%**	**15,047**	**166.8%**

Administrative costs increased by €15,047 thousand from €9,020 thousand (2.7% of net sales) for the six months ended June 30, 2013 to €24,067 thousand (6.8% of net sales) for the six months ended June 30, 2014. This increase was primarily attributable to an increase in amortization of intangible assets of €14,072 thousand, which principally related to customer relationships and our "Starline" brand. Such increase in amortization of intangible assets was due to the purchase price allocation in 2013 in connection with the Rhiag Acquisition. See note 9 of our financial statements for the six months ended June 30, 2014.

Other Operating Costs

The following table sets forth the operating costs for the six months ended June 30, 2013 and 2014.

	Rhiag		Parent		Change	
	Six Months Ended June 30					
	2013	(% of Net Sales)	2014	(% of Net Sales)	Amount of Change	% Change
			(EUR thousands, except for %)			
Headquarters and branch costs (utilities and maintenance)	2,067	0.6%	2,220	0.6%	153	7.4%
Insurance	527	0.2%	545	0.2%	18	3.4%
Disposal of PPE and intangible assets	(87)	—	(109)	—	(22)	(25.3)%
Depreciation of PPE	3,371	1.0%	3,462	1.0%	91	2.7%
Non-recurring expenses/(income)	225	0.1%	(80)	—	(305)	(135.6)%
Other operating costs	**6,103**	**1.8%**	**6,039**	**1.7%**	**(64)**	**(1.0)%**

Other operating costs decreased by €64 thousand, or 1.0%, from €6,103 thousand (1.8% of net sales) for the six months ended June 30, 2013 to €6,039 thousand (1.7% of net sales) for the six months ended June 30, 2014.

Net Financial Expense

	Rhiag		Parent		Change	
	Six Months Ended June 30					
	2013	(% of Net Sales)	2014	(% of Net Sales)	Amount of Change	% Change
			(EUR thousands, except for %)			
Financial income	2,941	0.9%	1,078	0.3%	(1,863)	(62.9)%
Financial expense	(10,685)	(3.2)%	(24,501)	(6.9)%	(13,816)	(129.3)%
Net financial expense	**(7,744)**	**(2.3)%**	**(23,423)**	**(6.6)%**	**(15,679)**	**(202.5)%**

Financial income decreased by €1,863 thousand, or 62.9%, from €2,941 thousand (0.9% of net sales) for the six months ended June 30, 2013 to €1,078 thousand (0.3% of net sales) for the six months ended June 30, 2014, which principally related to exchange rate fluctuations with respect to our Eastern Europe segment. Financial expense increased by €13,816 thousand, or 129.3%, from €10,685 thousand (3.2% of net sales) for the six months ended June 30, 2013 to €24,501 thousand (6.9% of net sales) for the six months ended June 30, 2014. This increase is primarily attributable to the interest expenses relating to the Original Notes and to the change in the mark to market value of the interest rate swap that was entered into in respect of the Original Floating Rate Notes in December 2013.

We recorded a net exchange rate loss of €1,921 thousand for the six months ended June 30, 2014 compared to an exchange rate loss of €1,809 thousand for the six months ended June 30, 2013.

Taxes on Income

Taxes on income decreased by €2,579 thousand, or 33.0%, from €7,824 thousand (2.3% of net sales) for the six months ended June 30, 2013 to €5,245 thousand (1.5% of net sales) for the six months ended June 30, 2014. This decrease as a percentage of net sales was primarily attributable to a lower income before taxes.

Net Profit/ (Loss)

As a result of the factors discussed above, net profit decreased by €23,736 thousand, or 138.9%, from a profit of €17,088 thousand (5.1% of net sales) for the six months ended June 30, 2013 to a loss amounting to €6,648 thousand 1.9% of net sales) for the six months ended June 30, 2014.

Year ended December 31, 2013 as compared to year ended December 31, 2012

	Rhiag					
	Years Ended December 31					
	2012	(% of Net Sales)	2013	(% of Net Sales)	Amount of Change	% Change
			(EUR thousands, except for %)			
Gross sales	672,536	105.5%	732,754	106.0%	60,218	9.0%
Direct selling costs	(34,897)	(5.5)%	(41,196)	(6.0)%	(6,299)	(18.1)%
Net sales	**637,639**	**100.0%**	**691,558**	**100.0%**	**53,919**	**8.5%**
Cost of goods sold	(513,177)	(80.5)%	(562,548)	(81.3)%	(49,371)	(9.6)%
Gross profit	**124,462**	**19.5%**	**129,010**	**18.7%**	**4,548**	**3.7%**
Distribution costs	(31,526)	(4.9)%	(32,862)	(4.8)%	(1,336)	(4.2)%
Administrative costs	(15,091)	(2.4)%	(19,789)	(2.9)%	(4,698)	(31.1)%
Other operating costs	(11,850)	(1.9)%	(10,951)	(1.6)%	899	7.6%
Impairment of goodwill and other assets	(959)	(0.2)%	—	—	—	—
Operating profit	**65,036**	**10.2%**	**65,408**	**9.5%**	**372**	**0.6%**
Net financial expense	(11,258)	(1.8)%	(19,704)	(2.8)%	(8,446)	(75.0)%
Profit / (loss) before taxation	**53,778**	**8.4%**	**45,704**	**6.6%**	**(8,074)**	**(15.0)%**
Taxes on income	(11,618)	(1.8)%	(12,083)	(1.7)%	(465)	(4.0)%
Net profit	**42,160**	**6.6%**	**33,621**	**4.9%**	**(8,539)**	**(20.3)%**
Adjusted EBITDA	**77,071**	**12.1%**	**82,751**	**12.0%**	**5,680**	**7.4%**

Net Sales

The following table sets forth our gross sales and net sales for the years ended December 31, 2013 and 2012.

	Rhiag					
	Years Ended December 31					
	2012	(% of Net Sales)	2013	(% of Net Sales)	Amount of Change	% Change
	(EUR thousands, except for %)					
Gross sales—third parties	684,975	107.4%	749,258	108.3%	64,283	9.4%
Commissions income—third parties	2,841	0.4%	1,661	0.2%	(1,180)	(41.5)%
Customer bonuses	(14,793)	(2.3)%	(18,389)	(2.7)%	(3,596)	(24.3)%
Non-recurring (expenses)/income	(487)	(0.1)%	224	—	711	146.0%
Gross sales	**672,536**	**105.5%**	**732,754**	**106.0%**	**60,218**	**9.0%**
Sales transport	(18,443)	(2.9)%	(19,866)	(2.9)%	(1,423)	(7.7)%
Agents commission	(13,593)	(2.1)%	(14,498)	(2.1)%	(905)	(6.7)%
Allocation to bad debt provisions and bad debts	(2,496)	(0.4)%	(3,419)	(0.5)%	(923)	(37.0)%
Cash discounts	(255)	—	(271)	—	(16)	(6.3)%
Non-recurring expenses	(110)	—	(3,142)	(0.5)%	(3,032)	(2,756.4)%
Direct selling costs	**(34,897)**	**(5.5)%**	**(41,196)**	**(6.0)%**	**(6,299)**	**(18.1)%**
Net sales	**637,639**	**100.0%**	**691,558**	**100.0%**	**53,919**	**8.5%**

Net sales increased by €53,919 thousand, or 8.5%, from €637,639 thousand for the year ended December 31, 2012 to €691,558 thousand for the year ended December 31, 2013. This increase was primarily attributable to an increase in gross sales in each of our geographic segments due to the development and improvement of our product portfolio through the expansion of our existing products lines and the opening of 10 new branches in Eastern Europe which allowed us to reach new customers.

Customer bonuses increased by €3,596 thousand, or 24.3%, from €14,793 thousand (2.3% of net sales) for the year ended December 31, 2012, to €18,389 thousand (2.7% of net sales) for the year ended December 31, 2013. This increase as a percentage of gross sales was mainly attributable to the achievement of the minimum sales targets by our customers.

Direct selling costs increased by €6,299 thousand, or 18.1%, from €34,897 thousand (5.5% of net sales) for the year ended December 31, 2012 to €41,196 thousand (6.0% of net sales) for the year ended December 31, 2013. This overall increase in direct selling costs was mainly attributable to a non-recurring bad debt provision regarding receivables due from Autoscocca Italiana S.r.l. in the year ended December 31, 2013.

Non-recurring expenses increased by €3,032 thousand from €110 thousand for the year ended December 31, 2012, to €3,142 thousand for the year ended December 31, 2013. This increase was primarily due to non-recurring expenses related to the closure of our CRR branch in Barletta in June 2013.

Gross Sales Geographic Breakdown

The following table sets forth gross sales for the geographic areas in which we operate for the years ended December 31, 2013 and 2012.

	Rhiag					
	Years Ended December 31					
	2012	(% of Gross Sales)	2013	(% of Gross Sales)	Amount of Change	% Change
	(EUR thousands, except for %)					
Italy	331,953	49.4%	350,154	47.8%	18,201	5.5%
Eastern Europe	308,316	45.8%	352,063	48.0%	43,747	14.2%
Switzerland	42,703	6.3%	44,474	6.1%	1,771	4.1%
Inter-segment adjustments	(10,437)	(1.5)%	(13,936)	(1.9)%	(3,499)	33.5%
Total gross sales	**672,536**	**100.0%**	**732,755**	**100.0%**	**60,218**	**9.0%**

Gross sales in Italy increased from €331,953 thousand (49.4% of gross sales) for the year ended December 31, 2012 to €350,154 thousand (47.8% of gross sales) for the year ended December 31, 2013. This increase was primarily attributable to organic growth driven by developing and improving our product portfolios by expanding existing products lines in Italy.

Gross sales in Eastern Europe increased by €43,747 thousand, or 14.2%, from €308,316 thousand (45.8% of gross sales) for the year ended December 31, 2012 to €352,063 thousand (48.0% of gross sales) for the year ended December 31, 2013. This increase was primarily attributable to organic growth driven by developing and improving our product portfolios by expanding existing products lines, including by expanding existing product lines under our private label "Starline". In addition, such increase was also attributable to the opening of 10 new branches in Eastern Europe in 2013.

Gross sales in Switzerland increased by €1,771 thousand, or 4.1%, from €42,703 thousand (6.3% of gross sales) for the year ended December 31, 2012 to €44,474 thousand (6.1% of gross sales) for the year ended December 31, 2013. The increase was primarily attributable to organic growth driven by developing and improving our product portfolios by expanding existing products lines.

Adjusted EBITDA

Adjusted EBITDA increased by €5,681 thousand, or 7.4%, from €77,071 thousand (12.1% of net sales) for the year ended December 31, 2012 to €82,752 thousand (12.0% of net sales) for the year ended December 31, 2013. This increase was primarily due to our ongoing efforts to effectively manage our overall costs including personnel costs, transport of goods purchased and advertising and marketing costs and administrative costs.

The following table sets forth our Adjusted EBITDA for the geographic areas in which we operate for the years ended December 31, 2013 and 2012.

	Rhiag					
	Years Ended December 31					
	2012	(% of Gross Sales of the relevant geographic area)	2013	(% of Gross Sales of the relevant geographic area)	Amount of Change	% Change
	(EUR thousands, except for %)					
Italy	48,078	14.5%	48,632	13.9%	554	1.2%
Eastern Europe	24,181	7.8%	29,574	8.4%	5,393	22.3%
Switzerland	4,820	11.3%	4,610	10.4%	(210)	(4.4)%
Inter-segment adjustments	(8)	—	(64)	—	(56)	—
Adjusted EBITDA	**77,071**	**11.5%**	**82,752**	**11.3%**	**5,681**	**7.4%**

Adjusted EBITDA in Italy was relatively stable, increasing slightly from €48,078 thousand (14.5% of Italy gross sales) for the year ended December 31, 2012 to €48,632 thousand (13.9% of Italy gross sales) for the year ended December 31, 2013.

Adjusted EBITDA in Eastern Europe increased by €5,393 thousand, or 22.3%, from €24,181 thousand (7.8% of Eastern Europe gross sales) for the year ended December 31, 2012 to €29,574 thousand (8.4% of Eastern Europe gross sales) for the year ended December 31, 2013. This increase was primarily due to the increased contribution of our Czech business, which generates higher margins compared to the rest of our Eastern Europe segment.

Adjusted EBITDA in Switzerland decreased by €210 thousand, or 4.4%, from €4,820 thousand (11.3% of Switzerland gross sales) for the year ended December 31, 2012 to €4,610 thousand (10.4% of Switzerland gross sales) for the year ended December 31, 2013. This decrease was primarily due to a decrease in our product margins as a result of greater competitive pressure on selling prices.

Cost of Goods Sold

The following table sets forth our cost of goods sold for the years ended December 31, 2013 and 2012.

	Rhiag					
	Years Ended December 31					
	2012	(% of Net Sales)	2013	(% of Net Sales)	Amount of Change	% Change
	(EUR thousands, except for %)					
Purchases of goods for resale	432,145	67.8%	474,371	68.6%	42,226	9.8%
Change in inventory	(6,194)	(1.0)%	(8,327)	(1.2)%	(2,133)	(34.4)%
Change in inventory provision	(251)	—	211	—	462	—
Transport on purchases	10,863	1.7%	11,880	1.7%	1,017	9.4%
Personnel costs	76,032	11.9%	81,000	11.7%	4,968	6.5%
Non-recurring expenses	582	0.1%	3,413	0.5%	2,831	—
Total cost of goods sold	**513,177**	**80.5%**	**562,548**	**81.3%**	**49,371**	**9.6%**

Costs of goods sold increased by €49,371 thousand, or 9.6%, from €513,177 thousand (80.5% of net sales) for the year ended December 31, 2012 to €562,548 thousand (81.3% of net sales) for the year ended December 31, 2013. This increase as a percentage of net sales was primarily attributable to (i) the increasing competition with respect to selling prices in all markets in which we operated; (ii) an increase in personnel costs as a result of the opening of 10 new branches in Eastern Europe; and (iii) the personnel redundancy plan undertaken in Italy during 2013.

The following table sets forth our personnel costs for the years ended December 31, 2013 and 2012.

	Rhiag					
	Years Ended December 31					
	2012	(% of Net Sales)	2013	(% of Net Sales)	Amount of Change	% Change
	(EUR thousands, except for %)					
Wages and salaries	53,420	8.4%	56,874	8.2%	3,454	6.5%
Other personnel costs	22,612	3.5%	24,125	3.5%	1,513	6.7%
Personnel costs	**76,032**	**11.9%**	**81,000**	**11.7%**	**4,968**	**6.5%**
Non-recurring expenses	401	0.1%	3,072	0.4%	2,671	—
Total personnel costs	**76,433**	**12.0%**	**84,072**	**12.2%**	**7,639**	**10.0%**

Personnel costs increased by €7,639 thousand, or 10.0%, from €76,433 thousand (12.0% of net sales) for the year ended December 31, 2012 to €84,072 thousand (12.2% of net sales) for the year ended December 31, 2013. This increase in personnel costs is primarily attributable to new employee hires for the 10 new branches opened in Eastern Europe in 2013 and the personnel redundancy plan undertaken in Italy during 2013. Total staff increased by 183 employees, from 2,812 employees as at December 31, 2012 to 2,995 employees as at December 31, 2013.

Distribution Costs

The following table sets forth our distribution costs for the years ended December 31, 2013 and 2012.

	Rhiag					
	Years Ended December 31					
	2012	(% of Net Sales)	2013	(% of Net Sales)	Amount of Change	% Change
	(EUR thousands, except for %)					
Travel and subsistence expenses	4,513	0.7%	4,549	0.7%	36	0.8%
Rent and operating leases	14,876	2.3%	15,415	2.2%	539	3.6%
Advertising, promotional and catalogs costs	11,856	1.9%	12,617	1.8%	761	6.4%
Non-recurring expenses	281	—	281	—	—	—
Total distribution costs	**31,526**	**4.9%**	**32,862**	**4.8%**	**1.336**	**4.2%**

Distribution costs increased by €1,336 thousand from €31,526 thousand (4.9% of net sales) for the year ended December 31, 2012 to €32,862 thousand (4.8% of net sales) for the year ended December 31, 2013. The increase in absolute amount of distribution costs was primarily attributable to the 10 new branches opened in Eastern Europe.

Administrative Costs

The following table sets forth our administrative costs for the years ended December 31, 2013 and 2012.

	Rhiag					
	Years Ended December 31					
	2012	(% of Net Sales)	2013	(% of Net Sales)	Amount of Cchange	% Change
	(EUR thousands, except for %)					
Outsourced services	8,246	1.3%	8,752	1.3%	506	6.1%
Legal and consulting fees	2,244	0.4%	2,443	0.4%	199	8.9%
Other income	(4,431)	(0.7)%	(3,595)	(0.5)%	836	18.9%
Administration and other operational costs	6,695	1.0%	7,493	1.1%	798	11.9%
Amortization of intangible assets	1,931	0.3%	2,298	0.3%	367	19.0%
Non-recurring expenses	406	0.1%	2,398	0.3%	1,992	—
Total administrative costs	**15,091**	**2.4%**	**19,789**	**2.9%**	**4,698**	**31.1%**

Administrative costs increased by €4,698 thousand, or 31.1%, from €15,091 thousand (2.4% of net sales) for the year ended December 31, 2012 to €19,789 thousand (2.9% of net sales) for the year ended December 31, 2013. This increase as a percentage of net sales was primarily attributable to higher non-recurring expenses recorded in 2013 for legal and consulting services provided in connection with the issuance of the Original Notes. In particular, non-recurring expenses increased by €1,992 thousand from €406 thousand (0.1% of net sales) for the year ended December 31, 2012 to €2,398 thousand (0.3% of net sales) for the year ended December 31, 2013, in connection with the Rhiag Acquisition Transactions.

Other Operating Costs

The following table sets forth our operating costs for the years ended December 31, 2013 and 2012.

	Rhiag					
	Years Ended December 31					
	2012	**(% of Net Sales)**	**2013**	**(% of Net Sales)**	**Amount of Change**	**% Change**
	(EUR thousands, except for %)					
Headquarters and branch costs (utilities and maintenance)	3,700	0.6%	4,088	0.6%	388	10.5%
Insurance	1,066	0.2%	1,095	0.2%	29	2.7%
Disposal of PPE and intangible assets	(195)	—	(269)	—	(74)	(37.9)%
Depreciation of PPE	6,996	1.1%	7,303	1.1%	307	4.4%
Non-recurring expenses/(gains)	283	—	(1,266)	(0.2)%	(1,549)	—
Total other operating costs	**11,850**	**1.9%**	**10,951**	**1.6%**	**(899)**	**(7.6)%**

Other operating costs decreased by €899 thousand, or 7.6%, from €11,850 thousand (1.9% of net sales) for the year ended December 31, 2012 to €10,951 thousand (1.6% of net sales) for the year ended December 31, 2013. This decrease was primarily attributable to an increase in non-recurring gains as a result of the gain realized from the sale of a building owned by RGL in Baar, Switzerland, in September 2013.

Impairment of Goodwill and Other Assets

Impairment of goodwill and other assets was €959 thousand for year ended December 31, 2012. There was no impairment recorded for the year ended December 31, 2013. The impairment for the year ended December 31, 2012 was recorded in relation to the residual amount of goodwill allocated to Rhiag Engineering, which acts as a dealer in original components for manufacturers of new automobiles. See note 3 to Rhiag's audited consolidated financial statements for the year ended December 31, 2013.

Net Financial Expense

	Rhiag					
	Years Ended December 31					
	2012	**(% of Net Sales)**	**2013**	**(% of Net Sales)**	**Amount of Change**	**% Change**
Financial income	7,159	1.1%	6,437	0.9%	(722)	(10.1)%
Financial expense	(18,417)	(2.9)%	(26,141)	(3.8)%	(7,724)	(41.9)%
Net financial expense	**(11,258)**	**(1.8)%**	**(19,704)**	**(2.8)%**	**(8,446)**	**(75.0)%**

Net financial expense increased by €8,446 thousand, or 75.0%, from €11.258 thousand (1.8% of net sales) for the year ended December 31, 2012 to €19,704 thousand (2.8% of net sales) for the year ended December 31, 2013. This increase as a percentage of net sales was primarily due to exchange rate fluctuations with respect to our Eastern Europe segment and the write-off of unamortized debt issuance costs with respect to the ING Credit Facilities, which were repaid in full and terminated as part of the Rhiag Acquisition Transactions.

We recorded a net exchange rate loss of €4,811 thousand for the year ended December 31, 2013 compared to a net exchange rate gain of €383 thousand for the year ended December 31, 2012. The net exchange rate loss is mainly due fluctuations in exchange rates on sales and purchase transactions.

Taxes on Income

Taxes on income increased by €465 thousand, or 4.0%, from €11,618 thousand (1.8% of net sales) for the year ended December 31, 2012 to €12,083 thousand (1.7% of net sales) for the year ended December 31, 2013.

Net Profit

As a result of the factors discussed above, net profit decreased by €8,539 thousand, 20.3%, from €42,160 thousand (6.6% of net sales) for the year ended December 31, 2012 to €33,621 thousand (4.9% of net sales) for the year ended December 31, 2013.

Year ended December 31, 2012 as compared to year ended December 31, 2011

	Rhiag					
	Years Ended December 31					
	2011	(% of Net Sales)	2012	(% of Net Sales)	Amount of Change	% Change
	(EUR thousands, except for %)					
Gross sales	649,628	105.5%	672,536	105.5%	22,908	3.5%
Direct selling costs	(33,767)	(5.5)%	(34,897)	(5.5)%	(1,130)	(3.3)%
Net sales	**615,861**	**100.0%**	**637,639**	**100.0%**	**21,778**	**3.5%**
Cost of goods sold	(488,449)	(79.3)%	(513,177)	(80.5)%	(24,728)	(5.1)%
Gross profit/(loss)	**127,412**	**20.7%**	**124,462**	**19.5%**	**(2,950)**	**(2.3)%**
Distribution costs	(31,538)	(5.1)%	(31,526)	(4.9)%	12	—
Administrative costs	(19,649)	(3.2)%	(15,091)	(2.4)%	4,558	23.2%
Other operating costs	(11,627)	(1.9)%	(11,850)	(1.9)%	(223)	(1.9)%
Impairment of goodwill and other assets	—	—	(959)	(0.2)%	(959)	—
Operating profit	**64,598**	**10.5%**	**65,036**	**10.2%**	**438**	**0.7%**
Net financial expense	(18,473)	(3.0)%	(11,258)	(1.8)%	7,215	39.1%
Profit before taxation	**46,125**	**7.5%**	**53,778**	**8.4%**	**7,653**	**16.6%**
Taxes on income	(13,603)	(2.2)%	(11,618)	(1.8)%	1,985	14.6%
Net profit	**32,522**	**5.3%**	**42,160**	**6.6%**	**9,638**	**29.6%**
Adjusted EBITDA	**79,404**	**12.9%**	**77,071**	**12.1%**	**(2,333)**	**(2.9)%**

Net Sales

The following table sets forth our gross sales and net sales for the years ended December 31, 2012 and 2011.

	Rhiag					
	Years Ended December 31					
	2011	(% of Net Sales)	2012	(% of Net Sales)	2012-2011 Amount of Change	2012-2011 % Change
	(EUR thousands, except for %)					
Gross sales—third parties	662,878	107.6%	684,975	107.4%	22,097	3.3%
Commissions income—third parties	2,514	0.4%	2,841	0.4%	327	13.0%
Customer bonuses	(15,764)	(2.6)%	(14,793)	(2.3)%	971	6.2%
Non-recurring expenses	—	—	(487)	(0.1)%	(487)	—
Gross sales	**649,628**	**105.5%**	**672,536**	**105.5%**	**22,908**	**3.5%**
Sales transport	(16,845)	(2.7)%	(18,443)	(2.9)%	(1,598)	(9.5)%
Agents commission	(14,936)	(2.4)%	(13,593)	(2.1)%	1,343	9.0%
Allocation to bad debt provisions and bad debts	(1,502)	(0.2)%	(2,496)	(0.4)%	(994)	(66.2)%
Cash discounts	(262)	—	(255)	—	7	2.7%
Non-recurring expenses	(222)	—	(110)	—	112	50.5%
Direct selling costs	**(33,767)**	**(5.5)%**	**(34,897)**	**(5.5)%**	**(1,130)**	**(3.3)%**
Net sales	**615,861**	**100.0%**	**637,639**	**100.0%**	**21,778**	**3.5%**

Net sales increased by €21,778 thousand, or 3.5%, from €615,861 thousand for the year ended December 31, 2011 to €637,639 thousand for the year ended December 31, 2012. This increase was primarily attributable to an increase in gross sales in Eastern Europe by 9.5% due to the growth of Elit Group and the Auto Kelly Group operations in the Czech Republic and Slovakia as a result of the continued expansion of the distribution and logistics system and the opening of 16 new branches in 2012. For the year ended December 31, 2012, net sales were substantially unchanged in Italy and increased in Switzerland due to an increase in gross sales by 1.5% as compared to the prior year.

Customer bonuses decreased by €971 thousand, or 6.2%, from €15,764 thousand (2.6% of net sales) for the year ended December 31, 2011, to €14,793 thousand (2.3% of net sales) for the year ended December 31, 2012. This decrease as a percentage of net sales was mainly attributable to year-end targets having not been achieved by some Italian customers.

Direct selling costs increased by €1,130 thousand, or 3.3%, from €33,767 thousand (5.5% of net sales) for the year ended December 31, 2011 to €34,897 thousand (5.5% of net sales) for the year ended December 31, 2012. This overall increase in costs was mainly attributable to increased transport costs due to higher fuel costs, particularly in Italy, which were mitigated by lower agent commissions in Italy.

Gross Sales Geographic Breakdown

The following table sets forth our gross sales for the geographic areas in which we operate for the years ended December 31, 2012 and 2011.

	Rhiag					
	Years Ended December 31					
	2011	(% of Gross Sales)	2012	(% of Gross Sales)	2012-2011 Amount of Change	2012-2011 % Change
	(EUR thousands, except for %)					
Italy	331,505	51.0%	331,953	49.4%	448	0.1%
Eastern Europe	281,528	43.3%	308,316	45.8%	26,788	9.5%
Switzerland	42,055	6.5%	42,703	6.3%	648	1.5%
Inter-segment adjustments	(5,460)	—	(10,437)	—	(4,977)	—
Total gross sales	**649,628**	**100.0%**	**672,536**	**100.0%**	**22,908**	**3.5%**

Gross sales in Italy were stable, slightly increasing from €331,505 thousand (51.0% of gross sales) for the year ended December 31, 2011 to €331,953 thousand (49.4% of gross sales) for the year ended December 31, 2012.

Gross sales in Eastern Europe increased by €26,788 thousand, or 9.5%, from €281,528 thousand (43.3% of gross sales) for the year ended December 31, 2011 to €308,316 thousand (45.8% of gross sales) for the year ended December 31, 2012. This increase was primarily driven by organic growth following the widening of the product portfolio following the opening of 16 new branches in Eastern Europe in 2012.

Gross sales in Switzerland increased by €648 thousand, or 1.5%, from €42,055 thousand (6.5% of gross sales) for the year ended December 31, 2011 to €42,703 thousand (6.3% of gross sales) for the year ended December 31, 2012. The increase was driven by a growth in sales directly to garages.

Adjusted EBITDA

Adjusted EBITDA decreased by €2,333 thousand, or 2.9%, from €79,404 thousand (12.9% of net sales) for the year ended December 31, 2011 to €77,071 thousand (12.1% of gross sales) for the year ended December 31, 2012. This decrease, as a percentage of net sales, is primarily due to the increase in cost of goods sold that was not fully offset by the increase in revenue, primarily because of greater competitive pressure on selling prices in all the markets in which we operate as a consequence of a prolonged and significant deterioration of consumer spending power.

The following table sets forth our Adjusted EBITDA for the geographic areas in which we operate for the years ended December 31, 2012 and 2011.

	Rhiag					
	Years Ended December 31					
	2011	(% of Gross Sales of the relevant geographic area)	2012	(% of Gross Sales of the relevant geographic area)	2012-2011 Amount of Change	2012-2011 % Change
	(EUR thousands, except for %)					
Italy	48,439	14.6%	48,078	14.5%	(361)	(0.7)%
Eastern Europe	25,585	9.1%	24,181	7.8%	(1,404)	(5.5)%
Switzerland	5,381	12.8%	4,820	11.3%	(561)	(10.4)%
Inter-segment adjustments	—	—	(8)	—	(8)	—
Adjusted EBITDA	**79,404**	**12.2%**	**77,071**	**11.5%**	**(2,333)**	**(2.9)%**

Adjusted EBITDA in Italy was relatively stable, decreasing slightly from €48,439 thousand (14.6% of Italy gross sales) for the year ended December 31, 2011 to €48,078 thousand (14.5% of Italy gross sales) for the year ended December 31, 2012. This decrease as a percentage of gross sales was primarily due to cost containment, which offset the increase in the cost of goods sold compared to gross sales.

Adjusted EBITDA in Eastern Europe decreased by €1,404 thousand, or 5.5%, from €25,585 thousand (9.1% of Eastern Europe gross sales) for the year ended December 31, 2011 to €24,181 thousand (7.8% of Eastern Europe gross sales) for the year ended December 31, 2012. This decrease as a percentage of gross sales was primarily due to greater competitive pressure on selling prices, leading to an increase in the cost of goods sold as a percentage of gross sales.

Adjusted EBITDA in Switzerland decreased by €561 thousand, or 10.4%, from €5,381 thousand (12.8% of Switzerland gross sales) for the year ended December 31, 2011 to €4,820 thousand (11.3% of Switzerland gross sales) for the year ended December 31, 2012. This decrease as a percentage of gross sales was primarily due to greater competitive pressure on selling prices.

Cost of Goods Sold

The following table sets forth our cost of goods sold for the years ended December 31, 2012 and 2011.

	Rhiag					
	Years Ended December 31					
	2011	**(% of Net Sales)**	**2012**	**(% of Net Sales)**	**2012-2011 Amount of Change**	**2012-2011 % Change**
	(EUR thousands, except for %)					
Purchases of goods for resale	413,471	67.1%	432,145	67.8%	18,674	4.5%
Change in inventory	(10,142)	(1.6)%	(6,194)	(1.0)%	3,948	38.9%
Change in inventory provision	522	0.1%	(251)	—	(773)	—
Transport on purchases	9,547	1.6%	10,863	1.7%	1,316	13.8%
Personnel costs	73,568	11.9%	76,032	11.9%	2,464	3.3%
Non-recurring expenses	1,483	0.2%	582	0.1%	(901)	(60.8)%
Total cost of goods sold	**488,449**	**79.3%**	**513,177**	**80.5%**	**24,728**	**5.1%**

Costs of goods sold increased by €24,728 thousand, or 5.1%, from €488,449 thousand (79.3% of net sales) for the year ended December 31, 2011 to €513,177 thousand (80.5% of net sales) for the year ended December 31, 2012. This increase as a percentage of net sales was primarily attributable to the combination of (i) greater competitive pressure on selling prices in all of our markets, (ii) an increase in sales by our Eastern European businesses, which have higher costs of goods sold, as a percentage of net sales, compared to other markets in which we operate, (iii) increased costs for our Auto Kelly Group operations due to the depreciation of local currencies against the U.S. dollar and Euro, and (iv) higher personnel costs associated with the opening of 16 new branches in Eastern Europe in 2012.

The following table sets forth our personnel costs for the years ended December 31, 2012 and 2011.

	Rhiag					
	Years Ended December 31					
	2011	**(% of Net Sales)**	**2012**	**(% of Net Sales)**	**2012-2011 Amount of Change**	**2012-2011 % Change**
	(EUR thousands, except for %)					
Wages and salaries	52,018	8.4%	53,420	8.4%	1,402	2.7%
Other personnel costs	21,549	3.5%	22,612	3.5%	1,063	4.9%
Personnel costs	**73,567**	**11.9%**	**76,032**	**11.9%**	**2,465**	**3.3%**
Non-recurring expenses	755	0.1%	401	0.1%	(354)	(46.9)%
Total personnel costs	**74,322**	**12.1%**	**76,433**	**12.0%**	**2,109**	**2.8%**

Personnel costs increased by €2,109 thousand, or 2.8%, from €74,322 thousand (12.1% of net sales) for the year ended December 31, 2011 to €76,433 thousand (12.0% of net sales) for the year ended December 31, 2012. This increase in overall costs relates to new hires for new branches opened in Eastern Europe. Total staff increased by 139 employees, from 2,673 employees as at December 31, 2011 to 2,812 employees as at December 31, 2012.

Distribution Costs

The following table sets forth our distribution costs for the years ended December 31, 2012 and 2011.

	Rhiag					
	Years Ended December 31					
	2011	**(% of Net Sales)**	**2012**	**(% of net Sales)**	**2012-2011 Amount of Change**	**2012-2011 % Change**
	(EUR thousands, except for %)					
Travel and subsistence expenses	4,214	0.7%	4,513	0.7%	299	7.1%
Rent and operating leases	14,015	2.3%	14,876	2.3%	861	6.1%
Advertising, promotional and catalogs costs	13,112	2.1%	11,856	1.9%	(1,256)	(9.6)%
Non-recurring expenses	197	—%	281	—%	84	42.6%

	Rhiag					
	Years Ended December 31					
	2011	(% of Net Sales)	2012	(% of net Sales)	2012-2011 Amount of Change	2012-2011 % Change
	(EUR thousands, except for %)					
Total distribution costs	**31,538**	**5.1%**	**31,526**	**4.9%**	**(12)**	**—**

Distribution costs decreased slightly by €12 thousand from €31,538 thousand (5.1% of net sales) for the year ended December 31, 2011 to €31,526 thousand (4.9% of net sales) for the year ended December 31, 2012. Distribution costs (as a percentage of net sales) in the year ended December 31, 2012 were positively impacted by our efforts to effectively manage our distribution costs in early 2012.

Administrative Costs

The following table sets forth our administrative costs for the years ended December 31, 2012 and 2011.

	Rhiag					
	Years Ended December 31					
	2011	(% of Net Sales)	2012	(% of Net Sales)	2012-2011 Amount of Change	2012-2011 % Change
	(EUR thousands, except for %)					
Outsourced services	8,351	1.4%	8,246	1.3%	(105)	(1.3)%
Legal and consulting fees	2,442	0.4%	2,244	0.4%	(198)	(8.1)%
Other income	(3,783)	(0.6)%	(4,431)	(0.7)%	(648)	(17.1)%
Administration and other operational costs	6,986	1.1%	6,695	1.0%	(291)	(4.2)%
Amortization of intangible assets	1,711	0.3%	1,931	0.3%	220	12.9%
Non-recurring expenses	3,942	0.6%	406	0.1%	(3,536)	(89.7)%
Total administrative costs	**19,649**	**3.2%**	**15,091**	**2.4%**	**(4,558)**	**(23.2)%**

Administrative costs decreased by €4,558 thousand, or 23.2%, from €19,649 thousand (3.2% of net sales) for the year ended December 31, 2011 to €15,091 thousand (2.4% of net sales) for the year ended December 31, 2012. This decrease as a percentage of net sales was primarily due to the lower non-recurring expenses recorded in 2012, which decreased by €3,536 thousand, or 89.7%, from €3,942 thousand (0.6% of net sales) for the year ended December 31, 2011 to €406 thousand (0.1% of net sales) for the year ended December 31, 2012. The non-recurring expenses for the year ended December 31, 2011 included €3,079 thousand of costs related to the planned initial public offering of Rhiag by our former shareholders, which was subsequently terminated.

Other Operating Costs

The following table sets forth our operating costs for the years ended December 31, 2012 and 2011.

	Rhiag					
	Years Ended 31 December					
	2011	% of Net Sales	2012	% of Net Sales	2012-2011 Amount of Change	2012-2011 % Change
	(EUR thousands, except for %)					
Headquarters and branch costs (utilities and maintenance)	3,519	0.6%	3,700	0.6%	181	5.1%
Insurance	999	0.2%	1,066	0.2%	67	6.7%
Disposal of PPE and intangible assets	(142)	—	(195)	—	(53)	(37.3)%
Depreciation of PPE	7,243	1.2%	6,996	1.1%	(247)	(3.4)%
Non-recurring expenses	8	—	283	—	275	—
Total other operating costs	**11,627**	**1.9%**	**11,850**	**1.9%**	**223**	**1.9%**

Other operating costs remained stable, slightly increasing by €223 thousand, or 1.9%, from €11,627 thousand (1.9% of net sales) for the year ended December 31, 2011 to €11,850 thousand (1.9% of net sales) for the year ended December 31, 2012.

Impairment of Goodwill and Other Assets

Impairment of goodwill and other assets was €959 thousand for year ended December 31, 2012. There was no impairment recorded for the year ended December 31, 2011. The impairment in 2012 was recorded in relation to the residual amount of goodwill allocated to Rhiag Engineering, which engages in activities as a dealer in original components for manufacturers of new automobiles. See note 3 to Rhiag's audited consolidated financial statements for the year ended December 31, 2012.

Net Financial Expense

	Rhiag					
	Years Ended December 31					
	2011	**(% of Net Sales)**	**2012**	**(% of Net Sales)**	**2012-2011 Amount of Change**	**2012-2011 % Change**
	(EUR thousands, except for %)					
Financial income	11,330	1.8%	7,159	1.1%	(4,171)	(36.8)%
Financial expense	(29,803)	(4.8)%	(18,417)	(2.9)%	11,386	38.2%
Net financial expense	**(18,473)**	**(3.0)%**	**(11,258)**	**(1.8)%**	**7,215**	**39.1%**

Net financial expense decreased by €7,215 thousand, or 39.1%, from €18,473 thousand (3.0% of net sales) for the year ended December 31, 2011 to €11,258 thousand (1.8% of net sales) for the year ended December 31, 2012. This decrease as a percentage of net sales was primarily due to a reduction in borrowing costs due to lower interest rates on our medium-to-long term loans as a result of lower EURIBOR rates during 2012 compared to the previous year.

We recorded a net exchange rate gain of €383 thousand for the year ended December 31, 2012 compared to a net exchange rate loss of €2,355 thousand for the year ended December 31, 2011. The net exchange rate gain is mainly due to unrealized exchange differences, related to the portion of the Facilities Agreement made to Auto Kelly CZ.

We also recognized non-cash, non-recurring income of €2,245 thousand for the year ended December 31, 2012 resulting from the reversal of the provision for the final "earn-out" installment payable to the previous shareholder of Auto Kelly CZ under the terms of the acquisition agreement for the Auto Kelly Group. Auto Kelly CZ did not achieve the specified contractual target that would have triggered the earn-out payment. See notes 14 and 31 to Rhiag's audited consolidated financial statements for the year ended December 31, 2012.

Taxes on Income

Taxes on income decreased by €1,985 thousand, or 14.6%, from €13,603 thousand (2.2% of net sales) for the year ended December 31, 2011 to €11,618 thousand (1.8% of net sales) for the year ended December 31, 2012. This decrease as a percentage of net sales was primarily attributable to a non-recurring income in 2012 of €1,867 thousand, as a result of a refund of the additional IRES paid for the 2009 tax period, which was due to changes in the rules on the deduction of IRAP for IRES purposes. Taxes on income also decreased due to higher gross operating income, which made it possible to recover interest expenses not deducted in previous years.

Net Profit

As a result of the factors discussed above, net profit increased by €9,638 thousand, or 29.6%, from €32,522 thousand (5.3% of net sales) for the year ended December 31, 2011 to €42,160 thousand (6.6% of net sales) for the year ended December 31, 2012.

Liquidity and Capital Resources

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business, including working capital needs, debt service obligations, capital expenditures, operating losses, acquisitions and contractual obligations and commitments.

Our principal sources of liquidity have been our existing cash and cash equivalents, cash generated from operations, any borrowings under our working capital and bank overdraft facilities, including our €75 million Revolving Credit Facility and finance leases. We believe that, based on our current level of operations as reflected in our results of operations for the six months ended June 30, 2014, these sources of liquidity will be sufficient to fund our operations, capital expenditure and debt service for at least the next twelve months.

Our financial condition and liquidity has been, and is expected to continue to be, influenced by a variety of factors, including:

- our ability to generate cash flows from our operations;
- the level of our outstanding indebtedness, and the interest we are obligated to pay on such indebtedness, which affects our finance costs;
- prevailing interest rates, which affect our debt service requirements;
- our ability to continue to borrow funds from banks and the international debt capital markets;
- our level of acquisition activity; and
- our capital expenditure requirements.

Our cash requirements are expected to consist mainly of the following:

- operating costs and working capital;

- funding capital expenditures;
- funding selective acquisitions;
- servicing indebtedness; and
- paying taxes.

Historical Cash Flows

The following is a discussion and analysis of our cash flow data for the six months ended June 30, 2013 and 2014 and for the years ended December 31, 2011, 2012 and 2013.

	Rhiag				Parent
	Year Ended December 31			Six Months Ended June 30	Six Months Ended June 30
	2011	2012	2013	2013	2014
	(EUR thousands)				
Net cash flow generated/(absorbed) by operating activities	45,738	46,708	40,304	17,993	(14,719)
Net cash flow absorbed by investing activities	(12,426)	(12,045)	(11,198)	(4,473)	(3,589)
Net cash flow generated/(absorbed) by financing activities	(14,601)	(13,998)	(45,681)	(5,832)	2,735
Exchange-rate effect	(1,565)	871	(4,506)	(1,292)	(2,716)
Total cash flow generated/(absorbed) by continuing activities operations	**17,146**	**21,536**	**(21,081)**	**6,396**	**(18,289)**
Total opening cash and cash equivalents	17,271	34,417	55,953	55,953	41,427
Total closing cash and cash equivalents	**34,417**	**55,953**	**34,870**	**62,349**	**23,138**

(1) The following table sets out our changes in net working capital:

	Rhiag				Parent
	Years Ended December 31			Six Months Ended June 30	Six Months Ended June 30
	2011	2012	2013	2013	2014
	(EUR thousands)				
Changes in trade receivables and other current receivables	(2,533)	(10,883)	(20,357)	(23,835)	(9,103)
Changes in inventory	(7,626)	(8,078)	(2,805)	(5,340)	(7,998)
Changes in trade payables	13,174	19,904	3,333	15,179	(2,159)
Changes in provisions	(8)	(900)	(66)	2,137	3,187
Changes in other payables and deferred compensation	(2,503)	(5,124)	12,529	1,498	(14,481)[(1)]
Changes in net working capital	**504**	**(5,081)**	**(7,366)**	**(10,361)**	**(30,554)**

(1) In the six months ended June 30, 2014, we recorded changes in other current liabilities of €14,481 thousand, which were primarily attributable to the incurrence of transaction costs with respect to the Rhiag Acquisition Transactions as well as bonuses paid to members of management.

Net Cash Flow Generated/(Absorbed) by Operating Activities

Net cash flow absorbed by operating activities was €14,719 thousand for the six months ended June 30, 2014. Net cash flow absorbed by operating activities was the result of a loss before taxation of €1,403 thousand adjusted for non-cash adjustments of €41,102 thousand, an increase in net working capital of €30,554 thousand, the payment of net interest of €17,091 thousand and the payment of taxes of €6,773 thousand. The increase in working capital was principally attributable to a negative change in trade working capital of €23,749 thousand and to a negative change in other current assets/liabilities of €6,805 thousand. In the six months ended June 30, 2014, we recorded changes in other current liabilities of €14,781 thousand, which were primarily attributable to the incurrence of transaction costs with respect to the Rhiag Acquisition Transactions as well as bonuses paid to members of management. The increase in trade working capital was mainly attributable to the increase in inventory and trade receivables in order to support our higher level of sales, and to the decrease in the number of days for outstanding payables agreed with certain of our suppliers in order to improve our purchasing terms and margins.

Net cash flow generated by operating activities was €17,993 thousand for the six months ended June 30, 2013. Net cash flow generated by operating activities was the result of profit before taxation of €24,912 thousand adjusted for non-cash adjustments of €36,881 thousand, an increase in net working capital of €10,361 thousand, the payment of net interest of €4,196 thousand and the payment of taxes of €4,330 thousand. The increase in working capital was attributable to a negative change in trade working capital of €11,657 thousand and to a positive change in other current assets/liabilities of €1,296 thousand. The increase in trade working capital was mainly attributable to the increase in inventory and trade receivables in order to support our higher level of sales, offset by the increase of trade payables resulting from the decrease in the number of days for outstanding payables agreed with certain of our suppliers.

Net cash flow generated by operating activities was €40,304 thousand for the year ended December 31, 2013. Net cash flow used in operating activities was the result of an operating profit before taxation of €45,704 thousand adjusted for non-cash adjustments of €74,740 thousand, an increase in net working capital of €7,366 thousand, the payment of net interest of €11,676 thousand and the payment of taxes of €15,394 thousand. The increase in working capital was attributable to a negative change in trade working capital of €13,643 thousand and to a positive change in other current assets/liabilities of €6,277 thousand. The increase in trade working capital was mainly attributable to the increase in inventory and trade receivables in order to support our higher level of sales, offset by the increase of trade payables resulting from the decrease in the number of days for outstanding payables agreed with certain of our suppliers.

Net cash flow generated by operating activities was €46,708 thousand for the year ended December 31, 2012. Net cash flow used in operating activities was the result of an operating profit before taxation of €53,778 thousand adjusted for non-cash adjustments of €74,864 thousand, an increase in net working capital of €5,081 thousand, of the payment of net interest of €10,446 thousand and the payment of taxes of €12,629 thousand. The increase in working capital was attributable to a change in other current assets/liabilities of negative €9,614 thousand, which was partly offset by a positive change in trade working capital of €4,533 thousand. In addition, as a result of our cost containment policy, reduced bonuses and payments made pursuant to our agreement with Rhifim S.p.A. (see note 14 to our 2012 audited financial statements), our non-trade suppliers was reduced by €3,241 thousand. The change in net working capital was also negatively affected by customer rebates that have not accrued, the release of the last tranche of the earn-out related to the Auto Kelly Group acquisition and higher tax receivables.

Net cash flow generated by operating activities was €45,738 thousand for the year ended December 31, 2011. Net cash flow used in operating activities was the result of an operating profit before taxation of €46,125 thousand adjusted for non-cash adjustments of €75,427 thousand, reduced by the payment of net interest of €15,017 thousand and the payment of taxes of €15,176 thousand, which were partly offset by a decrease in net working capital of €504 thousand. A decrease in trade working capital of €2,909 thousand was offset by a decrease of €2,405 thousand in other current assets/liabilities. In addition, during the year ended December 31, 2011, €1,200 thousand was used to make payments under the Rhifim Settlement Agreement. Reduced VAT payable also had a negative impact on the change in net working capital.

Net Cash Flow Absorbed by Investing Activities

Net cash flow absorbed by investing activities for the six months ended June 30, 2014 and June 30, 2013 was €3,589 thousand and €4,473 thousand, respectively. These amounts were used for capital expenditures, such as shelves and other equipment in our distribution centers.

Net cash flow absorbed by investing activities for the year ended December 31, 2013 was €11,198 thousand. This amount included capital expenditures related to equipment used in our branches, such as inventory shelving and with respect to leasehold property for the opening of a new branch in Turin, Italy, the improvement of our branch in Rome, investments in equipment used in our branches, such as inventory shelving and machinery for the handling of goods in stock and the purchase of vehicles, the improvement of our warehouse in Prague as well as the opening of central warehouse in Bucharest (Romania), costs related to the transferring of our central warehouse following the sale of a building owned by RGL in Baar, Switzerland, in September 2013, capital expenditure on intangible assets in Italy and in Eastern Europe related to the improvement of our enterprise resource planning systems and the improvement of our E-Platform.

Net cash flow absorbed by investing activities for the year ended December 31, 2012 and December 31, 2011 was €12,045 thousand and €12,426 thousand, respectively. These amounts included the annual "earn-out" payment of €2,500 thousand made in each of 2012 and 2011 to the former shareholders of the Auto Kelly Group under the terms of the acquisition agreement for the Auto Kelly Group and capital expenditures. The capital expenditures (€9,535 thousand in 2012 and €9,926 thousand in 2011) were mainly for shelves and other equipment in our distribution centers, delivery vehicles for our Eastern European operations and information technology software.

Net Cash Flow Generated/(Absorbed) by Financing Activities

Net cash flow generated by financing activities for the six months ended June 30, 2014 was €2,735 thousand. This amount was attributable to (i) a bank overdraft increase equal to €3,022 thousand, and (ii) dividends of €287 thousand paid to former shareholders of the Auto Kelly Group.

Net cash flow absorbed by financing activities for the six months ended June 30, 2013 was €5,832 thousand. This amount was attributable to (i) repayment of €6,602 thousand under the ING Credit Facilities and a bank overdraft increase equal to €1,599 thousand, and (ii) a dividend of €307 thousand paid to former shareholders of the Auto Kelly Group and a dividend of €522 thousand paid to the former owner of Rhiag (Lanchester S.A.).

Net cash flow absorbed by financing activities was €45,681 thousand for the year ended December 31, 2013. This amount was attributable to (i) the full repayment of €237,518 thousand under the ING Credit Facilities, as part of the Rhiag Acquisition Transactions, through cash available and proceeds of the Funding Loans advanced by the Issuer in a total aggregate principal amount of €191,800 thousand, (ii) a bank overdraft increase of €1,166 thousand, and (iii) a dividend of €607 thousand paid to former shareholders of the Auto Kelly Group and a dividend of €523 thousand paid to the former owner of Rhiag (Lanchester S.A.). Under the acquisition agreement for the Auto Kelly Group, the former shareholders of Auto Kelly Group are entitled to receive specified dividends in monthly installments through 2020. See note 14 to Rhiag's audited consolidated financial statements for the year ended December 31, 2013.

Net cash flow absorbed by financing activities was €13,998 thousand for the year ended December 31, 2012. This amount was attributable to (i) repayment of €13,203 thousand under the ING Credit Facilities and a bank overdraft increase of €356 thousand, and (ii) a dividend of € 627 thousand paid to former shareholders of the Auto Kelly Group and a dividend of €524 thousand paid to the former owner of Rhiag (Lanchester S.A.).

Net cash flow absorbed by financing activities was €14,601 thousand for the year ended December 31, 2011. This amount was primarily used for (i) the repayment of current and non-current loans as combined effect of the repayment of €7,698 thousand under the ING Credit Facilities and a repayment under the bank overdraft facility of €4,356 thousand, and (ii) a dividend of €641 thousand paid to the former shareholders of the Auto Kelly Group and a dividend of €1,906 thousand paid to the former owner of Rhiag (Lanchester S.A.).

Capital Expenditures

We have an "asset light" business model, and thus we are not required to make significant capital investments in our business. Our capital expenditures on average have been 1.7% of our net sales in the years ended December 31, 2011, 2012 and 2013. We expect our investment in capital expenditures in 2014 and 2015 to be consistent with these investment levels and we currently do not intend to make any extraordinary capital expenditure investments in 2014 or 2015. This capital expenditure will be incurred primarily in relation to the items discussed below.

Our capital expenditures include the further expansion of our operations and the maintenance of our existing operations. In particular, our capital expenditure on tangible assets mainly regarded purchases of shelving and machinery to move products around the warehouse as well as purchases of cars, vans and other commercial vehicles, especially following the opening of new branches. Our capital expenditure on intangible assets mainly regarded the purchase of software to book goods in and out of inventory, for management and financial reporting, for technical databases of spare parts for cars and industrial, as well as to implement new inventory management software in order to optimize the levels of inventory carried within the Group.

Over the six months ended June 30, 2014 and the three years ended December 31, 2011, 2012 and 2013, we have made capital expenditures totaling €37,263 thousand. Our capital expenditures amounted to €4,548 thousand (1.3% of net sales), €12,354 thousand (1.8% of net sales), €9,723 thousand (1.5% of net sales) and €10,638 thousand (or 1.7% of net sales) for the six months ended June 30, 2014 and the years ended December 31, 2013, 2012 and 2011, respectively.

Working Capital

Our working capital is comprised of trade working capital and other current assets/liabilities. Our trade working capital is comprised of inventory, trade payables and trade receivables. Other current assets/liabilities are primarily comprised of non-trade suppliers.

Our inventory levels have increased during the period under review as we have expanded our business. Our trade payables are impacted by the payment terms that we negotiate with our suppliers. Similarly, our trade receivables can be impacted by the payment terms that we negotiate with our customers. Our trade receivables have increased as we have expanded our business. In addition, as a result of the ongoing difficult economic and financial environment in Italy, our trade receivables have been impacted due to an increase in average days sales outstanding.

Our typical working capital cycle is mainly driven by the build-up of inventory during the months of June, July, October and November due to the seasonality of our business, and the differences between our product mix for the winter and summer seasons.

Changes in our working capital were partially driven by the changes in the timing of our trade payables. In the six months ended June 30, 2014, as part of our strategy to improve our purchasing terms and to improve our margins, we sought to reduce the number of days for outstanding payables agreed with certain of our suppliers that offer discounts for payments made within a shorter timeframe. We have mainly adopted this approach in Italy as well as Eastern Europe. In addition, the payment terms we offer our customers varies by geography and the payment terms for our customers in Italy are typically significantly longer compared to those agreed with customers in Eastern Europe. As a result, we had a decrease in our trade payables in the six months ended June 30, 2014 compared to the prior corresponding period, which had a negative effect on our net cash flow generated by operating activities.

The following table sets forth the components of our as adjusted net working capital for the periods indicated.

	Rhiag				**Parent**
	As at December 31			**As at June 30**	**As at June 30**
	2011	**2012**	**2013**	**2013**	**2014**
Current assets	286,060	326,666	329,873	362,223	334,037
Less: current liabilities	(160,949)	(173,899)	(198,794)	(210,950)	(202,623)
	125,111	152,767	131,079	151,273	131,414
Excluding:					
Cash and cash equivalents	(34,417)	(55,953)	(34,870)	(62,349)	(23,138)
Bank borrowing	13,538	13,893	1,856	27,675	29,314

	Rhiag				Parent
	As at December 31			As at June 30	As at June 30
	2011	2012	2013	2013	2014
Current portion of provisions for risks and charges	8,193	7,472	8,283	9,710	11,470
Notes liabilities	—	—	—	—	2,409
Other financial liabilities	2,215	2,370	22,739	2,728	2,486
Adjusted net working capital	**114,640**	**120,549**	**129,087**	**129,037**	**153,955**

Change in Trade Working Capital

Trade working capital increased by €23,749 thousand, or 14.7%, from €161,517 thousand (23.4% of net sales) as of December 31, 2013 to €185,266 thousand as of June 30, 2014. This increase is attributable to the net effect of (i) an increase in inventory and trade receivables in order to support our higher level of sales and (ii) a decrease of trade payables. Such decrease in our trade payables was principally driven by the changes in the timing of our trade payables. In the six months ended June 30, 2014, as part of our strategy to improve our purchasing terms and to improve our margins, we sought to reduce the number of days for outstanding payables agreed with certain of our suppliers that offer discounts for payments made within a shorter timeframe.

Trade working capital was €161,517 thousand (23.4% of net sales) as of December 31, 2013 and increased by €13,644 thousand, or 9.2%, from €147,783 thousand (23.2% of net sales) as of December 31, 2012. This increase is attributable to the net effect of (i) an increase in inventories mainly to support the growth of our operations, (ii) an increase in trade receivables mainly due to the extension of credit to some customers to sustain sales growth and (iii) an increase in trade payables.

Trade working capital was €147,873 thousand (23.2% of net sales) as of December 31, 2012 and decreased by €4,533 thousand, or 3.0%, from €152,406 thousand (24.7% of net sales) as of December 31, 2011. This decrease is attributable to the net effect of (i) an increase in inventories mainly to support the growth of our operations, (ii) an increase in trade receivables mainly due to the extension of credit to some customers to sustain sales growth and (iii) an increase in trade payables due to increased inventory levels at year end and improved payment terms negotiated with certain of our suppliers.

Contractual Obligations

The table below summarizes our material contractual obligations and commitments as of June 30, 2014, on an adjusted basis after giving *pro forma* effect to the Transactions, including the issuance of the Notes and the Era Acquisition.

	Payments Due by Period			
	Less than 1 year	2-5 years	More than 5 years	Total
	(EUR thousands)			
As adjusted *Pro forma* Contractual Obligations				
Finance Lease Obligations	1,962	3,316	1,029	6,307
Original Notes and Notes offered hereby[1]	—	—	465,000	465,000
Operating Lease Obligations	1,729	2,038	24	3,792
Rent Obligations	12,396	29,942	8,702	51,040
Dividends[2]	565	2,492	157	3,214
Total	**16,652**	**37,788**	**474,912**	**529,353**

(1) Includes €215 million aggregate principal amount of Original Fixed Rate Notes, €200 million aggregate principal amount of Original Floating Rate Notes and the €50 million of Notes offered hereby.

(2) Includes liabilities in respect of Auto Kelly CZ deferred payments, payable to the former shareholders of the Auto Kelly Group until 2020.

For a description of the material terms of our long-term financing arrangements, see *"Description of Certain Financing Arrangements", and "Description of the Senior Secured Notes".*

Quantitative and Qualitative Disclosure about Financial Risk

In the ordinary course of our business, we are exposed to a variety of financial risks. We monitor and manage these risks as an integral part of our overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce their potential adverse effects on our results of operations.

Credit Risk

Credit risk represents the risk of incurring a financial loss as a result of a breach of a payment obligation by third parties. We have adopted credit management procedures adjusted to the characteristics of the market and of our customers in order to reduce the risk of exposure and to attempt to allow prompt and proactive management of our business. We manage our customer credit risk by monitoring our customers based on customer type, credit duration, financial difficulties and actual or threatened bankruptcy procedures. Financial assets are recorded in the financial statements net of the write-off based on the risk of breach by the counterparty, which is determined based on the available information regarding the customer's solvency.

Liquidity Risk

Liquidity risk, or funding risk, represents the risk that we may encounter difficulty procuring the funds necessary to honor our commitments and obligations as and when they become due and payable. Our cash flows, funding needs, and liquidity are monitored and managed by our finance department, which has the objective of guaranteeing an effective and efficient management of financial resources. We believe that the funds and the credit facilities currently available, including the amount available under the €75 million Revolving Credit Facility will, in addition to the liquidity that will be generated by operations and financing activities in the ordinary course of business, allow us to meet our needs with respect to investment activities, managing working capital, and repaying debt on its scheduled maturity dates.

Exchange Rate Risk

The Euro is the functional currency in which our financial statements are presented. However, we operate on an international level and also distribute our products in countries where the Euro is not the functional currency. Our companies operating in the Czech Republic, Hungary, Romania, Switzerland and Ukraine generate revenues in local currencies while purchasing their products primarily in Euros and, to a lesser extent, in U.S. dollars. Therefore, these companies are exposed to the risk of the local currency depreciating in relation to the Euro. As a result, when we include the financial data of our non-Eurozone subsidiaries in our consolidated financial statements, we are exposed to exchange risks. In particular, we are exposed to the Czech Koruna ("CZK"), the Swiss Franc ("CHF"), the Hungarian Forint ("HUF"), the Ukrainian Hryvnia ("UAH") and the Romanian Leu ("RON").

In the six months ended June 30, 2014:

- *Elit CZ:* approximately 61% of gross sales were denominated in CZK and approximately 1% of gross sales were denominated in PLN. Approximately 24% of purchases were denominated in CZK and approximately 4% of purchases were denominated in USD.
- *Elit UA:* approximately 99% of gross sales were denominated in UAH. Approximately 9% of purchases were denominated in UAH and approximately 1% of purchases were denominated in USD.
- *Elit RO:* approximately 97% of gross sales were denominated in RON and approximately 8% of purchases were denominated in RON.
- *Lang:* approximately 92% of gross sales were denominated in HUF and approximately 25% of purchases were denominated in HUF.
- *Auto Kelly CZ:* approximately 81% of gross sales were denominated in CZK. Approximately 45% of purchases were denominated in CZK and approximately 13% of purchases were denominated in USD.
- *RGL:* approximately 88% of gross sales were denominated in CHF and approximately 14% of purchases were denominated in CHF.

As a result, we may be exposed to unexpected fluctuations in exchange rates.

During the year ended December 31, 2013, we entered into short-term currency hedging transactions. However, such hedging transactions entered into in 2013 have since been terminated and we currently do not have any foreign exchange swaps. In addition, we expanded our operations to Poland through the opening of one branch in February 2014 and we face additional exchange rate risk with respect to the Polish zloty.

Interest Rate Risk

We are exposed to interest rate risks due to our need to finance our operations as well as to utilize our available liquidity. Fluctuations in market interest rates may have a negative or a positive impact on our financial results by indirectly influencing the repayment of loans and investments.

We evaluate our exposure to changes in interest rates on a regular basis and may manage such risks by entering into financial derivatives in accordance with our "Interest rate risk management policy". Notwithstanding our potential use of hedging instruments, unexpected changes in interest rates could have a material adverse effect on our business, results of operations or financial condition. We have entered into an interest rate swap in order to fix our interest rate expense with respect to the Original Floating Rate Notes.

Off-Balance Sheet Arrangements

We are not party to any material off-balance sheet arrangements. For a description of certain commitments and guarantees that we have given to third parties in connection with our financing arrangements and other ordinary course rental and other obligations, see note 23 to Rhiag's audited consolidated financial statements for the year ended December 31, 2013.

Other Financial Obligations: Pension Obligations

For a description of certain pension plans and obligations, see "*Business—Employees*". See also note 15 to Rhiag's audited consolidated financial statements for the year ended December 31, 2013.

Critical Accounting Policies

The following section discusses the main accounting policies applied in the preparation of our consolidated financial statements. Our consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union and are dependent on the application of various estimates and assumptions. Such assumptions or estimates are based on our historical experience and currently available information. Actual results may differ significantly from such estimates in light of the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

Management reviews estimates and assumptions on an ongoing basis and may modify these assumptions and estimates as appropriate. Therefore, the results of operations and financial position as reported in our consolidated financial statements may change significantly. The following is a discussion of what management believes to be the accounting policies which are most dependent upon the application of estimates and assumptions.

Impairment of Assets

We periodically check the recoverability of the carrying amount of intangible assets, goodwill and property, plant and equipment in order to determine whether there is any indication that these assets have been impaired. If there is any such indication, the carrying amount of the asset is reduced to the related recoverable amount.

The recoverable amount of an asset or cash generating unit ("CGU") is the higher of the value in use or the fair value less cost to sell. To determine the value in use of an asset or CGU, we calculate the present value of the estimated future cash flows, gross of taxes, applying a discount rate, before taxes, that reflects the current market values of the time value of money and the specific risks of the asset or CGU. An impairment loss is recorded if the recoverable value is lower than the carrying amount.

If, subsequently, the impairment recorded for an asset (other than goodwill) no longer applies or decreases, the carrying amount of the asset or the cash generating unit is increased up to the new estimate of recoverable value and cannot exceed the amount that would have been determined if no impairment had been recorded.

Inventories

Inventory is measured at the lower of weighted average cost and estimated realizable value as indicated by market performance, with account taken of any write-offs. Cost includes direct and indirect costs and related charges insofar as they can be reasonably allocated to inventory.

Obsolete or slow moving inventory is written off based on its possibility of use or realization by creating a specific allowance, which directly reduces the value of the corresponding asset. Write-offs made in order to bring cost into line with market value are reversed in future periods if the reason for the write-off ceases to exist.

Trade Receivables

Trade receivables are initially recorded in the consolidated financial statements at their fair value, represented by their nominal value. Subsequent to initial recognition, the trade receivable will be adjusted for any impairment through the creation of a specific bad debt provision. The amount of the provision depends on the size of the risks relating to specific "non-performing" debts and debts that are overdue by specific lengths of time as identified by the Group for each individual country. We write-off 80% of the nominal value of the trade receivable when legal action is necessary to recover bad debts and 100% of the nominal value of the trade receivable for bad debts more than a year overdue.

Use of Estimates

The preparation of the consolidated financial statements and related explanatory notes in application of IFRS require the management to use estimates and assumptions that affect the values of the assets and liabilities of the financial statements and the information relating to the contingent balance sheet assets and liabilities. The estimates and assumptions used are based on past experience and other factors that are considered relevant. The actual results could therefore differ from such estimates. The estimates and assumptions are reviewed periodically and the effects of each change is reflected in the income statement in the period in which the estimate is revised if the estimate affects only that period or in subsequent periods if the revision affects both the current year and future years. See also the paragraph entitled "*Use of Estimates*" in note 1 to Rhiag's audited consolidated financial statements for the year ended December 31, 2013.

Current and Deferred Taxes

We recognize assets and liabilities for taxes generated based on estimates reflecting the higher future tax effect. Where the final outlay or refund relating to these amounts differs from the amount originally recognized, these differences are allocated to current and deferred taxes in the year in which the determination was made. In particular, budgeted profits and forecasts for future years, consistent with those used for the impairment tests, have been considered when recognizing deferred tax assets; the recoverability of these taxes is therefore subject to the risk of a deterioration of the assumptions used in those forecasts.

Contingent Liabilities

We may be subject to legal and tax proceedings relating to a wide array of legal and tax issues. Given the uncertainty regarding such issues, it is difficult to predict with certainty the outflow that may derive from such disputes. Lawsuits and claims often result from legal issues that are complex and difficult and subject to a varying level of uncertainty, including specific facts and circumstances regarding each lawsuit and the different applicable laws. In the normal course of business, management receives the opinions of its legal consultants and experts in legal and tax affairs.

We are a distributor of automotive spare parts for both passenger and commercial vehicles in the independent aftermarket segment in Italy, Eastern Europe (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Ukraine) and Switzerland.

The Aftermarket

The term "aftermarket" refers to the market of spare parts used in the maintenance and repair of passenger and commercial vehicles. Such spare parts include mechanical parts, electrical parts and electronics, body parts (including headlights), assembly parts, tires, oils and lubricants, car paint, other chemical products, accessories and windows.

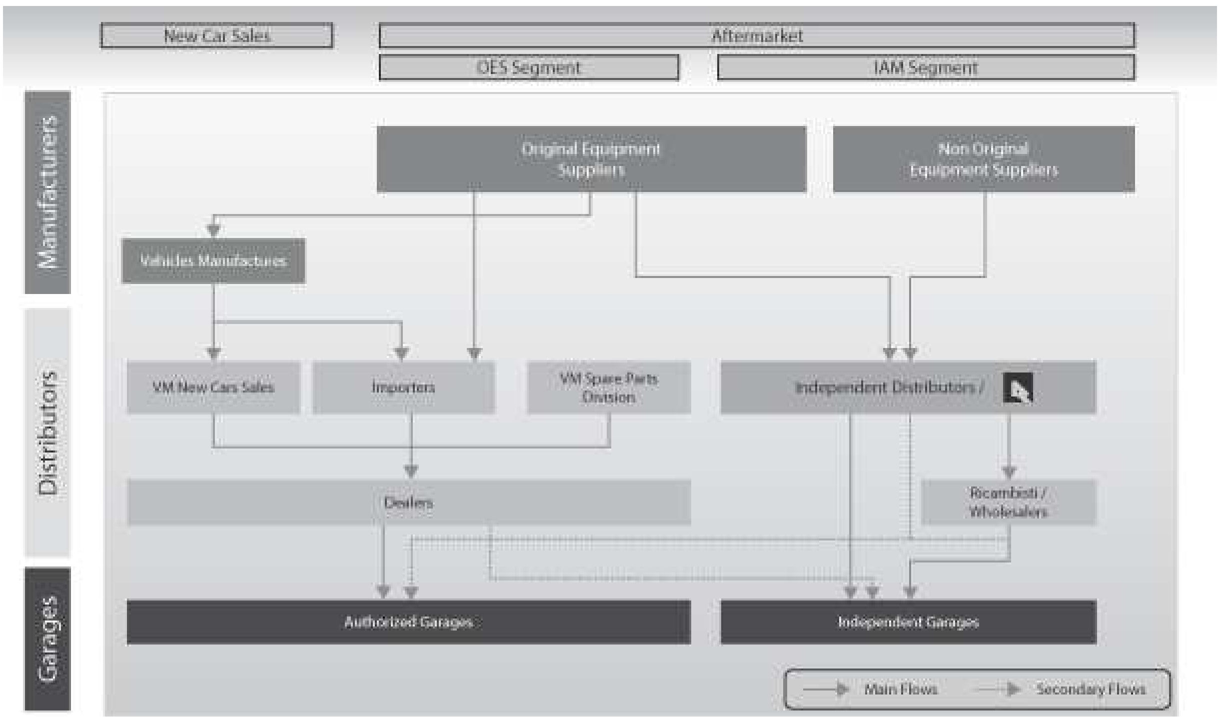
The aftermarket can be divided into two segments:

- the original equipment supplier ("OES") segment, which is operated through a distribution network directly connected to a car manufacturers and generally consists of authorized garages managed by car dealers; and
- the independent aftermarket ("IAM") segment, which is operated by independent distributors and garages, which are not connected to a car manufacturers and typically service all of the vehicles operating on the road without making a distinction between makes/brands and models.

Aftermarket main activities can be divided by making reference to the following operator categories:

- *Producers.* The producers supplying the aftermarket of automotive spare parts include (i) original equipment suppliers, which produce equipment and spare parts for both OES and IAM segments, as well as original equipment replacement components and components used in the manufacturing of vehicles, and (ii) non-original equipment suppliers, which produce exclusively for the IAM segment.
- *Distributors.* In the OES segment distribution is generally carried out by authorized resellers of the car manufacturers that supply authorized dealers. In the IAM segment, distribution is carried out by independent distributors which supply products, depending on the specifics of the geographic area in which they operate, (i) to wholesalers, which in turn supply garages and retail stores or (ii) directly to garages and retail stores.
- *Wholesalers.* In general, it is strategically important for distributors to establish strong relationships with wholesalers, because of the high degree of fragmentation of the Italian market and due to the impact of the geography of the Italian market, which requires significantly more complex infrastructure to supply garages directly.
- *Garages.* Garages can be divided into two categories: (i) garages directly authorized by car manufacturers, and (ii) independent garages, which are not linked to specific car brands. Authorized garages generally specialize in the OES segment with products of their car manufacturer only and therefore are able to repair only certain cars. Independent garages operate in the IAM segment and generally are able to perform repairs on all vehicles without making a distinction between makes/brands and models.

The following chart provides an overview of the interaction of the key participants in the OES and IAM segments:



(1) Wholesalers ("*ricambisti*") are key participants in the Italian and Swiss markets.

The aftermarket of spare parts for passenger cars and commercial vehicles has historically been largely resistant to economic downturns and characterized by stable growth, even during the current difficult economic environment.

Differentiating Factors of the IAM Segment Compared to the OES Segment

Key differentiating factors considered by consumers when deciding to use the services provided by the IAM segment rather than the OES segment include:

- the wide range of products offered at competitive prices compared to the spare parts sold by dealers connected to vehicle manufacturers that do not affect the validity or duration of the warranty provided by the car manufacturer; and
- the typically rapid execution of the maintenance and repair services, thanks to the efficiency of the IAM distribution network and the capacity of independent garages to quickly obtain spare parts they may not have in stock.

Key Factors Influencing Growth of the Aftermarket Spare Parts for Passenger Cars and Commercial Vehicles Sector

We believe that in the near future the IAM segment will be stable or experience slight growth due to a combination of different factors, including demand (*e.g.*, age and composition of vehicles on the road, mileage and technological development), services rendered by the IAM segment and the range of products offered by the IAM segment compared to the OES segment.

Car Park Size

The total number of vehicles on the road is a key factor affecting the development of the spare parts aftermarket. Growth in the number of vehicles on the road is measured by the number of new registrations in a certain period minus the number of vehicles retired during that period. The number of new registrations is influenced by a variety of factors, including the purchasing power of the population, the density level of the vehicles on the road (measured by number of cars per every 1,000 inhabitants) and the availability of government incentives to purchase new vehicles.

Among the countries in which we operate, Italy, the Czech Republic and Switzerland have the largest number of vehicles on the road. Due to the size of the Italian, Czech and Swiss car markets and their densities, the number of vehicles on the road is expected to remain stable in those markets. In the Eastern European market, there are currently fewer vehicles on the road and lower density levels and, therefore, we believe that the number of vehicles will continue to increase in the foreseeable future.

Average Age of Car Park

We believe consumer preferences for services change with the age of the car. Consumers that own vehicles that are four years old or less tend to use authorized garages operating in the OES segment to perform related maintenance and repair services even though the OES segment is generally less price competitive than the IAM segment. We believe this preference is largely due to the fact that cars within this age group are generally covered by car warranties, even though performance of maintenance and repair services by independent garages and the installation of equivalent spare parts do not affect the car warranty and do not affect the quality of service.

We believe that consumers who own vehicles that are more than four years old have an increasing preference to have their cars serviced by independent garages. This is primarily due to the expiration of car warranties, resulting in consumers having to pay out-of-pocket for repair and maintenance costs and because of the more favorable pricing terms typically prevalent in the IAM segment. As a consequence, parts supplied for vehicles between four and 10 years old constitute the majority of the IAM segment. In Eastern Europe, the average age of vehicles on the road is significantly higher than in Western Europe, with vehicles 10 years old or more constituting an important part of our target market.

Composition of Car Park

The composition of the vehicles on the road in terms of car brands and models is determined by the purchasing power of the population in the various countries in which we operate. Such composition influences both the frequency of maintenance and repair services and the average price of spare parts used for repairs.

We believe the vehicles on the road in Italy and Switzerland are younger and of higher quality than those in Eastern European countries and consumers in Italy and Switzerland generally have more spending power than consumers in the Eastern European markets where we operate. As a result, maintenance and repair services are performed less frequently in Italy and Switzerland, but the average price of spare parts is higher. In the Eastern European countries, there is higher frequency of maintenance and repair services, but consumers are more price sensitive and generally have a strong preference for services and products provided by the IAM segment, which tend to be more price competitive.

Miles Travelled

The number of miles travelled by a vehicle has a direct impact on the frequency of maintenance and repair services performed in the aftermarket segment. An increase in fuel prices or, for example, the adoption of government incentives to use public transportation or disincentives to travel by car may have an impact on the number of miles travelled by vehicle in a certain period.

Technological Developments

Technological developments in the automotive industry generally lead to an increase in the quality of vehicles and make the components used in car manufacturing more complex. An increase in quality generally results in an increase in the durability of the components, but also tends to lead to an increase in the average price of spare parts. Increasing complexity of components also impacts the growth potential of the IAM segment, because further growth depends on service providers having access to the required expertise and tools.

BUSINESS

Overview

We believe that we are a leading European distributor of aftermarket spare parts for passenger cars and commercial vehicles in the IAM segment. We operate in nine countries and we believe that we are a leading IAM distributor in the Czech Republic, Italy and Slovakia by gross sales. We also operate in Bulgaria, Hungary, Poland, Romania, Switzerland and Ukraine. We believe our markets are resilient, and benefit from positive long term trends. We generated gross sales of €732.8 million, Adjusted EBITDA of €82.8 million, and had an Adjusted EBITDA margin on net sales of 12.0%, in the year ended December 31, 2013. We generated gross sales of €374.1 million, Adjusted EBITDA of €41.9 million, and had an Adjusted EBITDA margin on net sales of 11.8%, in the six months ended June 30, 2014.

Our distribution model is characterized, on the upstream side, by established commercial relationships with spare parts manufacturers, on the midstream side, by an effective and efficient distribution model for products and, on the downstream side, by the ability to quickly reach thousands of customers with a broad product portfolio. Our suppliers, with many of whom we have longstanding relationships, deliver the spare parts to our 10 storage warehouses for further distribution to our 210 distribution centers using a hub and branch system. Our product portfolio offering is designed for the needs of each target market and ranges from approximately 40,000 SKUs sold for Switzerland to over 160,000 SKUs sold for Auto Kelly CZ. In the year ended December 31, 2013, we had approximately 90,000 customers.

We distribute our products to a broad, diversified clientele comprised of local wholesalers, garages and a small number of retail customers. We aim to provide our customers with a high level of customer service. Our supply chain is organized using a "pull" model, which is directed by order flow and demand, and allows us to promptly and continually adjust our offerings and distribution processes. Our customized IT system plays a key role in the efficient management of our inventory.

We operate in three geographic segments: Italy, Eastern Europe (Bulgaria, Czech Republic, Hungary, Poland (beginning in February 2014), Romania, Slovakia and Ukraine), and Switzerland.

Italy

We believe that we are a leading distributor of spare parts in the IAM segment in Italy by gross sales. Gross sales for the twelve months ended June 30, 2014, were €376,999 thousand. In Italy, our customers consist of spare parts wholesalers, known as "*ricambisti*". The *ricambisti* are the traditional link between distributors and garages. Our distribution network in Italy includes one central warehouse and 18 branches, which are distributed evenly throughout Italy and enabled us to serve 6,231 customers for the six months ended June 30, 2014.

Eastern Europe

In Eastern Europe we operate in Bulgaria, the Czech Republic, Hungary, Romania, Slovakia, Romania and Ukraine and we have recently begun operations in Poland.

Czech Republic

We believe that we are a leading distributor of spare parts in the IAM segment in the Czech Republic by gross sales. Gross sales for the twelve months ended June 30, 2014 were €257,167 thousand. In the Czech Republic, our customers are primarily garages and, to a lesser extent, wholesalers and retail stores. In the six months ended June 30, 2014, we served over 43,000 customers in the Czech Republic through our distribution network of two central warehouses and 102 branches.

Slovakia

We believe that we are a leading distributor of spare parts in the IAM segment in Slovakia by gross sales. Gross sales for the twelve months ended June 30, 2014 were €56,503 thousand. In Slovakia, our customers are primarily garages and, to a lesser extent, wholesalers. We also serve some retail customers. In the six months ended June 30, 2014, we served approximately 12,000 customers in Slovakia through our distribution network of one central warehouse and 38 branches.

Other Eastern European Countries: Bulgaria, Hungary, Poland, Romania and Ukraine.

We also operate in Hungary, Romania and Ukraine. Combined gross sales from Bulgaria, Hungary, Poland, Romania and Ukraine for the twelve months ended June 30, 2014 were €104,583 thousand. Our customers in Bulgaria, Hungary, Poland, Romania and Ukraine primarily consist of garages and, to a lesser extent, wholesalers and retail customers. In the six months ended June 30, 2014, we served over 21,000 customers in Bulgaria, Hungary, Poland, Romania and Ukraine through a combined distribution network of four national warehouses and 52 branches.

Switzerland

We also operate in Switzerland. Gross sales for the twelve months ended June 30, 2014 were €45,174 thousand. In Switzerland, our customers are primarily wholesalers, garages and industrial clients. In the six months ended June 30, 2014, we served approximately 1,600 customers in Switzerland through two central warehouses.

Competitive Strengths

We believe that we have the following competitive strengths:

Established Presence in a Resilient Distribution Business

Resiliency

The automotive spare parts aftermarket sector is correlated with the size and average age of the car park and, in the short-term, it is not directly correlated to the level of registrations of new cars. For this reason, the aftermarket sector in the countries where we operate has historically been largely resilient to economic downturns.

Established Presence

We have a strong competitive position in the European spare parts IAM distribution business of aftermarket spare parts with operations in nine countries. We believe we are one of the largest distributors in the IAM segment in Italy, the Czech Republic and Slovakia in terms of gross sales. We also operate in Hungary, Romania, Switzerland and Ukraine.

Geographical Diversification

The high degree of geographic diversification in our businesses supports the resilience of our revenues. Each of the nine countries where we operate has a specific growth profile, customer sophistication level and a differentiated car park. This, together with our tailored approach to each different market and customer category, makes us less vulnerable to adverse changes in the economic environment of a specific country or change in consumer preferences.

Unique Distribution System with Highly Diversified Customer Base and Broad Networks of Affiliated Garages

We believe that our capillary distribution system, established relationships with customers and broad network of affiliated garages provide us with a significant competitive advantage compared to smaller operators which lack the ability to match our delivery frequency and efficiency. Additionally, we believe that the resources and time necessary to establish an infrastructure capable of handling volumes similar to ours represent a significant barrier to entry for new operators.

Extensive and Capillary Distribution Network

We have an extensive and capillary distribution network which consists of 10 warehouses and 210 distribution centers. Our network is capable of reaching a large number of customers with frequent, rapid deliveries and has been designed to efficiently handle high volumes, thereby achieving further economies of scale. Additionally, it is organized according to each market's specific characteristics in order to optimize our operational flexibility and efficiency.

Highly Diversified Customer Base

We sell our products to both wholesalers (typically in Italy and Switzerland) and directly to garages (typically in Eastern Europe and Switzerland). In the year ended December 31, 2013, we served approximately 90,000 customers and our top 10 customers represented approximately 2.9% of our gross sales (with no single customer representing more than 0.4%). We believe this limited concentration mitigates counterparty risk. We have also developed various services for our customers with the aim of maximizing productivity and efficiency, including our complete and updated electronic catalogs for online orders. In Italy, in 2013, approximately 92.2% of our orders were received through our electronic catalog platform (the "E-Platform").

Broad Networks of Affiliated Garages

We have successfully promoted the creation of certain networks of affiliated garages in most of the countries in which we operate. As of June 30, 2014, our network of affiliated operators included over 3,200 garages of which more than 2,100 are in Italy, approximately 700 in the Czech Republic, approximately 200 in Slovakia and more than 200 in the rest of our Eastern Europe operations. We offer technical and professional support and training services to affiliated garages in order to support their professional growth and improve the level of service offered by them. The technological automotive innovation and related improvements to spare parts has led, in our experience, to increased demand for the support and the training programs we offer to our customers and affiliated garages. We believe that such involvement significantly reinforces our presence and reputation in our target markets, increases the number of vehicles repaired in affiliated garages and ultimately increases the demand for our products.

Best-in-Class Service Level based on Customized IT Systems and Deep and Wide Product Portfolio

Best-in-Class Service Level

We have efficient distribution processes aimed at ensuring the highest level of service to our customers. We provide, depending on the country of reference, between one and nine daily deliveries. In Italy, in 2013, for example, our distribution network enabled us to deliver to central warehouses approximately 90% of the orders within three hours from receipt of the order, provided the order is received by approximately 2:00 pm on the same day. Whenever a specific spare part is not in stock at a branch, the part can typically be delivered from one of our warehouses, hubs or other branches and then delivered to the customer within 24 hours of order placement.

Customized IT Systems

We operate our distribution process using a "pull" model, which allows us to match orders and customer demand in a timely manner. Our customized IT system plays a key role in allowing us to effectively manage inventory levels. Our efficiency is becoming increasingly important as the market in which we operate is characterized by a growing complexity, primarily driven by the increase in available SKUs.

Deep and Wide Product Portfolio

We have a wide and deep product portfolio of original equivalent and non-original equivalent spare parts allowing us to reach a large coverage of the passenger cars and industrial vehicles markets. The number of our available SKUs ranges, depending on the country of reference, from approximately 40,000 SKUs sold to 160,000 SKUs sold, which we believe is one of the largest and most complete in our markets. As a consequence of our established presence in Italy, the Czech Republic and Slovakia, we enjoy longstanding commercial relationships with major spare parts manufacturers and are often recognized as an important channel for them to supply the IAM segment. Each of our companies offers on average between 6,000 and 9,000 new SKUs per year, which we believe, among other things, allowed us to pursue growth while maintaining profitability and stable cash flow.

Asset Light Business Model with Stable Financial Performance and Solid Cash Flow Generation

Our business has historically generated stable sales, stable Adjusted EBITDA margins and solid cash flow, with relatively low capital expenditure requirements. Over the last 10 years, we experienced only one year of negative sales growth (gross sales decreased by 2.2% for the year ended December 31, 2009). Our Adjusted EBITDA margin has consistently been approximately 12% over the last three fiscal years. Our cash flow generation proved to be stable even during the recent economic downturn, with Cash Flow Conversion of €62.3 million and €63.0 million for the years ended December 31, 2012 and 2013, respectively, and a Cash Flow Conversion Rate of 80.8% and 76.2%, respectively. Over the last three fiscal years, capital expenditure has averaged 1.7% of our net sales and primarily comprised refurbishments of our warehouses, IT system upgrades and opening of new branches.

Strong and Experienced Management Team with Proven Record of Growth

Each of our businesses is managed by a highly qualified management team with many years of experience in both the IAM segment and their specific areas of expertise. Our management team has consistently grown the business organically, including through geographical diversification. As a result, we have succeeded in gaining specific expertise in each country in which we operate, achieved economies of scale and further optimized our distribution networks.

Strategy

We seek to offer the best value proposition in the IAM segment and support independent garages by providing a strong alternative to the original equipment supplier segment ("OES"). We intend to strengthen our market position in the European IAM segment. We believe that the constant introduction of new models of vehicles and associated technological developments has allowed larger spare parts independent distributors to gain market share, primarily as a result of their ability to handle larger SKUs portfolios and provide more efficient and cost effective service as compared to their smaller competitors. In addition, we believe that most of our competitors are smaller operators, which may lack the infrastructure, skills and critical volume necessary to handle the growing complexity of the markets efficiently and in a timely manner. However, we believe that the increasing complexity represents a growth opportunity for us, primarily because of the skills and experience we have developed over the years with regard to the management and optimization of our distribution and supply chain and our ability to handle a large and constantly growing SKU portfolio.

We have commenced and intend to continue the implementation of the following strategies over the next two years:

Continue Expansion of Our Portfolio of Products and Services

We aim to continue to offer a more complete and up-to-date range of products to our customers by introducing new brands and in some cases also product lines, including spare parts for newly introduced vehicle models and continuously update our product portfolio in line with car park technological evolution. We plan to further expand our portfolio by offering additional product ranges for chassis, engine, electronics parts and body parts and we intend to continue to develop our "Starline" private label brand to address customer demand for lower-cost products for older vehicles on the road across all geographical segments in which we operate.

In addition, we intend to continue to operate through multiple company brands in some of our markets (such as through Rhiag and Bertolotti in Italy and through Elit and the Auto Kelly Group in Eastern Europe). We believe this approach allows us to address different types of customers with different value propositions, ultimately optimizing our market coverage.

Focus on Complementary and Value-Added Services

We believe that by offering a broader range of products, we significantly enhance our competitive position, particularly when combined with improved customer service. We therefore intend to continue to improve and develop our E-Platform, in an effort to better address the needs of our existing and future customers. A key area of focus will be the optimization of the quality and speed of our E-Platform, as well as improving access to our E-Platform on mobile devices and tablets.

Increase Efficiency and Effectiveness of our Distribution Networks

We intend to optimize our distribution systems and inventory management by consistently addressing the new challenges arising from a broader product portfolio. We aim to decrease our delivery times while optimizing inventory levels at our national and regional warehouses and branches to shorten the time between the order placement by our customers and final delivery of the products. We also plan to introduce new product delivery routes to increase delivery frequency. In addition, we plan to invest in supply chain tools and methodologies aimed at improving our product distribution framework in order to maximize customer service and inventory efficiency. We believe that, by further enhancing existing software and installing new software in our branches, we will be able to further expedite logistics and reduce margins of error when processing orders. In particular, we aim to further develop our VMI and CMI systems, which will allow us to integrate our information technology with those of our suppliers and our customers, respectively.

Expansion of Our Network of Affiliated Garages

The increasing technological innovation of vehicles and related spare parts has led, in our experience, to an increasing need for the support and training programs we offer to our customers and affiliated garages. In order to meet this need, we intend to further extend our affiliated garage network and to enter into agreements with car and commercial vehicle leasing, management and rental companies. We believe that such agreements will increase the number of vehicles repaired in our affiliated garages and ultimately increase the demand for our products.

Pursue Selective Acquisition Opportunities

We recently completed the Era Acquisition and we plan to continue to evaluate acquisition opportunities to selectively acquire businesses in order to improve our market share and diversify our product offerings, or allow us to enter new geographic markets. In particular, we are considering a potential acquisition in a geography that would be new for us for which we are currently participating in a diligence and bid process. If acquired, the target would be significant for us compared to our historical operating results. We are continuing to evaluate this opportunity and we do not know if we will place a final bid or if our bid would be accepted, or if accepted, the timing or likelihood of completion of this acquisition. Should we proceed with this acquisition and submit a successful bid, we may have to incur additional indebtedness to finance all or a portion of the purchase price. Following any acquisition, we will seek to implement our best practices such as those we have developed and applied to our markets and distribution networks in Italy, Switzerland and Eastern Europe, with the intention of increasing efficiencies and lowering our cost of operations.

History and Development

Our business was founded in 1962 in Italy, and initially focused on the expansion of our product range and the extension of our distribution network throughout the Italian domestic market. Since the 1960s our business has grown as follows:

- ***Italy.*** We reinforced our position in the Italian market through the acquisition in 1999 of Bertolotti.
- ***Switzerland.*** We leveraged our strong position in the Italian market by entering the adjacent Swiss market in the late 1970s.
- ***Eastern Europe.*** We entered the Eastern European market in 1995 through the acquisition of the Elit Group, which had a presence in the Czech Republic, Slovakia and the Ukraine. This presence was further reinforced by our acquisitions of Elit Romania and the Lang group in Hungary. In August 2010, we completed the acquisition of the Auto Kelly Group in the Czech Republic and Slovakia, which we believe contributed to us becoming the leading independent distributor in those two markets. We commenced our operations in Bulgaria in May 2013 through the opening of one branch and as at June 30, 2014, we operated two branches in Bulgaria. In addition, we expanded our operations to Poland through the opening of one branch in February 2014.

In 2013, our business was acquired by companies controlled by Apax, one of the world’s leading private equity investment groups, our current shareholders. Prior to that, in 2007, our business was acquired by companies controlled by Groupe Alpha and AlpInvest Partners. These acquisitions followed our earlier acquisition in 1997 by companies controlled by CVC Capital Partners and Goldman Sachs Capital Partners.

Our Products

We believe that we are a leading European business-to-business distributor of aftermarket spare parts for passenger cars and commercial vehicles in the IAM. We distribute components which are essential for the operation of passenger cars and commercial vehicles.

Our product portfolio includes a broad range of parts which are used in automotive and commercial vehicles, including: brake systems, steering and suspensions parts, heating and cooling systems, oils and electrical products. Other products range from body products such as headlights and bumpers to body panels and engine overhaul products.

We believe we offer a broad range of products in our portfolio, which is one of our main competitive advantages. We continually expand our product portfolios in order to reflect the latest developments of the vehicles on the road in the various countries in which we operate. Our product portfolio includes spare auto parts for new vehicle models as well as new products for higher aged vehicles. We continually aim to optimize our product portfolio to address the needs of all vehicles on the road, while also managing our inventory at efficient levels.

Following the acquisition of Auto Kelly CZ in August 2010, we further broadened our product range by adding approximately 12,000 SKUs marketed under the "Starline" brand name, the private label brand of the Auto Kelly Group. We have expanded the distribution of "Starline"-branded products to other markets such as Italy, Romania and Ukraine, as well as other western European countries where it was not previously present. Our "Starline" portfolio includes approximately 16,500 SKUs.

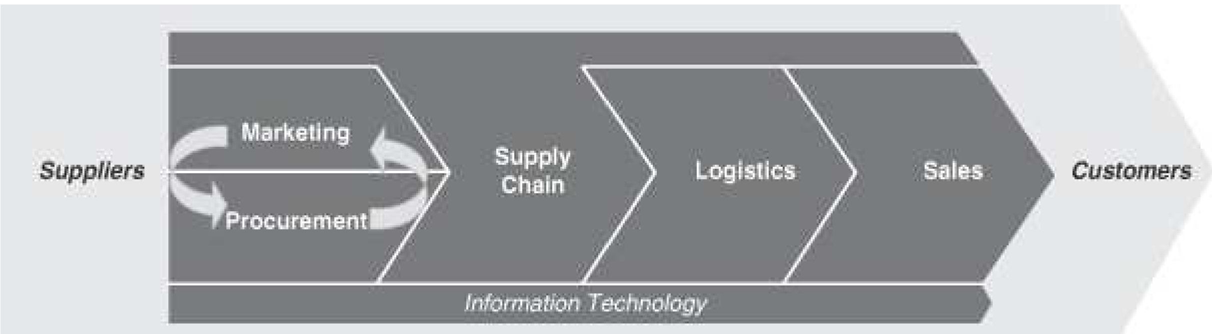
The following table sets forth the number of SKUs sold by each Group company for the year ended December 31, 2013:

Company	Number of SKUs(1)
Rhiag and Bertolotti	131,870
Elit CZ	123,246
Auto Kelly CZ	160,343
Elit SK	85,642
Auto Kelly Slovakia	79,225
Auto Kelly Bulgaria	16,228
Lang & Car—Go	137,819
Elit Ukraine	58,727
Elit Romania	57,644
Rhiag Group Limited	39,435

(1) The number of SKUs refers to SKUs at entity level. Some overlapping among entities may occur.

Business Model

Our business model is organized along the following phases: (i) marketing and procurement; (ii) supply chain, (iii) logistics; and (iv) sales:



We have dedicated departments that implement our business model for the Group, each of our segments or at country level depending on the function.

Marketing and Procurement

We organize our distribution process according to a "pull" model and, therefore, plan and organize our procurement and logistics operations based on customer demand. Our marketing department analyses demand by collecting and elaborating market data for the various product families with the goal to keeping our product portfolios up-to-date, taking also into account developments in recently released vehicles, and tailored to our customers' needs. When gathering this data, our marketing and procurement department closely collaborates with industry operators, including our customers and suppliers, particularly suppliers with whom we have longstanding relationships and from whom we purchase large volumes of products.

After market data is collected and analyzed, our marketing and procurement department negotiates the general terms and conditions of purchasing agreements with our suppliers, including the payment terms. Such negotiations, and periodic renegotiations, are performed by the local marketing departments in the geographical areas in which we operate, but are centrally coordinated.

Our marketing and procurement department is also responsible for analyzing the competitive environment, setting general sales and pricing policies for each product and market, and implementing commercial and any promotional sales policies.

We rely on third-party suppliers for the provision of spare parts that are essential to our business. While within each of our geographic segments we aim to maintain and continue developing our relationships with a number of suppliers relevant to the product mix of that market, our main suppliers include Schaeffler, ZF Friedrichshafen, TMD, Mahle, ITT Holdings Czech Republic s.r.o., Mann Hummel, Egon von Ruville, Contitech, Brembo and Federal Mogul. In the year ended December 31, 2013, we sourced 34.6% of our products from our top 10 suppliers and our largest supplier accounted for 7.2% of total purchases. Our relationships with suppliers are based on negotiated contractual agreements, which, on average, have a term of one year and are subject to automatic renewal provisions. We are, however, able to terminate these supplier agreements at any time after the first automatic renewal. Our key supplier agreements can be terminated by us upon giving notice to the relevant counterparty.

In 2012, we joined one of the leading purchasing groups in Europe, ATR International AG, with the aim to obtain better purchasing bonuses from suppliers that have relationships with ATR International. Although we joined ATR International, we are still free to negotiate with suppliers on a stand-alone basis. We believe that our partnership with ATR International has allowed us to secure better purchasing conditions and additional purchasing synergies. We received our first purchasing bonus from ATR International in the six months ended June 30, 2014 in relation to purchases we made in 2013.

Supply Chain

Our supply chain department is responsible for procurement, the organization of product deliveries to our distribution centers and the allocation of products within our distribution network and, in coordination with our marketing and procurement department, the negotiation of the operational terms and conditions with suppliers.

The operational terms and conditions with suppliers include supply specifications regarding the lead time, frequency of deliveries and packaging, and the achievement by suppliers of certain performance targets. These targets are continually monitored to ensure inventory is managed effectively and to improve customer service and bonuses or penalties may apply depending on whether targets are reached or not. We monitor inventory levels in our distribution centers in terms of current inventory levels, past and prospective analysis of customer demand and the supply specifications agreed upon with suppliers, among other things.

In coordination with our logistics department, our supply chain department monitors and organizes the flow of products from suppliers in order to optimize inventory levels and stocking operations at our distribution centers. To efficiently manage inventory levels, our supply chain department interfaces with both our suppliers and customers via integrated information technology systems. They achieve upstream coordination through the CMI system, which is an information technology system used by our suppliers to manage their customers' inventory levels and generate, upon their approval, plans and forecasts of future inventory levels. Downstream coordination occurs via the VMI system, an information technology system used by distributors to manage customer inventory levels on the basis of warehouse status data and sales forecasts provided by customers and a related distribution plan agreed between the parties. The level of integration of such systems varies in the different geographic areas in which we operate.

Logistics

Our logistics department plays a key role in ensuring we deliver a high level of customer service and is supported by an extensive and capillary distribution network in each geographic area in which we operate, employee expertise and by up to date information technology developed in collaboration with our supply chain department. Because of this infrastructure, in each of the areas in which we operate, we are able to identify the availability of a certain product within our distribution network in real time and, even if a product is not immediately available at a specific branch, we can generally deliver it to the customer within 24 hours.

As of June 30, 2014, we operated 10 storage warehouses (three central and seven national warehouses) and 210 distribution centers (including both hubs and branches):

- *Central Warehouses.* One central warehouse is located in Siziano, in Northern Italy, and supplies all of Italy. Two central warehouses are located in Prague and supply branches in Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia and Ukraine.
- *National Warehouses.* Our seven national warehouses are located in Budapest (Hungary), Kiev (Ukraine), Bucharest (Romania), Baar and Echallens (both in Switzerland), Bratislava (Slovakia) and Sofia (Bulgaria). The national warehouses in Eastern Europe receive products from our suppliers and from the central warehouses in the Czech Republic. Products are then shipped from the warehouses to the branches.
- *Branches and Hubs.* Our 210 branches generally have a product storage area, an order acceptance and spare part delivery desk and an office area. Four of our branches in Italy (known as "hubs") operate also as distribution centers at an intermediate level between the central warehouses and other branches. We use these hubs to stock products with low turnover in order to facilitate faster distribution. The branches vary in size depending on which geographical area they are

located in. Generally, our branches in Eastern Europe are smaller as they tend to serve smaller target markets. Each branch typically makes several deliveries a day to customers.

Shipment of products from our warehouses to branches and hubs and the shipment of products from our branches to customers is carried out through independent carriers in Italy and also through our own fleets in Eastern Europe and Switzerland. Product flows between the various facilities are planned and monitored through our information technology systems. Under our "asset light" business model, we typically lease (rather than own) our distribution centers, thereby limiting our investment in tangible assets.

Our logistics department has the following primary responsibilities:

- *Inbound Logistics.* The management of product inflows consists of accepting incoming products from suppliers and monitoring compliance with the supply specifications negotiated by our supply chain department.
- *Stocking.* Our logistics department determines the space to be allocated to each product and shelf placement according to turnover indices and product size. Proper placement of SKUs within the dedicated space is crucial to optimize the available space in each of the distribution centers.
- *Picking, Packing and Outbound Logistics.* We believe our space management practices carried out by our logistics department allows us to maximize efficiency in locating and retrieving products from the shelves and assembling orders of outgoing products. If products have not been previously packaged by the suppliers, our logistics department is able to carry out that activity.
- *Shipping.* Our logistics department is also responsible for organizing and monitoring primary and secondary transportation.

Where we engage third-party carriers, our logistic department is also responsible for setting performance targets and related incentives and penalties, while continually monitoring the performance of third-party carriers in order to improve customer service.

Sales

Our sales department is responsible for (i) managing relationships with existing customers and establishing relationships with new customers, (ii) setting sales targets and implementing sales policies, including customer payment terms in cooperation with our finance and control department and (iii) managing payment collection in cooperation with our administration department.

Our customer portfolio is characterized by a low degree of concentration, particularly in Eastern Europe, where our customers largely consist of independent garages. For the year ended December 31, 2013, our top 10 customers (excluding retail customers) accounted for 2.9% of our consolidated gross sales and third-party commissions.

In the year ended December 31, 2013, the breakdown of our customers for geographical areas was as follows:

	Customers[(1)]
Geographic Area	
Italy	6,322
Eastern Europe	81,647
Switzerland	1,769
Total	**89,738**

(1) The number of customers refers to customers at company and country level. Some overlapping among companies and countries may occur.

We have established a network of sales agents in each of our markets that manage the relationships between us and their customers. We believe that these networks have significant experience in the aftermarket, knowledge of the specific product types offered and have longstanding relationships with customers. Our sales agents primarily operate on an exclusive basis in their respective areas of responsibility and are paid a commission based on the total sales realized by the agent.

We provide our customers with an information technology system equipped with a complete, frequently updated electronic catalog integrated with our logistics management system. As a result, we are able to determine product availability and expected delivery in real time when an order is placed. During the year ended December 31, 2013, in Italy, 92.2% of total orders received by Rhiag and 79.8% of total orders received by Bertolotti, respectively, were placed through this electronic catalog. The remaining orders are placed via telephone, fax (generally through agents) or at the order desk in our branches.

Our sales department is also responsible for our customer retention program, including supporting the professional growth of independent garages. We combine the sale of products to independent spare parts dealers and garages with the provision of technical and professional training courses on recent technological developments. We also provide these customers with databases and software for managing product technical information. We have established affiliated networks of garages in most of the countries in which we operate.

We believe the these customer relationships enable our sales department to continually monitor the market by providing updates in changes in demand and competitive dynamics, both of which are essential our "pull" distribution model.

Our sales department is, together with our supply and logistic departments, also in charge of managing returns from our customers. Such returns include returns due to (i) erroneous orders and (ii) product defects. In the case of erroneous orders, depending on the type of customer and the relevant geographic area, we generally modify the original order. In the case of product defects, we typically provide a refund and replace the defective product. In these situations we may have possible recourse against the manufacturers and our suppliers, allowing us to return the defective product and receive reimbursement for the customer refund. Historically, product returns have not had a material negative effect on our financial position or results of operations.

Our sales department, together with our administration department, is also responsible for our accounts receivable functions, including payment conditions and collection management.

Information Technology and E-Platform

Our information technology platform plays an important role in our distribution processes and operations because we rely on it to achieve efficient and effective management of our product flows. In particular, our information technology department supports our supply chain department, our logistics department and our sales department. We operate an e-catalog through our E-Platform. Our E-Platform is a transactional site that enables our customers to login and purchase goods online. We operate our E-Platform through five operating platforms through which customers can access our company branded sites. The majority of our sales are processed through our E-Platform.

Our information technology department, together with our supply chain department, is responsible for updating the software and algorithms used to determine adequate inventory levels at all of our distribution facilities.

The information technology department, in coordination with our supply chain department, has developed software that allows our logistics department to monitor product flows between the central and national warehouses, hubs and branches to ensure each distribution facility is adequately stocked, based on product turnover and available space, and determines the optimal shelf positioning of the products.

Our information technology system enables us to determine the availability of an ordered product within each national distribution network in real time and update the inventory levels of our distribution facilities.

Our information technology department, in coordination with our sales department, has developed software to integrate the system used by our logistics department with an electronic platform which allows our customers to place orders online through an electronic catalog and obtain information regarding the availability of our products, sales terms, conditions and shipping times.

Operations by Geographic segments

Italy

We believe that we are a leading distributor of spare parts in the IAM segment in Italy by gross sales. We operate under the Rhiag and Bertolotti brands, which enables us to attract a broader range of customers through two different value propositions.

We believe that the Rhiag and Bertolotti brands are the preferred access channels to the IAM segment for suppliers in Italy due to our established presence in the Italian market, our large scale and the size and quality of our distribution system.

We believe that we have a unique presence in the Italian market due to our extensive distribution network, with a total storage capacity of approximately 620,000 cubic meters. We sold more almost 26 million products in Italy during the year ended December 31, 2013.

As of June 30, 2014, our distribution network in Italy includes one central warehouse and 18 branches, four of which also serve as hubs (located in Padua, Bologna, Naples and Siziano). The central warehouse is located in Siziano and has a total storage capacity of 240,000 cubic meters. Our 18 branches (including CRR) are distributed evenly throughout Italy, and 15 are used by both Rhiag and Bertolotti with separate access points. We have two branches in Cosenza and Perugia, which are operated exclusively by Rhiag.

Italy

We believe we are able to provide a high level of service in Italy through our distribution network, which enabled Rhiag and Bertolotti to deliver to the central warehouse approximately 90% of orders within three hours of receipt (if received by 2:00 pm on the same day) during the year ended December 31, 2013 and, even if a product is not immediately available at a specific branch, we can generally deliver it to the customer within 24 hours. We stock an average of approximately 9,500 to 55,000 SKUs per branch, depending on its size.

As of December 31, 2013, our marketing and procurement department in Italy comprised 39 product managers who are in charge of continually updating the range of products we offer to reflect the specific needs and technological developments of Italian vehicles on the road. They are supervised by 11 Group product managers who also coordinate with the managers of our marketing department in the other geographical areas in which we operate.

For the year ended December 31, 2013, we managed our customer relationships in Italy through a network of 118 exclusive agents reporting to 14 area managers, each with extensive experience in the IAM segment and established longstanding customer relationships.

In Italy, our customers consist of spare parts wholesalers, known as "*ricambisti*". The *ricambisti* operate as the traditional link between distributors and garages. For the year ended December 31, 2013, we served 5,731 spare parts wholesalers. For the year ended December 31, 2013, our top 10 Italian customers (excluding retail customers and intercompany sales) accounted for 6.8% of our total gross sales in Italy.

To strengthen relationships with our customers and to support our sales activity in Italy, we offer additional services to our customers, including professional training, and databases and software containing technical information relating to repair and maintenance services (see "—*Business Model—Sales*"). In the year ended December 31, 2013, 223 of our customers participated in training courses we organized in Italy. These activities are primarily addressed to customers with whom we have achieved significant sales levels, partly due to their connection with network of garages. We also organize promotional and commercial support activities through dedicated personnel for garages supplied by our customers. In Italy, we promote the following networks of garages: "A posto" (by Rhiag) and "Dedicar" (by Bertolotti), both of which operate in the passenger car market and had a total of 2,081 customers and "Optima Truck Service" (promoted by both Rhiag and Bertolotti), which operates in the commercial vehicle market, with 62 customers.

We enter into contracts with our affiliated garages on standard terms, which include the right for such affiliated garages to use our brands ("A posto", "Rhiag", "Dedicar" and "Optima Truck Service") and to access our technical equipment and support and training services, in return for an annual fee. We have also created management software, including an electronic catalog for making estimates, managing customers and billing for our network of affiliated garages in Italy.

Such agreements do not require garages to purchase their supplies from our wholesale customers. However, networks of garages tend to buy their products from wholesalers which are our customers and we believe that our collaboration with garage networks represents an important means of increasing loyalty and developing the independent garage market in Italy.

Rhiag and Bertolotti have also entered into agreements with car rental, leasing and long-term rental companies, under which such companies agree to have their fleets maintained and repaired by our networks of affiliated garages.

Eastern Europe

We operate in Bulgaria, the Czech Republic, Hungary, Romania, Slovakia and Ukraine and commenced operations in Poland in February 2014.

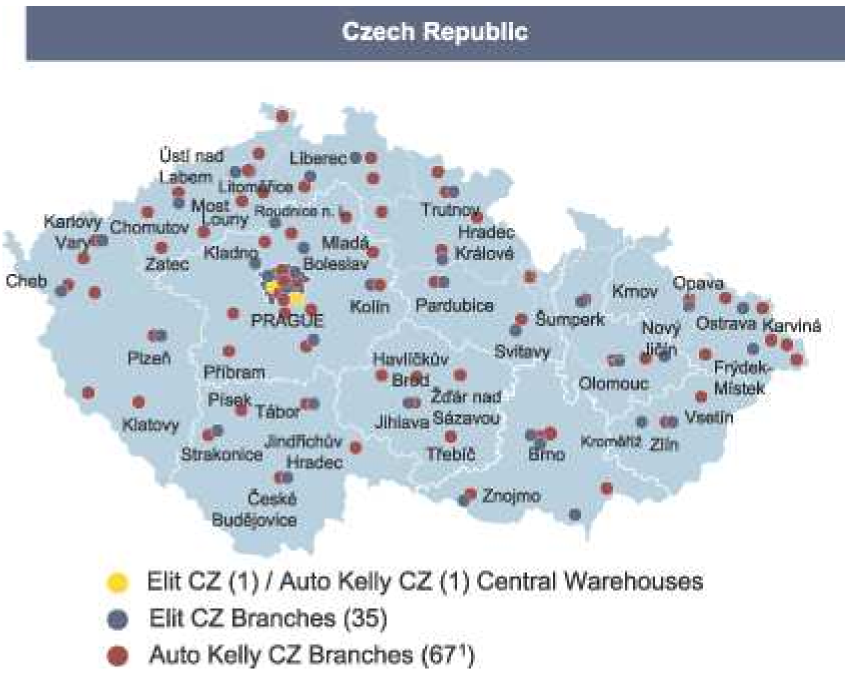
Czech Republic

We believe that we are a leading distributor of spare parts in the IAM segment in the Czech Republic by gross sales. We operate under two companies, Elit CZ and Auto Kelly CZ, targeting customers with different value propositions.

We believe that our network is the most extensive distribution network within the IAM segment in the Czech Republic, where, as of June 30, 2014, we had two central warehouses and 102 branches with a total storage capacity of approximately 425,000 cubic meters. We sold approximately 16.7 million products in the Czech Republic during the year ended December 31, 2013.

Our two central warehouses are located in Prague. One of our central warehouses is operated by Auto Kelly CZ and the other is operated by Elit CZ. The central warehouses receive and stock products from suppliers, and then distribute products to branches in the Czech Republic, Poland and Slovakia. In addition, the warehouse operated by Elit CZ also supplies the national warehouses and branches located in Hungary, Romania, Slovakia and Ukraine.

As of June 30, 2014, Elit CZ operated 35 branches and Auto Kelly CZ operated 67 branches.



(1) Of our Auto Kelly CZ branches, 13 are managed by franchisees.

The Elit CZ and Auto Kelly CZ branches stock an average of between approximately 5,000 and 22,000, and between 8,000 and 37,000 SKUs respectively, depending on the respective gross sales turnover and branch sizes. Approximately 74.4% of Elit CZ's requested products and 78.5% of Auto Kelly CZ's requested products are immediately available at their respective branches. Both Elit CZ and Auto Kelly CZ branches make between two and five deliveries a day to their customers, using their own vehicle fleet and some third party carriers. In addition, we deliver products that were ordered but not in stock twice a day from our warehouses to our branches.

As of December 31, 2013, the marketing and procurement department in the Czech Republic consisted of 44 product managers.

Unlike the Italian market, where our customers are primarily spare parts wholesalers (*ricambisti*), Elit CZ's and Auto Kelly CZ's primary customers are garages and, to a lesser extent, wholesalers and retail stores. Auto Kelly CZ also serves individual retail customers.

We manage our customer relationships in the Czech Republic through a network independent contractors and employees. In the year ended December 31, 2013, Elit CZ employed 74 salespeople, whilst Auto Kelly CZ had 82 exclusive agents, who were independent contractors.

In the year ended December 31, 2013, Elit CZ supplied a total of approximately 13,800 customers, excluding retail customers, including 9,750 garages and 22 wholesalers. The following table sets forth Elit CZ's gross sales, excluding intercompany sales, for the year ended December 31, 2013, by customer type:

	Gross Sales and Third-party Commissions
	(EUR thousands)
Customer Category	
Garages	46,561
Retail Stores	524
Wholesalers	3,433
Others[(1)]	20,743
Total	**71,261**

(1) Including, mainly, shops, truck segments and exports.

In the year ended December 31, 2013, Auto Kelly CZ supplied a total of more than 33,300 customers, excluding retail customers, which represented 10.4% of Auto Kelly CZ's gross sales and third-party commissions.

For the year ended December 31, 2013, each of Elit CZ's and Auto Kelly CZ's top 10 customers (excluding retail customers) accounted for 1.9% of our gross sales in the Czech Republic.

We have also established networks of garages in the Czech Republic: the "Partner Elit" and "Auto Kelly Autoservis" garages, which had approximately 500 and 200 members, respectively, as of December 31, 2013. In selecting members of "Partner Elit" and "Auto Kelly Autoservis" garages, we seek garages that are able to conduct repair and maintenance work on a broad range of automobiles and commercial vehicles in circulation.

We enter into contracts with our network garages on standard terms, which include the right for such network garages to use our brands ("Partner Elit", "Auto Kelly Autoservis") our provision of support and training services. In return, each garage in their group commits to make certain minimum annual sales. For the year ended December 31, 2013, gross sales to Partner Elit garages accounted for 8.7% of our total gross sales in the Czech Republic, and gross sales to Auto Kelly Autoservis garages accounted for 4.5% of our total gross sales in the Czech Republic.

Elit CZ, procures products primarily from suppliers located in Europe. Auto Kelly CZ procures products marketed under the "Starline" private label brand from suppliers primarily located in China, the Czech Republic, Poland and Turkey.

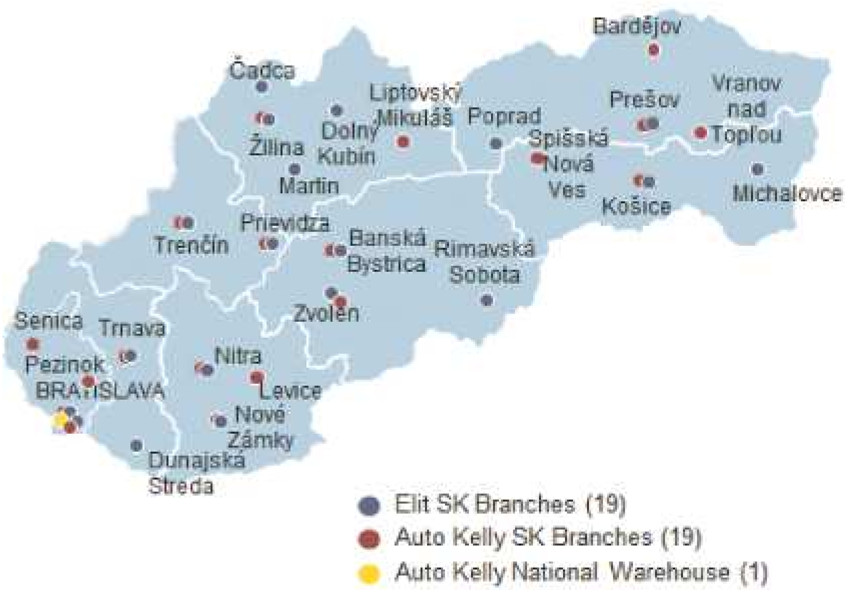
The marketing and procurement, supply chain and logistics departments of Elit CZ and Auto Kelly CZ are also responsible for coordinating our operations in other Eastern European countries. The central warehouses operated by Auto Kelly CZ coordinate our activities in Slovakia and Bulgaria, while the central warehouse operated by Elit CZ coordinates the marketing and procurement, supply chain and logistics departments that operate in Slovakia, Ukraine, Romania, Hungary and Poland.

Slovakia

We believe that we are a leading distributor of spare parts on the IAM segment in Slovakia by gross sales. In Slovakia, we operate under the Elit and Auto Kelly brands.

Our business in Slovakia benefits from our extensive distribution network with a total storage capacity of approximately 66,000 cubic meters. We sold over 3.8 million products in Slovakia during the year ended December 31, 2013. As of June 30, 2014, our distribution network in Slovakia consisted of 38 branches that are furnished directly from our central warehouses in Prague and our national warehouse in Bratislava. Our Slovakian branches are connected through our information technology platform with our Prague warehouses to ensure a rapid supply of products that are not immediately available at the branches.

Slovakia



During the year ended December 31, 2013, Elit Slovakia and Auto Kelly Slovakia had approximately 79.9% and 74.6%, respectively, of requested products available in their branches. Generally, both Elit Slovakia and Auto Kelly Slovakia make between three and four deliveries to their customers a day, using their own transportation and some third-party carriers.

As of December 31, 2013, the marketing and procurement department in Slovakia consisted of seven product managers, who are responsible for updating the product range based on demand, which is primarily driven by the type of vehicles on the road in Slovakia.

As is the case in the Czech Republic, Elit Slovakia's and Auto Kelly Slovakia's primary customers are garages and, to a lesser extent, wholesalers. Auto Kelly Slovakia also serves some retail customers.

For the year ended December 31, 2013, we managed our customer relationships in Slovakia through a network of 68 agents and employees consisting of exclusive agents and employees of Elit Slovakia and six exclusive agents and 17 employees of Auto Kelly Slovakia.

For the year ended December 31, 2013, Elit Slovakia supplied a total of approximately 5,400 customers, including 4,170 garages and nine wholesalers. The following table sets forth Elit Slovakia's gross sales, excluding intercompany sales, for the year ended December 31, 2013, broken down by customer type:

	Gross Sales and Third-party Commissions
	(EUR thousands)
Customer Category	
Garages	26,220
Retail stores	437
Wholesalers	143
Others[(1)]	5,124
Total	**31,924**

(1) Including, mainly, shops, truck segments and exports.

For the year ended December 31, 2013, Auto Kelly Slovakia supplied a total of approximately 6,900 customers.

For the year ended December 31, 2013, Elit Slovakia's and Auto Kelly Slovakia's top 10 customers (excluding retail customers) accounted for 3.2% and 1.8%, respectively, of our gross sales in Slovakia.

In Slovakia, we have established a two garage network. As in the Czech Republic, supply agreements with our network of over 200 garages are typically governed by standard contracts, which grant garages the right to use both our brands "Partner Elit" and "Auto Kelly Autoservis" and our provision of support and training services. In return, generally, each garage commits to make certain minimum annual sales. For the year ended December 31, 2013, our gross sales to both "Partner Elit" and Auto Kelly Slovakia network accounted for 17.8% of our gross sales in Slovakia.

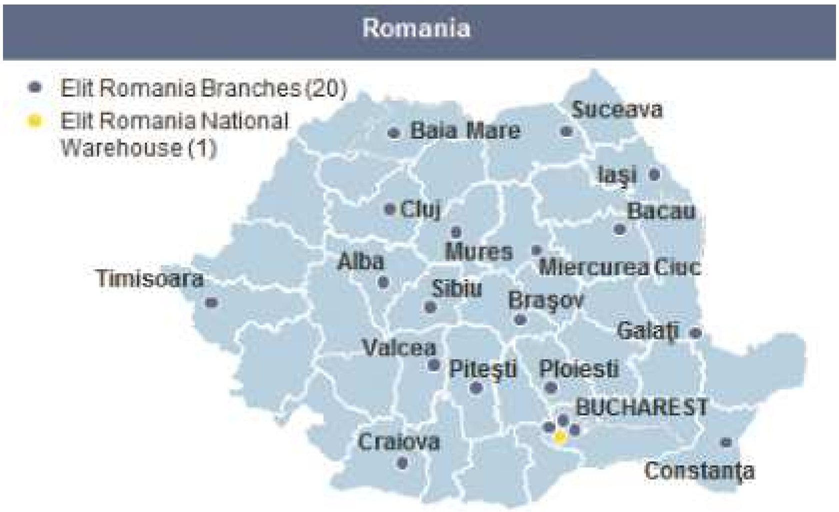
For the year ended December 31, 2013, approximately 83.4% of the products distributed by Elit Slovakia and 55.9% of the products distributed by Auto Kelly Slovakia were purchased from Elit CZ and Auto Kelly CZ, respectively. The remaining 16.6% and 44.1% were acquired directly from suppliers by Elit Slovakia and Auto Kelly Slovakia. In addition, Auto Kelly Slovakia distributes products under our "Starline" brand.

Other Eastern European Countries: Bulgaria, Hungary, Poland, Romania and Ukraine

We also operate in Bulgaria, Hungary, Poland, Romania and Ukraine. In Hungary, we operate through two brands: Lang (which distributes spare parts for passenger cars) and Car-Go (which distributes products for commercial vehicles). In Ukraine, we operate through Elit Ukraine brand. In Romania, we operate through the Elit Romania brand. In Bulgaria, we operate through Auto Kelly Bulgaria brand and in Poland, we operate through the Elit Poland brand.

As of June 30, 2014, the distribution networks of Lang and Car Go, Elit Ukraine, Elit Romania, Auto Kelly Bulgaria and Elit Poland comprised together four national warehouses and 52 branches. As of June 30, 2014, we had approximately 304,000 cubic meters in aggregate storage capacity. The national warehouses operated by these companies are located in Budapest (Hungary), Kiev (Ukraine) and Bucharest (Romania). Our warehouses receive products that are delivered directly by suppliers and to a lesser extent, products delivered from our central warehouses located in Prague region. See "—*Logistics*". The two branches of Auto Kelly Bulgaria, the 14 branches of Lang and Car Go, the 15 branches of Elit Ukraine, the 20 branches of Elit Romania, and the one branch of Elit Poland, respectively, consist of a storage area, a counter for accepting orders and delivering spare parts and offices that are responsible for making deliveries directly to garages and other customers.

(1) We closed our branch in Donetsk, Ukraine in July 2014.



We offer less products in Bulgaria, Hungary, Poland, Romania and Ukraine compared to the other geographical areas in which we operate, partly due to the less developed distribution infrastructure. Branches located in the Bulgaria, Poland, Romania and Ukraine are generally restocked once or twice a day while Hungarian branches are restocked several times a day. Branches of Lang and Car-Go, Elit Ukraine and Elit Romania make regular daily deliveries to their customers, ranging from five to nine times a day, using their own transportation and some third-party carriers. Branches are stocked with an average of 5,722 to 19,755 SKUs, depending on the sales turnover of the respective branch. The product flow is continually monitored by our information technology systems to ensure the availability and adequate inventory levels of such products.

As of December 31, 2013, the marketing and procurement departments in Hungary Romania and Ukraine consisted of 21 product managers who are responsible for updating the product range based on demand, which is driven by the type of vehicles on the road in the applicable country.

As in the Czech Republic and in Slovakia, Elit Ukraine's and Elit Romania's customers largely consist of garages and, to a lesser extent, wholesalers and retail stores. The customers of Lang and Car-Go include, also wholesalers and local distributors. We manage our customer relations through a network, which, as of December 31, 2013, included 129 agents and employees.

The following table sets forth Lang, Car-Go, Elit Ukraine and Elit Romania gross sales, excluding intercompany sales, for the year ended December 31, 2013, broken down by customer type:

	Gross Sales and Third-party Commissions
	(EUR thousands)
Customer Type	
Garages	45,274
Retail stores	1,089
Wholesalers	11,266
Others(1)	36,956
Total	**94,585**

(1) Including, mainly, shops, truck segments and exports.

For the year ended December 31, 2013, the top 10 customers (excluding retail customers) of Lang and Car-Go, Elit Ukraine and Elit Romania accounted for 13.9%, 7.2%, 7.7%, respectively, of our gross sales in Hungary, Ukraine and Romania.

In Ukraine and Romania, we have established networks of garages operating under the "Partner Elit" brand. For the year ended December 31, 2013, gross sales realized by such networks accounted for approximately 9.3% and 3.4% of our gross sales in the Ukraine and Romania, respectively.

For the year ended December 31, 2013, approximately 18.7% of the products distributed by Elit Ukraine, 29.7% of those distributed by Elit Romania and 14.4% of those distributed by Lang, respectively, were purchased from Elit CZ.

Switzerland

We also operate in Switzerland. Our operations are conducted by RGL.

For the year ended December 31, 2013, RGL's sales to wholesalers, garages and industrial customers (primarily customers purchasing shock absorbers for trains) accounted for 61.6%, 24.4% and 13.4% of RGL's gross sales and third party commissions, respectively.

As of June 30, 2014, RGL operated two central warehouses in Switzerland with a total storage capacity of approximately 33,000 cubic meters. We sold over 2.9 million products in Switzerland during the year ended December 31, 2013.

Our warehouses, located in Baar, Canton of Zug, and Echallens, Canton of Vaud, serve all of Switzerland. In September 2013, we sold our warehouse located in Baar and have been leasing another warehouse located in Baar since August 2014. RGL makes between one and three deliveries a day to their customers using its own transportation and some third party carriers. Each of the warehouses stock an average of 32,000 to 36,000 SKUs, with approximately 94.5% of the products ordered immediately available and shipped within three hours if ordered before noon and within 12 hours if ordered in the afternoon.

For the year ended December 31, 2013, RGL served over 1,700 customers, consisting of 116 wholesalers, 1,576 garages and 77 industrial customers, importers and other customers. The following table sets forth RGL's gross sales for the year ended December 31, 2013, broken down by customer type:

	Gross Sales and Third-party Commissions
	(EUR thousands)
Customer Type	
Wholesalers	29,097
Garages	11,539
Others(1)	6,625
Total	**47,261**

(1) Including, mainly, shops, truck segments and exports.

For the year ended December 31, 2013, RGL's top 10 customers (excluding retail customers) accounted for approximately 34.4% of our gross sales in Switzerland and 2.1% of our gross sales and commission income.

As of December 31, 2013, the marketing and procurement department in Switzerland consisted of 12 product managers who are responsible for keeping the product line up-to-date with the developments of the local vehicles on the road.

We manage our customer relations in Switzerland through a network of 13 employees and two agents as of December 31, 2013.

Competition

We face numerous sources of competition in the markets in which we operate (see "*Industry Overview*"), particularly from other aftermarket distributors and producers targeting aftermarket consumers.

In Italy, our competitors are regional distributors characterized by their limited size and therefore unable to reach economies of scale enabling them to consistently provide a high level of service through product availability, efficient delivery speed and product range beyond a limited geographical area. Small local distributors often form buying groups in an attempt to gain purchasing power with respect to suppliers. However, we believe that the current high fragmentation of the market positions us favorably to further consolidate organically the IAM segment in Italy in the mid-term. See "*Industry Overview—The Aftermarket in Italy—Competitive landscape of the IAM Segment in Italy*".

In the Eastern European countries where we operate, we also routinely compete against a diverse number of distributors possessing varying degrees of financial and operational capabilities. However, we believe that there are only a few distributors in the IAM segment in Europe that can sell an extensive range of spare parts and deliver a high service level through efficient delivery speed and wide range of products. Our extensive distribution network, combined with the high service level delivered to our customers and strong corporate culture, provide us with an important competitive advantage. See "*Industry Overview—The Aftermarket in Eastern Europe—Key features of in the IAM Segment in Eastern Europe*".

In Switzerland, we believe that we are one of the leading players in the IAM segment by gross sales. The market is characterized by the dominance an incumbent player (Swiss Automotive Group). Notwithstanding our smaller scale compared the incumbent player, we believe we enjoy a strong position in wholesale distribution, which makes us the distributor of choice for a significant category of IAM segment consumers.

Although the overall number of competitors has decreased (particularly in Eastern Europe where the market has seen significant consolidation through acquisitions), due to ongoing industry consolidation the IAM segment remains extremely competitive. The basis on which customers select spare parts suppliers is determined on a number of factors, including, product range and product availability, service level, price and value added services.

In recent years, we have focused on further strengthening and expanding our distribution network by opening new branches particularly in Eastern European countries, and widening our product offering by developing and improving our product portfolios by expanding existing products lines, for example, under our private label "Starline" and by introducing new product lines. In addition, we have also expanded the distribution of our existing product lines across our other markets in order to broaden the choice of products we are able to offer our customers in all of our markets. We have also established new contractual relationships with important spare parts manufacturers and suppliers.

Properties

As of June 30, 2014, we owned one warehouse and three branches located in Hungary and leased the remaining nine warehouses and 207 branches located in Italy, Czech Republic, Slovakia, Romania, Switzerland, Hungary, Bulgaria, Ukraine and Poland. We also lease administrative offices in Italy, Czech Republic, Slovakia, Romania, Switzerland, Bulgaria and Ukraine.

Intellectual Property

We have registered a number of trademarks nationally, internationally and with the European Union, including word trademarks, figurative trademarks, domain names, designs and licenses.

Legal Proceedings

We are party to various legal proceedings involving claims incidental to our business. We have not, during the previous twelve months been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware), which have had in the recent past, or may have, a significant effect on our financial position and profitability.

Ongoing Tax Proceedings

In 2010, we were audited by the Italian tax authorities in respect of the fiscal year ended December 31, 2007. Such audit was extended to the fiscal year ended December 31, 2008 solely in relation to tax deductions claimed for interest expense incurred under the ING Credit Facilities. The Italian tax authorities alleged that Sidelia 3 S.p.A., which was subsequently merged with and into Rhiag, should have instead re-charged to its former parent company, Lanchester S.A., a portion of the interest expenses incurred under the ING Credit Facilities and claimed as revenues for the Rhiag Group. In particular, the challenge relates to transfer pricing, alleging that because the interest expenses and ancillary costs associated with and incurred under the ING Credit Facilities were incurred in part for the benefit and in the interest of Lanchester S.A., such expenses and costs should have been re-charged to Lanchester S.A. on an arm's length basis and, therefore, for a price equal to a portion of those interest expenses and ancillary costs. As a result of appealing these claims before the competent tax court, we were required to pay one third of the additional taxes claimed, amounting to €46 thousand for the fiscal year ended December 31, 2007 and €335 thousand for the fiscal year ended December 31, 2008.

On September 19, 2014, we received a decision in favor of Rhiag by the first degree tax court with respect to the year ended December 31, 2007, on the technical merits of our appeal, entitling Rhiag to obtain a refund for the €46 thousand taxes paid for the litigation related to this fiscal year; however, the Italian tax authorities have six months from the date of publishing such decision to make an appeal. In addition, the initial hearing before the first degree court with respect to the litigation for the fiscal year ended December 31, 2008, is scheduled to take place in November 2014. If the Italian tax authority succeeds in a final decision from the competent court and/or successfully appeals against the decision for the fiscal year ended December 31, 2007 and succeeds against our appeal for fiscal year ended December 31, 2008, we will be required to pay the outstanding balance of the amounts claimed for 2007 and 2008. We may also receive similar assessments for subsequent periods prior to the repayment of the ING Credit Facilities in 2013 as part of the Rhiag Acquisition Transactions. Pursuant to the Rhiag Acquisition Agreement, Lanchester has agreed to indemnify us for certain existing and future claims in an aggregate amount of up to €20 million, where individual claims exceed a specified *de minimis* amount. To the extent the unused amount under such indemnity is sufficient at the relevant time, such indemnity may be used to pay existing and future claims made in connection with the deductibility of the interest expense payable under the ING Credit Facilities.

On December 27, 2013, Rhiag and Bertolotti received four notices of assessment from the Italian tax authorities mainly in relation to the non-payment of withholding tax due with respect to interest payments made under the ING Credit Facilities in the year ended December 31, 2008. We settled all the claims with respect to these assessments in May 2014 and paid €0.7 million. Pursuant to the Rhiag Acquisition Agreement, Lanchester S.A. has indemnified us in full for this amount.

On June 26, 2014 and August 7, 2014, Rhiag and Bertolotti received further notices of assessment from the Italian tax authorities mainly in relation to the non-payment of withholding tax due with respect to interest payments made under the ING Credit Facilities in the years ended December 31, 2009 and 2010, for which we estimate we will be liable to pay approximately €0.7 million. We are currently in the process of engaging with the Italian tax authorities in order to agree the final amounts to be paid under such assessments. To the extent the unused amount under the indemnity granted to us by Lanchester S.A. pursuant to the Rhiag Acquisition Agreement is sufficient at the relevant time, such indemnity may be used to pay existing and future claims made in connection with the correct treatment for withholding tax purposes of the interest payments made under the ING Credit Facilities. To the extent that the Italian tax authorities issue assessments for 2011, 2012 and 2013 on the same basis which has been applied to the tax assessment issued for 2008, we estimate that the amount of withholding tax which may be claimed would amount to approximately €0.6 million for 2011, 2012, and 2013, plus interest for late payment. In addition, the Italian tax authorities may also charge additional interest and penalties with respect to any amounts claimed. However, we cannot assure you that the unused amount under the indemnity granted to us by Lanchester S.A. pursuant to the Rhiag Acquisition Agreement will be sufficient to cover the full amount of any assessments for 2011 to 2013, and that the tax authorities will follow the same approach they used in the past for the fiscal years for which we have not yet received a tax assessment.

On May 20, 2014, the finance police (*guardia di finanza*) commenced a comprehensive investigation at Rhiag's registered and operating offices in connection with the payment of corporate taxes, VAT and withholding taxes due for the years 2010, 2011 and 2012. Such investigation is currently ongoing and the finance police (*guardia di finanza*) may extend the period for carrying our such investigation. Although we have not received any feedback from the finance police (*guardia di finanza*) about their investigation to date, we cannot predict the outcome of such investigation.

Employees

For the year ended December 31, 2013, we had 511 employees in Italy, 2,379 employees in Eastern Europe and 105 employees in Switzerland for a total of 2,995 employees, comprising 66 executives, 157 middle managers, 704 clerical employees and 2,068 workers.

The following table sets forth the number of our employees, by business unit or entity, for the year ended December 31, 2013.

	2013
Department	
Marketing and Procurement Department	196
Supply Chain Department	77
Logistics planning	1,622
Sales Department	855
Human Resources Department	19
Information Technology Department	57
Finance and Administrative Department	85
Other administration personnel	84
Total	**2,995**

We contribute to staff leaving indemnity *Trattamento di fine rapporto* ("TFR") in Italy and pension plans in Switzerland. In Italy, we contribute to TFR according to Italian law requiring an annual contribution that has to be computed at 1/13.5 of compensation for the year plus the revaluation of cumulated prior years' contributions on the basis of 75% of the annual increase in the official Italian cost of living index, plus a fixed 1.5%. In Switzerland, we contribute to a fully reinsured Collective Foundation which is a multi-employer pension fund offering an individual plan design (the "Collective Foundation"). The Collective Foundation is fully reinsured and offers the employer and the employees considerable security, delegating the financial risks to the respective insurance company. We are not liable for any others material supplementary pensions, postretirement health care, insurance benefits or retirement indemnities to its current or former employees.

We intend to implement a redundancy plan with respect to a group of approximately 12 personnel in Italy in early 2015. We currently expect the costs in connection with these redundancies to be approximately €1.3 million.

Our employees belong to industrial or regional professional trade unions in Italy. We have not experienced any material strikes, work stoppages or any other labor unrest for the last three-year period.

Environmental Matters

Although we do not manufacture our products, the storage of spare auto parts subjects our facilities and operations to environmental and occupational health and safety laws and regulations in each of the jurisdictions in which we operate. These laws govern, among other things, discharges of pollutants, the use, storage and disposal of hazardous substances and wastes and the clean-up of contaminated properties.

Violations of environmental laws, applicable authorizations or permits can result in significant fines or civil or criminal sanctions. In addition, the discovery of contamination at our facilities could require us to incur substantial clean-up costs.

Environmental authorizations or permits required for some of our operations may be reviewed, modified or revoked by the issuing authorities. We believe that we are in material compliance with the environmental laws applicable to our business. Our environmental and occupational health and safety costs have not significantly affected our results of operations or financial position.

Insurance

We believe that our insurance policies provide sufficient coverage of the risks facing our business and are consistent with industry standards. We believe that each of our warehouses and other immovable property is properly insured based on industry standard. Insurance of immovable property covers risks against damages related to fires, explosions, natural disasters and other accidents.

We carry insurance policies for the goods while in transit in almost all of the countries in which we operate. See "*Risk Factors—Risks Related to Our Business—Prolonged supply chain disruptions could have a material adverse effect on our profitability*".

REGULATION

We operate in numerous countries and we are subject to a wide variety of laws and regulations. Some of the most pertinent to the business sector in which we operate are laws and regulations which pertain to the automotive wholesale sector and car inspections. The paragraphs below briefly describe some of such laws and regulations (with a focus on Italian, Swiss and EU laws and regulations). This section does not purport to be a comprehensive description of all of the laws and regulations to which we are subject and that may be relevant to a decision to purchase the Notes.

The automotive wholesale sector in the European Union is currently regulated by Regulation (EU) No. 461/2010 (the "New BER"), which replaced Regulation (EC) No. 1400/2002 (the "BER 2002") in 2010, aimed, *inter alia*, at ensuring fair competition in this market. In particular, the New BER stipulates that:

- original and equivalent spare parts competing with those branded by the passenger car and commercial vehicles manufacturers must have full access to the market;
- no restrictions may be imposed on the business of independent garages by way of a selective distribution system under which a supplier is obliged to sell its goods or services under a contract only to selected distributors on the basis of specific criteria and by committing to not sell such goods or services to non-authorized resellers;
- no limitations may be imposed on any supplier of spare parts to freely sell such goods to independent or authorized distributors or garages or end users;
- no restrictions may be imposed on suppliers of components for the initial assembly of vehicles to attach their trademarks or logos on such components or spare parts;
- no restrictions may be imposed on the independent operators' access to the technical information required to render maintenance and repair services to their customers in fair competition with authorized garages and distributors; and
- no repair services may be reserved, explicitly or implicitly, only to members of an authorized network. As Recital 69 of the notice of the European Commission No. 2010/C 138/05 clarifies, this might occur when the legal or extended warranty is, for example, conditioned on the fact that the repair and maintenance services that are not covered by the warranty must be performed by a member of the network of the car manufacturer or that any spare parts used in instances that are not covered by the warranty must be the ones branded by the car manufacturer.

The New BER allows, if certain conditions are satisfied, certain agreements if they contribute to improving the production or the distribution or support technical or economic progress. Specifically, vertical agreements relating to the purchase, sale and resale of spare parts are permitted when satisfying the requirements provided by Regulation 330/2010/EC.

The New BER expressly prohibits (i) restrictions on the sale of spare parts to independent garages by members of a selective distribution system, (ii) restrictions that limit the ability of a spare parts supplier to sell such goods to authorized or independent distributors or garages or end users, and (iii) restrictions that limit the availability of a supplier of components for the initial assembly of a vehicle to attach its trademark or logo to such components or spare parts.

The foregoing provisions aim essentially to foster access to the repair and maintenance services marketed by independent garages and facilitate the identification of compatible spare parts of alternative suppliers, thereby fostering the competition between such articles (known as "equivalent" parts) and those bearing the manufacturer's trademark.

The European Commission has furnished further clarification regarding the application and interpretation of the New BER by releasing the notice No. 2010/C 138/05 ("*European Commission's Supplementary Guidelines on Vertical Restraints in Agreements for the Sale and Repair of Vehicles and for the Distribution of Replacement Parts for Vehicles*"). The European Commission thereby clarified that the scope of the prohibition includes: (i) agreements in which one of the parties acts in such a way as to prevent independent operators from accessing the market, for example by denying them access to the technical information required to provide customers with maintenance and repair services in effective competition with authorized repairers and distributors, and (ii) agreements in which the supplier and members of the supplier's authorized network explicitly or implicitly restrict repairs of certain categories of vehicles to members of the authorized network. It is therefore prohibited for the manufacturer's warranty to be subject to the condition that post-sales assistance and maintenance service be provided exclusively within the authorized repair network or by using spare parts bearing the manufacturer's trademark.

As further specified by the European Commission, the New BER also aims to ensure access to post-sales assistance services marketed by manufacturers of spare parts competing with those bearing the manufacturer's trade mark. The European Commission emphasizes that the availability of such spare parts entails significant advantages for consumers in consideration of the considerable price differences normally seen between products sold by the manufacturer and alternative brands. In particular, the following may be employed as substitutes for spare parts bearing the manufacturer's trademark: (i) original parts manufactured and distributed by original equipment suppliers, and (ii) replacement parts of "equivalent quality" to the original components. In the same notice, the European Commission specifies that in order to be considered to be of "equivalent quality", spare parts must be "of a sufficiently high quality that their use does not endanger the reputation of the authorized network" that employs them. The European Commission places the burden of proving that a part does not satisfy the requirements for being considered of "equivalent quality" on the vehicle manufacturer.

Finally, with respect to the regulatory framework applicable to our business in Switzerland, on October 21, 2002 the Swiss Competition Commission (Comco) issued a Notice regarding the Competition Law Treatment of Vertical Agreements in the

Vehicle Trade (the “2002 Notice”), which in essence ratified BER 2002 into Swiss law. Then, following the adoption of the New BER, Comco decided to leave the 2002 Notice formally unchanged until May 31, 2013. In addition, in its Explanatory Brochure by the Competition Commission on the Notice regarding the Competition Law Treatment of Vertical Agreements in the Vehicle Trade, published in September 2010, Comco stated that “Comco has taken into consideration the developments at the European level in the application of Regulation No. EC/1400/2002 and Regulation (EU) No. 461/2010 with the aim of adhering as closely as possible to the practice developed by the European Commission”, and thus clarified that in the distribution of replacement parts for vehicles, Comco’s prevailing stance was to bring the Swiss regulatory framework into line with the new provisions of the New BER.

Inspection

European car inspections are currently regulated by the Directive of the European Parliament and the Council of Europe dated as of April 3, 2014 (Directive 2014/45/EC), as amended, providing for periodic technical inspections of each vehicle matriculated in a member state of the European Union.

With regard to passenger cars with fewer than eight seats (excluding the driver’s seat) and commercial and commercial vehicles permitted to operate up to 3.5 tons, Directive 2014/45/EC requires inspections to be made (i) four years after the first utilization and (ii) every two years thereafter. With regard to passenger cars with more than eight seats (excluding the driver’s seat), commercial and commercial vehicles authorized to carry more than 3.5 tons, taxis and ambulances, such controls must be performed within one year from the first utilization and, every year thereafter.

Such requirements have been implemented in Italy along with the provision of certain pecuniary penalties if vehicles are not inspected when due, which can be increased for repetitive violation or for vehicles on the road that were suspended as a result of the inspection and may entail the confiscation of the vehicle registration certificate.

MANAGEMENT

The Issuer

The Issuer is a *societá per azioni* incorporated and existing under the laws of the Republic of Italy and was formed to facilitate the Rhiag Acquisition Transactions. The Issuer is a wholly-owned subsidiary of the Parent. The address for each of the directors of the Issuer is at Foro Buonaparte 70, 20121, Milan, Italy.

The Issuer is currently managed by a board of directors (*Consiglio di Amministrazione*) which, subject to certain limitations, has the power to manage the company, legally represent the company in its dealings with third parties and delegate its general authority to an executive committee or one or more managing directors.

There are no potential conflicts of interest between any duties of any member of the board of directors of the Issuer and their private interests or other duties.

Board of Directors

As of the date on the front cover of this offering memorandum, the board of directors of the Issuer is composed of five members. All current members of the board of directors of the Issuer were appointed for a specified period which will expire on the date of approval of the Issuer's annual report for the year ended December 31, 2015.

The following table sets forth the names, age and titles of the board of directors of the Issuer as of the date on the front cover of this offering memorandum:

Name	Age	Title
Frank Andreas Ehmer	39	Chairman and Director
Giancarlo Rodolfo Aliberti	53	Director
Antonio Salvi	45	Director
Ferdinando Imhof	44	Director
Aldo Carrabino	33	Director

The following is biographical information for each of the current members of the board of directors of the Issuer:

Frank Andreas Ehmer: Mr. Ehmer is a Partner in the Services team of Apax Partners. Mr. Ehmer joined Apax Partners in 2000 in Munich and has served as a board member to a number of Apax portfolio companies, including Garda, Tommy Hilfiger, TIM Hellas, Top Right Group, CME and Authentos. Mr. Ehmer holds an MBA from Harvard Business School and a Diploma in business administration from the University of Mannheim.

Giancarlo Rodolfo Aliberti: Mr. Aliberti is a Partner in the Services team of Apax. He currently leads Apax activities in Italy, Turkey and Greece and is Head of Human Capital for Apax Partners overseeing HR Policy. Mr. Aliberti has both led and participated in a number of transactions including Weather Investments, Farmafactoring, Tim Hellas and Sisal. He is also a director on the boards of Farmafactoring and Sisal and previously served on the boards of Azimut and Tim Hellas. Mr. Aliberti holds an MBA from Harvard Business School and a *summa cum laude* degree in Economics from University of Rome.

Antonio Salvi: Since 2010, Prof. Salvi has served as the Dean of the Faculty of Economics and Full Professor of Finance at LUM University of Bari. Prof. Salvi is also the Director of the M&A Observatory of Bocconi University, Milan. Prof. Salvi has also taught at the HEC Paris, Paris Sorbonne Pantheon and EM LY. Prof. Salvi graduated with a Ph.D. in Business Administration and Management at Bocconi University in 1999.

Ferdinando Imhof: See "*—Rhiag—Board of Directors*" below.

Aldo Carrabino: See "*—Rhiag—Board of Directors*" below.

The Parent

The Parent is a private limited company organized under the laws of England and Wales and was formed to facilitate the Rhiag Acquisition Transactions. The address for each of the directors of the Parent is at 33 Jermyn Street, London, United Kingdom. As of the date on the front cover of this offering memorandum, the board of directors of the Parent comprises two members.

The following table sets forth the names, age and titles of the directors of the Parent as of the date on the front cover of this offering memorandum:

Name	Age	Title
Savvas Savvides..	35	Director
Nishant Nayyar	35	Director

The following is biographical information for each of the current members of the board of directors of the Parent:

Savvas Savvides. Mr. Savvides has been a member of the board of directors of the Parent since October 7, 2013. Mr. Savvides is a Principal in the Services team of Apax Partners. Prior to joining Apax Partners, Mr. Savvides worked at Citigroup's M&A

advisory team in London where he specialized in advising clients in the Energy, Power and Chemicals sectors. Mr. Savvides holds an MBA from Harvard Business School and an MA in Economics (First Class) from the University of Cambridge.

Nishant Nayyar. Mr. Nayyar has been a member of the board of directors of the Parent since December 16, 2013. Mr. Nayyar is a Principal in the Capital Markets Team of Apax Partners. Prior to joining Apax Partners, Mr. Nayyar worked at Warburg Pincus, a global private equity firm, on a wide variety of transactions across industry groups. Before his time at Warburg, he worked with Bain & Co. in Boston and Singapore and Goldman Sachs in New York. Mr. Nayyar has a BA from Williams College in Politics and Economics as well as an MBA from Harvard Business School.

Rhiag

Rhiag is a *società per azioni* incorporated under the laws of the Republic of Italy.

Rhiag is currently managed by a board of directors (*Consiglio di Amministrazione*) which, subject to certain limitations, has the power to manage the company, legally represent the company in its dealings with third parties and delegate its general authority to an executive committee or one or more managing directors. Rhiag's board of directors determines the powers of the chief executive officer. In addition, the Italian Civil Code requires Rhiag to have a board of statutory auditors (*Collegio Sindacale*) which functions as a supervisory body (see "—*Board of Statutory Auditors*" below).

Board of Directors

As of the date on the front cover of this offering memorandum, the board of directors of Rhiag is composed of four members. All current members of the board of directors were appointed for a specified period commencing March 24, 2014 and expiring on the date of approval of Rhiag's annual report for the year ended December 31, 2016.

The following table sets forth the names, age and titles of the members of the board of directors of Rhiag as of the date on the front cover of this offering memorandum:

Name	Age	Title
Luca Zacchetti	53	Chairman, Director, Group Chief Executive Officer and Chief Executive Officer (Italy)
Walter Coletta	55	Director and Group Senior Vice President of Supply Chain
Ferdinando Imhof	44	Director and Senior Vice President of Product Management
Aldo Carrabino	33	Director and Administration and Finance Director

The business address for the members of the board of directors of Rhiag is Via Vincenzo Monti, 23D, Pero, Milan, Italy.

The following is biographical information for each of the current members of the board of directors of Rhiag:

Luca Zacchetti. Mr. Zacchetti has been a member of the board of directors and Group Chief Executive Officer and Chief Executive Officer (Italy) since 2008. Mr. Zacchetti was previously the controlling and accounting director at So.pa.f. S.p.A. and was a General Manager and Chief Executive Officer at various portfolio industrial companies of So.pa.f. S.p.A. From 2000 to 2005, he held the position of Chief Executive Officer and Chairman at Tecnoforge S.p.A. From 2005 to 2007, he held the position of a managing director of Avio S.p.A. and from April 2007 to December 2008 was the Chief Executive Officer of Avio S.p.A.. Mr. Zacchetti graduated with a degree in economics from the University of Pavia.

Walter Coletta: Mr. Coletta has been the Group Senior Vice President of Supply Chain at Rhiag since 2000. Previously, he was a manufacturing planning manager at Oerlikon Italiana S.p.A. and was the head of the Planning, Material Management & Warehouse Division at Breda Fucine S.p.A. From 1987 to 1989, he held the positions of Senior Consultant, Manager, Senior Manager and Principal at Andersen Consulting and worked at Coopers & Lybrand from 1989 to 1993. From 1993 to 1999, he was the General Manager at various companies forming part of the Mazzer Group. In 1999, he was the head of Industrial Operations at Origin S.p.A. (Philips Group). Mr. Coletta graduated with a degree in mechanical engineering from the Milan Politecnic.

Ferdinando Imhof: Mr. Imhof has been the Senior Vice President of Product Management since 2000. Previously, he was an intern at the EniChem Group—Fiber Division from 1994 to 1995. From 1995 to 2000, he was a product manager of various product lines at Det Norske Verita S.r.l. Mr. Imhof graduated with a degree in industrial technology engineering, specializing in organizational economics, from the Milan Politecnic.

Aldo Carrabino: Mr. Carrabino has been Administration and Finance Director since 2013. Previously, he was Administration and Accounting Director at Rhiag from 2012 until 2013 and manager of the industrial and commercial sectors at Deloitte & Touche S.p.A. from 2005 until 2012. Mr. Carrabino graduated with a degree in Economics from Bocconi University.

Senior Management

The following table sets forth the names, ages and titles of the members of the senior management of Rhiag as of the date on the front cover of this offering memorandum:

Name	Age	Title
Luca Zacchetti	53	Group Chief Executive Officer and Chief Executive Officer (Italy)
Adriano Ceruti	57	Group Senior Vice President of Logistics
Walter Coletta	55	Group Senior Vice President of Supply Chain
Mario Sgalambro	64	Group Senior Vice President of Purchasing Coordination
Jan Svoboda	39	Group Chief Information Officer
Lukáš Vydra	36	Group Financial Controller
Ferdinando Imhof	44	Senior Vice President of Product Management
Paolo Vuillermin	48	Senior Vice President of Sales (Italy)
Andrè Pierre Sauteur	61	General Manager of RGL (Switzerland)
Jiří Novák	40	General Manager of Elit Czech Republic, Elit Slovakia and Elit Poland
Oleksandr Nikolenko	42	General Manager of Elit Ukraine and Elit Romania
Ondřej Navrátil	39	General Manager of the Auto Kelly Group
Roland Boros	36	General Manager of Lang
Aldo Carrabino	33	Administration and Finance Director of Rhiag

Luca Zacchetti: See "*—Rhiag—Board of Directors*" above.

Walter Coletta: See "*—Rhiag—Board of Directors*" above.

Ferdinando Imhof: See "*—Rhiag—Board of Directors*" above.

Aldo Carrabino: See "*—Rhiag—Board of Directors*" above.

Adriano Ceruti: Mr. Ceruti has been the Group Senior Vice President of Logistics since 1998. Previously, he was a mechanical analyst from 1978 to 1980 and a project manager from 1982 to 1984, respectively, at Alfa Romeo. From 1985 to 1989, he was an organizational analyst and a developer at Fiat Auto. From 1989 to 1990, he was organizational developer and head of logistics and planning at Polenghi Lombardo. From 1996 to 1998, he was the head of logistics, planning and plant programming at Cirio Polenghi De Rica Divisione.

Mario Sgalambro: Mr. Sgalambro has been the Group Senior Vice President of Purchasing Coordination since 2009. Previously, he held various positions (including commercial technician, head of original equipment services, head of sales basic configuration services division, head of marketing replacement parts for commercial vehicles division, head of the nautical division and head of the motor division) at SVAMA S.p.A. from 1978 to 1993. He joined Rhiag in 1996 as a manager of the motor division, manager of the marketing commercial vehicles division and marketing electronics division. Mr. Sgalambro graduated with a degree in mechanical engineering from the Milan Politecnic.

Jan Svoboda: Mr. Svoboda has been Group Chief Information Officer at Rhiag since 2009. Previously, he was Chief Information Officer at Renomia. Mr. Svoboda graduated with a degree in Management and Economy from the Czech Technical University in Prague.

Lukáš Vydra: Mr. Vydra has been Group Financial Controller of Rhiag since 2012. From 2007 to 2010, he was a controller at Elit Group. From 2010 to 2012 he was a Financial Controller of CEE region. Mr. Vydra graduated with a degree in Economy and Management from the Prague University of Economics in 2003.

Paolo Vuillermin: Mr. Vuillermin has been Senior Vice President of Sales (Italy) since 2012. Previously he worked at Norauto. From 2000 to 2001, he worked at Magneti Marelli. He had previously held various positions at Rhiag (including Trade and Marketing Director, Services and Garages Director and Quality Director). Mr. Vuillermin graduated with a degree in economics from the University of Bergamo.

André Pierre Sauteur: Mr. Sauteur has been General Manager of RGL (Switzerland) since 2000. Previously, he worked at Derendiger GmbH. From 1980 to 2000, he was a product manager and then a Vice President of sales and marketing at Inter Auto Parts Vertriebs AG.

Jiří Novák: Mr. Novák has been General Manager at Elit CZ since 2007, Elit Slovakia since 2011 and Elit Poland since 2013. Previously, he held several positions (including, purchase manager, product manager and product manager director) at Elit CZ. Mr. Novák graduated with a degree in mechanical engineering from the West Bohemia University of Pilsen.

Oleksandr Nikolenko: Mr. Nikolenko has been General Manager at Elit Ukraine since 2011 and General Manager at Elit Romania since September 2014. Previously, he was a programmer at Elecs Ltd. From 1994 to 2001, he was initially a programmer and, later, a financial manager at Elit Ukraine. From 2002 to 2003, he was a logistics and marketing manager at Elit CZ and then Vice President of Marketing at Elit Group. Mr. Nikolenko graduated with a degree in engineering mathematics from Uzghorod State University in 1994.

Ondřej Navrátil: Mr. Navrátil has been General Manager at Auto Kelly Group since 2013. Previously, he held the position of supply and purchasing officer at Zenkl. From 1996 to 1998, he was a Fleet Manager at PVD VInar and a seller and business representative at Daniel Jindrich. He joined Auto Kelly a.s. (the predecessor of Auto Kelly CZ) in 2002 where he previously held various positions (including project leader for development of mechanical parts, leader of purchase department, sales director and import director). Mr. Navrátil has a diploma in mechanical engineering.

Roland Boros: Mr. Roland Boros has been General Manager of Láng since October 2014. Previously he was Sales Manager of Láng from 2010 until September 2014. From 2006 to 2010 he was Sales Manager of the Startauto. Mr. Boros graduated from University of Miskolc in 2003 on the Faculty of Law, and afterwards he graduated on the same University from the Faculty of Economic in 2006.

Remuneration and Benefits

The total compensation paid by Rhiag to the members of the senior management team and members of the board of directors, including compensation paid to Luca Zacchetti, Group Chief Executive Officer and Chief Executive Officer (Italy), for the year ended December 31, 2013, was €2,858 thousand in salaries, wages and other payments.

Rhiag is currently required to make an indemnity payment to Mr. Luca Zacchetti in an amount equal to €700,000 (gross) if (i) he is removed from Rhiag's board of directors without cause, (ii) his powers are decreased, or (iii) he is not reappointed as a member of Rhiag's board of directors upon expiration of each three-year term.

Board of Statutory Auditors

Pursuant to applicable Italian law, Rhiag has appointed a board of statutory auditors (*Collegio Sindacale*) whose objective is to oversee its compliance with applicable law and with its by-laws, monitor the implementation of best practices, and assess the adequacy of the internal controls and accounting reporting systems at Rhiag, as well as the adequacy of the supply of information to its subsidiaries.

The following table sets forth the names, ages and titles of the members of the board of statutory auditors of Rhiag.

Name	Age	Title
Raoul Francesco Vitulo............................	61	Chairman
Maurizio Salom..	60	Auditor
Giovanni Tedeschi	60	Auditor
Guido Riccardi...	58	Alternate Auditor
Monica Antonia Castiglioni.....................	45	Alternate Auditor

PRINCIPAL SHAREHOLDERS

Apax is the indirect principal shareholder of the Parent and Rhiag and owns 95.4% of the ordinary shares of the Group, with the remaining 4.6% held by certain members of our current management team.

Shareholders' Agreement

Rhino Holdco Limited ("Holdco"), Rhino Equityco Limited ("Equityco"), a company wholly owned by Apax, and certain members of management of Rhiag have entered into a Shareholders' Agreement, dated January 24, 2014 (the "Shareholders' Agreement") to govern their relationship as shareholders in Holdco.

Board Composition

Apax has from the right to appoint and to maintain in office, such number of persons as it determines to be a director and to remove any such director or directors and to appoint a replacement (the "Investor Directors").

Consent matters

Certain reserved matters, including matters certain corporate and employee matters, material transactions and the initiation of certain litigation shall not be taken, or agreed to, by Holdco and Holdco has agreed to procure that such reserved matters shall not be taken, or agreed to, by any of its direct or indirect subsidiaries without the approval of (i) Equityco; or (ii) any director of Bidco designated by Equityco as a "Bidco Investor Director"; or (iii) a director of Holdco appointed in accordance with Holdco's articles of association.

Transfer restrictions

Certain customary restrictions have been placed on the transfer of shares in Holdco.

The Shareholders' Agreement also includes tag along provisions. If the Majority Holder (as defined in the Shareholders' Agreement) proposes to transfer participation in Holdco to an unaffiliated third party and the drag along right (as described below) has not been exercised, an offer shall be made to the other shareholders to transfer a pro rata share of its/his/her shares on the same terms and conditions as the Majority Holder, provided that the tag along provisions do not apply in respect of Apax for so long as it has not transferred more than 20% of its shares. In addition, if Apax ceases to hold 50% of the ordinary shares in Holdco (a "Controlling Interest"), an offer shall be made to the other holders of ordinary shares to acquire all of their ordinary shares at the same value per ordinary share.

The Shareholders' Agreement also include drag along provisions that if the Majority Holder accepts an offer to transfer a Controlling Interest of Holdco to an unaffiliated third party, then the Majority Holder may require the other shareholders to transfer 100% of its/his/her shares held in Holdco to the transferee for the same value per share as received by the Majority Holder. Furthermore, if the Majority Holder accepts an offer to transfer shares that would not result in the transfer of a Controlling Interest, the Majority Holder may require the other shareholders to transfer the same proportion of shares it/he/she holds in Holdco for the same value per share.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Intercompany Transactions

In the course of our ordinary business activities, we regularly enter into agreements with companies within the Group. These agreements mainly relate to the rendering of intra-Group services, such as the provision of software and information technology, treasury, controlling, marketing and other services.

Rhiag's members of the board of statutory auditors, Maurizio Salom and Raoul Francesco Vitulo, are partners of Studio Riccardi Salom Tedeschi and Deloitte & Touche S.p.A., respectively, which have provided consultancy services in connection with other transactions for Rhiag both currently and in the past.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of our principal financing arrangements. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. We recommend you refer to the actual agreements for further details, copies of which are available upon request.

Original Floating Rate Notes

Overview

On November 5, 2013, the Issuer issued €200 million in aggregate principal amount of Floating Rate Senior Secured Notes due 2019 (the "Original Floating Rate Notes") under the Indenture, which remain outstanding as of the date of this offering memorandum.

The Original Floating Rate Notes mature on December 15, 2019.

The proceeds from the issuance and sale of the Original Floating Rate Notes were used in connection with the Rhiag Acquisition Transactions. The Original Floating Rate Notes are subject to the provisions of the Intercreditor Agreement.

Interest Rate

The Original Floating Rate Notes accrue interest at a rate per annum, reset quarterly, equal to EURIBOR plus 5.5%, as determined by a calculation agent. Interest on the Original Floating Rate Notes is payable in cash quarterly in arrears on each March 15, June 15, September 15 and December 15. Interest on the Original Floating Rate Notes accrued from November 5, 2013.

Prepayments and Redemptions

The Original Floating Rate Notes may be redeemed in whole or in part on or after November 1, 2014, at established redemption prices plus accrued and unpaid interest to the redemption date. Prior to November 1, 2014, the Original Floating Rate Notes may be redeemed in whole or in part, at the Issuer's option, at a price equal to 100% of the principal amount of the Original Floating Rate Notes to be redeemed plus a "make-whole" premium as of, and accrued and unpaid interest and additional amounts, if any, to the redemption date.

In the event of certain developments affecting taxation or certain other circumstances, the Original Floating Rate Notes may also be redeemed in whole, but not in part, at any time, at a redemption price of 100% of the principal amount of the Original Floating Rate Notes plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

Upon the occurrence of certain events defined as constituting a "Change of Control" (as such term is defined in the Indenture), the Issuer is required to offer to repurchase the Original Floating Rate Notes at 101% of the principal amount of the Original Floating Rate Notes, plus accrued and unpaid interest to the date of purchase. A Change of Control will not be deemed to have occurred on one occasion if certain consolidated leverage ratios are not exceeded as a result of such event that constitutes a "specified change of control" (as such term is defined in the Indenture).

Guarantees

The Issuer's obligations under the Original Floating Rate Notes are guaranteed on a senior secured basis by the Parent, Auto Kelly CZ, RGL, Bidco, Elit and Elit CZ.

Security

The Original Floating Rate Notes are secured on a first priority basis (subject to the operation of the Agreed Security Principles, certain perfection requirements and any "permitted collateral liens" (as defined in the Indenture)) over the same assets that secure the Original Fixed Rate Notes (and that will secure the Notes offered hereby); *provided* that lenders under the Revolving Credit Facility, certain other indebtedness and counterparties to certain hedging obligations secured over the same assets, will receive proceeds from the enforcement of such security interests in priority to holders of the Original Floating Rate Notes.

Certain Covenants and Events of Default

The Indenture contains a number of covenants which, among other things, restrict, subject to certain exceptions our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Parent;
- prepay or redeem subordinated debt or equity;
- make certain investments;

- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Parent or its restricted subsidiaries;
- sell, lease or transfer certain assets including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses or engage in prohibited activities;
- consolidate or merge with other entities;
- impair the security interests for the benefit of the holders of the Original Floating Rate Notes; and
- amend certain documents.

Each of these covenants is subject to significant exceptions and qualifications. In addition, the Indenture imposes certain requirements as to future subsidiary guarantors. The Indenture also contains certain customary events of default.

Governing Law

The Original Floating Rate Notes and the Indenture are governed by New York law.

Revolving Credit Facility

Overview and Structure

On November 5, 2013, the Parent, the Issuer and Bidco entered into a €75 million "super senior" revolving credit facility agreement (the "Revolving Credit Facility Agreement") with, among others, BNP Paribas, Italian Branch, as facility agent (the "RCF Facility Agent") and the Security Agent, and Goldman Sachs International, Mediobanca-Banca di Credito Finanziario S.p.A., BNP Paribas, Italian Branch and Credit Suisse AG, Milan Branch, as arrangers.

The Revolving Credit Facility Agreement may be utilized by any current or future borrower under the Revolving Credit Facility Agreement in euros, U.S. dollars, pounds sterling, CHF or any other readily available or agreed currency by the drawing of cash advances or the issue of letters of credit or ancillary facilities. The Revolving Credit Facility Agreement may be used for financing or refinancing our working capital requirements and/or for general corporate purposes.

In addition, the Parent may elect to request additional facilities either as a new facility or as additional tranches of the Revolving Credit Facility Agreement (the "Additional Facility Commitments"). The Parent and the lenders in respect of the Additional Facility Commitments may agree to certain terms in relation to the Additional Facility Commitments, including the margin, the termination date (each subject to parameters as set out in the Revolving Credit Facility Agreement) and the availability period thereof.

The Revolving Credit Facility may be utilized until November 16, 2019, and matures on December 16, 2019.

The borrowers under the Revolving Credit Facility Agreement are the Issuer, Bidco, Auto Kelly a.s., Bertolotti, Elit, Elit CZ, Rhiag. and RGL.

Interest and Fees

Loans under the Revolving Credit Facility will initially bear interest at rates per annum equal to LIBOR or, for loans under the Revolving Credit Facility denominated in euro, EURIBOR, plus a margin of 3.50% per annum. Commencing November 5, 2014, the margin for each loan under the Revolving Credit Facility will be subject to reduction if certain leverage ratios are met. The margin on any loans under an Additional Facility Commitment will be agreed between the Parent and the relevant lenders.

A commitment fee is payable on the aggregate undrawn and uncanceled amount of the Revolving Credit Facility Agreement from December 16, 2013 to the end of the availability period for the Revolving Credit Facility at a rate of 40% of the then applicable margin for the Revolving Credit Facility. Generally, the commitment fee is payable quarterly in arrears, on the last day of availability of the Revolving Credit Facility and if canceled, on the canceled amount of the relevant lender's commitment under the Revolving Credit Facility at the time such cancelation is effective,

Default interest is calculated as an additional 1% per annum on the overdue amount.

The Parent is also required to pay (or procure the payment of) customary agency fees to the RCF Facility Agent and the Security Agent in connection with the Revolving Credit Facility.

Repayments

Loans under the Revolving Credit Facility must be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against new loans under the Revolving Credit Facility to be drawn on such date.

All outstanding amounts under the Revolving Credit Facility Agreement are required to be repaid on the "termination date" (see "*—Overview and Structure*" above). The termination date in respect of an Additional Facility Commitment will be the date agreed between the Parent and the relevant lenders.

Prepayment

The Revolving Credit Facility Agreement allows for voluntary prepayments (subject to a minimum amount).

The Revolving Credit Facility Agreement also allows for voluntary prepayment of the Revolving Credit Facility with the net cash proceeds received by the Restricted Group from certain disposals of assets, to the extent that such net cash proceeds have not been applied for other permitted purposes.

The Revolving Credit Facility Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender upon a "change of control" (which comprises, generally, the scenarios set out under the definition of "Change of Control" under the caption "*Description of the Senior Secured Notes—Certain Definitions*").

Guarantees

The Revolving Credit Facility is guaranteed by the Parent, the Issuer, Bidco, Auto Kelly CZ, Bertolotti, Elit, Elit CZ, Rhiag and RGL. The guarantees of the Revolving Credit Facility are contained in a deed of guarantee (the "RCF Deed of Guarantee"), which was entered into on November 5, 2013 by the relevant parties thereto and to which certain guarantors of the Revolving Credit Facility acceded to during March 2014.

The Revolving Credit Facility Agreement requires that (subject to the Agreed Security Principles) each member of the Restricted Group incorporated in Italy that is or becomes a "material company" (which is generally defined under the Revolving Credit Facility Agreement to include, among other things, any member of the Restricted Group that has earnings before interest, tax, depreciation and amortization representing 5% or more of consolidated EBITDA of the Restricted Group or total assets representing 5% or more of the total assets of the Restricted Group) will be required to become a guarantor under the Revolving Credit Facility Agreement within 60 days of delivery of the annual financial statements of the Parent for the relevant fiscal year demonstrating that such subsidiary is a material company.

Furthermore, if on the last day of a fiscal year of the Parent, the guarantors of the Revolving Credit Facility represent less than 80% of the consolidated EBITDA of the Restricted Group or less than 80% of the total assets of the Restricted Group (subject to certain exceptions), within 90 days of delivery of the annual financial statements of the Parent for the relevant fiscal year, such other members of the Restricted Group (subject to Agreed Security Principles) are required to become additional guarantors of the Revolving Credit Facility until the requirement is satisfied (to be calculated as if such additional guarantors had been guarantors of the Revolving Credit Facility on such last day of the relevant fiscal year).

Security

As of the date on the front cover of this offering memorandum, the Revolving Credit Facility Agreement is secured by security interests granted on a first priority basis over (i) the capital stock of the Issuer, Bidco, Rhiag, Bertolotti, Auto Kelly CZ and Elit CZ, RGL and Elit (ii) certain bank accounts of the Issuer and Bidco, (iii) substantially all of the assets of the Parent, (iv) the rights of Bidco under the documents governing the Rhiag Acquisition and (v) the Issuer's rights under the Auto Kelly Funding Loans, the Bertolotti Funding Loans and the Original Rhiag Funding Loans.

Representations and Warranties

The Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, binding obligations, non-conflict with constitutional documents, applicable laws and certain other obligations, power and authority, authorizations and no default.

Covenants

The Revolving Credit Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments) included in the section entitled "*Description of the Senior Secured Notes—Certain Covenants*" of this offering memorandum. In addition, the Revolving Credit Facility Agreement contains a financial covenant (see "*—Financial Covenant*" below).

The Revolving Credit Facility Agreement also contains a "notes purchase condition" covenant. Subject to certain exceptions set out in the Revolving Credit Facility Agreement, the Parent may not, and shall procure that no other member of the Restricted Group will, repay, prepay, purchase, defease, redeem or otherwise acquire or retire the principal amount of the Notes (or, in each case, any replacement or refinancing thereof as permitted under the Revolving Credit Facility Agreement from time to time but, for the avoidance of doubt, excluding any amount outstanding under any "finance document" entered into in respect of the Revolving Credit Facility) prior to its scheduled repayment date in any manner which involves the payment of cash consideration by a member of the Restricted Group to a person which is not a member of the Restricted Group. The exceptions to such covenant include, *inter alia*, generally, payments that do not exceed 50% of the aggregate original principal amount of the Notes in existence as of December 16, 2013, or incurred at any time after December 16, 2013.

The Revolving Credit Facility Agreement also requires certain members of the Restricted Group to observe certain affirmative covenants, including covenants relating to maintenance of "guarantor and security coverage" (see "*—Guarantees*" above) and further assurance with respect to security interests granted.

Certain of the covenants under the Revolving Credit Facility Agreement will be suspended, generally, upon (i) a public equity offering of any member of the Restricted Group or any holding company of the Parent and an achievement of a "leverage ratio" for the Restricted Group equal to or less than 2.50:1 (*pro forma* for any prepayment of certain indebtedness from the proceeds of such public equity offering) or (ii) an achievement by the Parent (or, if given such a rating, any affiliate of the Parent) of a long-term corporate credit rating equal to or better than Baa3 or BBB- (as applicable) according to Moody's Investor Services, Inc. or Standard & Poor's Investors Ratings Services, respectively.

The Revolving Credit Facility Agreement also contains an "information covenant" under which, among other things and in the first instance, the Parent is required to deliver to the RCF Facility Agent annual financial statements, quarterly financial statements and compliance certificates. Note, however, that the delivery of accounts/financial statements as set out under the caption "*Description of the Senior Secured Notes—Certain Covenants—Reports*" of this offering memorandum will satisfy the information covenant.

Financial Covenant

The Revolving Credit Facility Agreement requires the Parent to comply with a "net leverage covenant". The net leverage covenant is tested quarterly on a rolling basis, subject to: (i) the first test date falling at least 12 months after the date of execution of the Revolving Credit Facility Agreement; and (ii) the Revolving Credit Facility being at least 25% drawn on the relevant test date. The net leverage covenant only acts as a drawstop to new drawings under the Revolving Credit Facility and, if breached, will not trigger a default or event of default under the Revolving Credit Facility Agreement.

The Parent is permitted to prevent or cure breaches of the net leverage covenant by applying a "cure" amount (generally, amounts received by the Parent in cash pursuant to any new equity or permitted subordinated debt) as if consolidated net indebtedness had been reduced by such amount. There is no requirement to apply any cure amount in prepayment of the Revolving Credit Facility. No more than three different cure amounts may be taken into account prior to the original termination date of the Revolving Credit Facility Agreement and cure amounts in consecutive financial quarters are not permitted.

Events of Default

The Revolving Credit Facility Agreement contains events of default, with certain adjustments, as those applicable to the Notes as set forth in the section entitled "*Description of the Senior Secured Notes—Events of Default*". In addition, the Revolving Credit Facility Agreement contains the following events of default:

- inaccuracy of a representation or statement when made; and
- unlawfulness, invalidity rescission and repudiation, or unenforceability of the "finance documents" entered into in connection with the Revolving Credit Facility Agreement.

Governing law

The Revolving Credit Facility Agreement is governed by English law.

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, the Parent and certain other members of the Group which have acceded or will otherwise become a party to the Intercreditor Agreement as a debtor (together the "Debtors") are parties to an Intercreditor Agreement entered into on November 5, 2013, with, among others, the Security Agent, the lenders under our Revolving Credit Facility Agreement and the RCF Facility Agent. The Law Debenture Trust Corporation p.l.c. (the "Senior Notes Trustee") acceded to the Intercreditor Agreement on November 5, 2013. The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the Debtors, when payments can be made in respect of certain debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

Capitalized terms set forth and used in this summary of the Intercreditor Agreement may have different meanings from that given to such terms and used elsewhere in this offering memorandum. In particular, in this summary, the term "Senior Notes" collectively refers to the Notes offered hereby and the Original Notes (each as defined elsewhere in this offering memorandum).

Definitions

The following capitalized terms are used in this summary of the Intercreditor Agreement have the meaning given to them below:

"Group" means the Parent and its Restricted Subsidiaries (as such term is defined in the Revolving Credit Facility Agreement) for the time being.

"Hedge Counterparty" means any person that executes or accedes to the Intercreditor Agreement as a Hedge Counterparty.

"Hedging Liabilities" means the liabilities owed by any Debtor to hedge counterparties in respect of certain hedging agreements.

“Insolvency Event” means, generally, certain events of insolvency in relation to any company that is a member of the Group.

“Majority Permitted Finco Financing Creditors” means, in relation to any Permitted Finco Financing Debt, the requisite number or percentage of Permitted Finco Financing Creditors under the Permitted Finco Financing Agreement on whose instructions the Senior Finco Creditor Representative is required to act in relation to the relevant matter.

“Majority Permitted Senior Financing Creditors” means, in relation to any Permitted Senior Financing Debt, the requisite number or percentage of Permitted Senior Financing Creditors under the Permitted Senior Financing Agreement on whose instructions the Senior Creditor Representative is required to act in relation to the relevant matter.

“Majority Senior Lenders” means, at any time, subject to certain provisions of the Revolving Credit Facility Agreement, a Senior Lender or Senior Lenders commitments under the Revolving Credit Facility Agreement that aggregate at least 66.66 per cent. of the total commitments under the Revolving Credit Facility (or, if the total commitments have been reduced to zero, aggregate at least 66.66 per cent. of the total commitments immediately prior to that reduction).

“Operating Facility” means any facility or financial accommodation (including, without limitation, any overdraft or other current account facility, any foreign exchange facility, any guarantee, bonding, documentary or standby letter of credit facility, any credit card or automated payments facility, any short term loan facility and any derivatives facility) provided to a member of the Group by an Operating Facility Lender which is notified to the Security Agent by the Parent in writing as a facility or financial accommodation to be treated as an “Operating Facility” for the purposes of the Intercreditor Agreement.

“Operating Facility Document” means, at the election of the Parent, any document relating to or evidencing an Operating Facility.

“Operating Facility Lender” means any person that executes or accedes to the Intercreditor Agreement as an Operating Facility Lender.

“Operating Facility Liabilities” means the liabilities owed by any Debtor to the Operating Facility Lenders under or in connection with the Operating Facility Documents.

“Permitted Finco Financing Agreement” means, in relation to any Permitted Finco Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Finco Financing Debt is made available or, as the case may be, issued.

“Permitted Finco Financing Creditors” means, in relation to any Permitted Finco Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Finco Financing Debt from time to time (including the applicable Senior Finco Creditor Representative).

“Permitted Finco Financing Debt” means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as “Permitted Finco Financing Debt” for the purposes of the Intercreditor Agreement; provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined below under the caption “*—Enforcement Action*”) and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Finco Financing Debt have agreed to become a party to the Intercreditor Agreement, in each case unless already a party in that capacity.

“Permitted Finco Financing Documents” means, in relation to any Permitted Finco Financing Debt, the Permitted Finco Financing Agreement, any fee letter entered into under or in connection with the Permitted Finco Financing Agreement and any other document or instrument relating to that Permitted Finco Financing Debt and designated as such by the Parent and the Senior Finco Creditor Representative in respect of that Permitted Finco Financing Debt.

“Permitted Finco Financing Liabilities” means all liabilities of any Debtor to any Permitted Finco Financing Creditors under or in connection with the Permitted Finco Financing Documents.

“Permitted Senior Financing Agreement” means, in relation to any Permitted Senior Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Senior Financing Debt is made available or, as the case may be, issued.

“Permitted Senior Financing Creditors” means, in relation to any Permitted Senior Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Senior Financing Debt from time to time (including the applicable Senior Creditor Representative).

“Permitted Senior Financing Debt” means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as “Permitted Senior Financing Debt” for the purposes of the Intercreditor Agreement; provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined below under the caption “*—Enforcement Action*”) and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt have agreed to become a party to the Intercreditor Agreement in each case to the extent not already a party in that capacity.

“Permitted Senior Financing Documents” means, in relation to any Permitted Senior Financing Debt, the Permitted Senior Financing Agreement, any fee letter entered into under or in connection with the Permitted Senior Financing Agreement and any other document or instrument relating to that Permitted Senior Financing Debt and designated as such by the Parent and the Senior Creditor Representative under that Permitted Senior Financing Debt.

"Permitted Senior Financing Liabilities" means all liabilities of any Debtor to any Permitted Senior Financing Creditors under or in connection with the Permitted Senior Financing Documents.

"Secured Party" means, to the extent legally possible and subject to the Agreed Security Principles, each of the Security Agent, any receiver or delegate and each of the creditor representatives of the relevant secured creditors, the arrangers under the Revolving Credit Facility Agreement, the Operating Facility Lenders, the Senior Secured Creditors and the Senior Finco Creditors from time to time but, to the extent required by the Intercreditor Agreement, only if it is a party to the Intercreditor Agreement or has acceded to it, in the appropriate capacity, pursuant to its terms.

"Senior Creditor Representative" means, in relation to any Permitted Senior Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt.

"Senior Creditors" means the Senior Lenders and the Hedge Counterparties.

"Senior Finco Creditor Representative" means, in relation to any Permitted Finco Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Finco Financing Debt.

"Senior Finco Creditors" means the Senior Finco Notes Creditors and any Permitted Finco Financing Creditors.

"Senior Finco Debt Issuer" means, generally, in relation to any Senior Finco Notes or Permitted Finco Financing Debt, the member of the Group which is the issuer or, as the case may be, the borrower of those Senior Finco Notes or that Permitted Finco Financing Debt, provided that no member of the Group which is (a) an issuer or, as the case may be, a borrower of any outstanding Senior Notes or outstanding Permitted Senior Financing Debt or (b) a subsidiary of a member of the Group falling within the foregoing paragraph (a) (other than a subsidiary which is a certain financing vehicle), respectively, may be a Senior Finco Debt Issuer.

"Senior Finco Finance Parties" means any Senior Finco Notes Trustee (on behalf of itself and the Senior Finco Noteholders that it represents), any Senior Finco Noteholder, the Security Agent and the Permitted Finco Financing Creditors.

"Senior Finco Liabilities" means the Senior Finco Notes Liabilities and any Permitted Finco Financing Liabilities.

"Senior Finco Noteholders" means the holders of the Senior Finco Notes.

"Senior Finco Notes" means any high yield notes, exchange notes, debt securities and/or other debt instruments issued or to be issued by any member of the Group which are notified to the Security Agent by the Parent in writing as indebtedness to be treated as "Senior Finco Notes" for the purpose of the Intercreditor Agreement.

"Senior Finco Notes Creditors" means the Senior Finco Noteholders and each trustee under any such issue of Senior Finco Notes.

"Senior Finco Notes Finance Documents" means, generally, the Senior Finco Notes, each indenture for Senior Finco Notes, guarantees of the Senior Finco Notes, the Intercreditor Agreement, the relevant security documents securing the liabilities in respect of the Senior Finco Notes and any other document designated as such by the Parent and the applicable Senior Finco Notes Trustee.

"Senior Finco Notes Liabilities" means, generally, the liabilities owed by any Debtor to the Senior Finco Notes Creditors and the Security Agent under the finance documents for the Senior Finco Notes (excluding, generally, certain amounts owed to the relevant Senior Finco Notes Trustee in respect of each issuance of Senior Finco Notes).

"Senior Finco Notes Trustee" means any entity acting as trustee under any issue of Senior Finco Notes.

"Senior Lenders" means, generally, the lenders under the Revolving Credit Facility Agreement, together with each issuing bank and ancillary lender under each finance document in relation to the Revolving Credit Facility Agreement.

"Senior Lender Discharge Date" means the date of discharge of the Senior Lender Liabilities (as defined below under the caption "*—Ranking and Priority—Priority of Debts*").

"Senior Noteholders" means the holders of the Senior Notes.

"Senior Secured Parties" means the Secured Parties other than the Senior Finco Finance Parties.

Debt Refinancing

The Intercreditor Agreement permits any of the liabilities under the debt documents to be refinanced, replaced, increased or otherwise restructured in whole or in part including by way of Permitted Senior Financing Debt and/or Permitted Finco Financing Debt or the issue of additional Senior Notes and/or Senior Finco Notes and the introduction of a "super senior" revolving credit facility (the "Priority Revolving Facility") or the establishment of new or additional Operating Facilities (each a "Debt Refinancing"). Each party to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of the then current Secured Debt Documents and/or take such other action as is required by the Parent in order to facilitate such a Debt Refinancing including changes to, the taking of, or release and retake of, any guarantee or security, subject to certain conditions. At the option of the Parent, a Debt Refinancing may be made available on a basis which is senior to, *pari passu* with or junior to any of the other liabilities, shall be entitled to benefit from all or any of the security, may be made available on a secured or unsecured basis (subject to certain restrictions) and may be effected in whole or in part by way of a debt exchange, non-cash rollover or other similar or equivalent transaction, in each case unless otherwise prohibited by the Debt Financing Agreements.

Under the terms of the Intercreditor Agreement, each agent, each Secured Party and each Primary Creditor agrees that it shall co-operate with the Parent, each other member of the Group and each agent in order to facilitate any Debt Refinancing (including by way of, at the request and cost of the Parent, executing any document or agreement and/or giving instructions to any person). In the event of any refinancing or replacement of all or any part of the Senior Lender Liabilities (or any such refinancing or replacement indebtedness from time to time), the Parent shall be entitled to require that the definition of Instructing Group is amended such that the relevant refinancing or replacement indebtedness is treated in the same manner as the Revolving Credit Facility (meaning that for the purpose of calculating the voting entitlement of any person, at the option of the Parent all or any part of the relevant refinancing or replacement indebtedness may be treated as Senior Secured Credit Participations of the Senior Creditors and not Senior Notes/Permitted Financing Credit Participations). In the event that any Priority Revolving Facility becomes subject to the provisions of the Intercreditor Agreement, the Parent shall be entitled to require that all or any part of the liabilities in relation to Hedging Liabilities and/or the Operating Facility Liabilities shall rank in right and priority of payment *pari passu* with that Priority Revolving Facility (which, for the avoidance of doubt, may result in such Hedging Liabilities and/or, as the case may be, Operating Facility Liabilities ranking ahead of the Senior Notes liabilities and/or the Senior Finco Notes liabilities, the Permitted Senior Financing Liabilities and/or the Permitted Finco Financing Liabilities), in each case unless otherwise prohibited by the Debt Financing Agreements.

Any Priority Revolving Facility implemented pursuant to a Debt Refinancing shall comply with, among others, the following limitations:

Ranking of a Debt Refinancing

No liabilities or obligations in respect of any Priority Revolving Facility may rank in right and priority of payment ahead of the amounts set out in paragraph (i) under the caption "*—Application of Proceeds*".

Subject to the paragraph above and to the extent not otherwise prohibited by the Debt Financing Agreements, any Priority Revolving Facility shall rank in right and priority of payment as determined by the Parent.

Enforcement: Debt Refinancing

The right of the lenders or other creditors in respect of a Priority Revolving Facility to:

(a) instruct the Security Agent to enforce the security;

(b) give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the security as they see fit; and/or

(c) otherwise provide instructions as, or as part of, an Instructing Group,

shall be generally consistent with, or otherwise not materially less favorable to the other Secured Parties than, those customary for facilities of a similar nature to that Priority Revolving Facility (if any), in each case as of the date such Priority Revolving Facility is contractually committed by the relevant member(s) of the Group and as determined by the Parent (with any such determination to be conclusive).

Option to Purchase

(a) The Permitted Senior Financing Creditors shall be provided with an 'option to purchase' right in relation to any liabilities in respect of a Priority Revolving Facility consistent in all material respects with the 'option to purchase' right provided in relation to the Senior Lender Liabilities as set out under the caption "*—Restrictions Relating to Senior Secured Liabilities—Option to Purchase: Senior Secured Creditors*".

(b) The Senior Finco Agent(s) shall be provided with an 'option to purchase' right in relation to any liabilities in respect of a Priority Revolving Facility consistent in all material respects with the 'option to purchase' right as set out under caption "*—Restrictions Relating to Senior Finco Creditors and Senior Finco Liabilities—Option to Purchase: Senior Finco Creditors*".

Ranking and Priority

Priority of Debts

Subject to the provisions set out in the caption "*—Senior Finco Liabilities and Security*" below, the Intercreditor Agreement provides that the liabilities owed by the Debtors (other than any Senior Finco Debt Issuer to the extent relating to liabilities in respect of Senior Finco Notes and/or Permitted Finco Financing Debt where that Senior Finco Debt Issuer is the issuer or the borrower) to the creditors in relation to the Revolving Credit Facility, certain hedging obligations, the Senior Notes, the Senior Finco Notes, the Permitted Senior Financing Debt and the Permitted Finco Financing Debt (collectively, the "Primary Creditors" and each a "Primary Creditor") and the Operating Facility Lenders shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- *first*, the liabilities of the lenders, issuing banks and ancillary lenders under the Revolving Credit Facility (each a "Senior Lender" and such liabilities the "Senior Lender Liabilities"), the Senior Notes liabilities and the Permitted Senior Financing Liabilities, the Hedging Liabilities, the Operating Facility Liabilities, amounts due to the Senior Notes Trustee and amounts due to the Senior Finco Notes Trustee *pari passu* and without any preference between them; and

- *second*, the Senior Finco Notes liabilities and the Permitted Finco Financing Liabilities *pari passu* between themselves and without any preference between them.

The liabilities owed by a Senior Finco Debt Issuer (to the extent relating to liabilities in respect of Senior Finco Notes and/or Permitted Finco Financing Debt where that Senior Finco Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank *pari passu* in right and priority of payment without any preference among them.

Priority of Security

The Intercreditor Agreement provides that the security shall secure the liabilities (but only to the extent that such security is expressed to secure those liabilities) in the following order:

- *first*, the Senior Lender Liabilities, the Senior Notes liabilities and the Permitted Senior Financing Liabilities, the Hedging Liabilities, the Operating Facility Liabilities, amounts due to the Senior Notes Trustee and amounts due to the Senior Finco Notes Trustee *pari passu* and without any preference between them; and
- *second*, the Senior Finco Notes liabilities and the Permitted Finco Financing Liabilities *pari passu* between themselves and without any preference between them.

Senior Finco Liabilities and Security

The Senior Finco Notes liabilities and the Permitted Finco Financing Liabilities owed by a Senior Finco Debt Issuer (to the extent relating to liabilities in respect of Senior Finco Notes and/or Permitted Finco Financing Debt where that Senior Finco Debt Issuer is the issuer or the borrower) are senior obligations of that Senior Finco Debt Issuer. Notwithstanding the preceding sentence, until the date the Senior Lender Liabilities, the Hedging Liabilities, the Senior Notes liabilities and the Permitted Senior Financing Liabilities have been discharged (the "Senior Discharge Date"), creditors in relation to the Senior Finco Notes liabilities and the Permitted Finco Financing Liabilities may not take any steps to appropriate the assets of a Senior Finco Debt Issuer subject to the Security Documents in connection with any Enforcement Action (as defined below), other than as expressly permitted by the Intercreditor Agreement.

Intra-Group Liabilities and Investor Liabilities

The Intercreditor Agreement provides that the intra-group liabilities of the Group and the liabilities of the Group to an investor are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors and Operating Facility Lenders.

Additional and/or Refinancing Debt

The creditors under the Intercreditor Agreement and the Operating Facility Lenders acknowledge in the Intercreditor Agreement that the Debtors (or any of them) may wish to incur incremental borrowing liabilities (including guarantees of such liabilities) or refinance or replace borrowing liabilities (including incurring guarantee liabilities in respect of such refinancing or replacement). Such liabilities are intended to rank *pari passu* with any other liabilities and/or share *pari passu* in any security and/or to rank behind any other liabilities and/or to share in any security behind any such other liabilities.

The creditors under the Intercreditor Agreement and the Operating Facility Lenders undertake in the Intercreditor Agreement (at the cost of the Debtors) to co-operate with the Parent and the Debtors with a view to enabling and facilitating such financing, refinancing or replacement and such sharing in the security to take place in a timely manner. In particular, each of the Secured Parties authorizes and directs each of its respective agents and the Security Agent to execute any amendment to the Intercreditor Agreement and such other debt documents required by the Parent to reflect, enable and/or facilitate any such arrangements (including as regards the ranking of any such arrangements).

Restrictions Relating to Senior Secured Liabilities

The Parent and the Debtors may make payments of the Senior Secured Liabilities at any time.

The Intercreditor Agreement provides that the Senior Secured Creditors (as defined below), the Operating Facility Lenders, the Parent and the Debtors may at any time amend or waive the terms of the finance documents in relation to the Revolving Credit Facility (the "RCF Finance Documents"), the Senior Notes, the Permitted Senior Financing Debt and the Operating Facility in accordance with their respective terms from time to time (and subject only to any consent required under them).

Security and Guarantees: Senior Secured Creditors

The Senior Lenders, the Hedge Counterparties, the Senior Noteholders and any Permitted Senior Financing Creditors (the "Senior Secured Creditors") and the Operating Facility Lenders may take, accept or receive the benefit of:

- any security from any member of the Group in respect of any of the Senior Lender Liabilities, the Senior Notes liabilities or the Permitted Senior Financing Liabilities in addition to the shared security *provided* that, to the extent legally possible and subject to certain Agreed Security Principles:

  a) the security provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

b) all amounts actually received or recovered by any Senior Secured Creditor or Operating Facility Lender with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "*—Application of Proceeds*": and

c) any such security may only be enforced in accordance with the provisions set out under the caption "*—Enforcement of Security—Security Held by Other Creditors*".

- any guarantee, indemnity or other assurance against loss from any member of the Group regarding any of the Senior Lender Liabilities, the Senior Notes liabilities or the Permitted Senior Financing Liabilities in addition to those in:

a) the Revolving Credit Facility Agreement, the RCF Deed of Guarantee, the Indenture, any Permitted Senior Financing Document or any Operating Facility Document;

b) the Intercreditor Agreement; or

c) any guarantee, indemnity or other assurance against loss in respect of any of the liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain Agreed Security Principles, given to all the senior secured parties in respect of their senior secured liabilities;

provided that, to the extent legally possible, and subject to certain Agreed Security Principles,

i. the guarantee provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity); and

ii. such guarantee, indemnity or assurance against loss is expressed to be subject to the Intercreditor Agreement.

The foregoing provision does not require any security or guarantee to be granted in respect of the Senior Finco Notes.

Restriction on Enforcement: Senior Lenders and Senior Notes Creditors

The Intercreditor Agreement provides that none of the Senior Lenders, the Senior Noteholders or any Permitted Senior Financing Creditors may take certain Enforcement Action without the prior written consent of an Instructing Group (as defined below).

Notwithstanding the above restriction or anything to the contrary in the Intercreditor Agreement, after the occurrence of certain specified insolvency events (an "Insolvency Event") in relation to the Parent or a Debtor, each Senior Lender, Senior Note holder or Permitted Senior Financing Creditor may, to the extent it is able to do so under the relevant debt documents, take certain Enforcement Action and/or claim in the winding up, dissolution, administration, reorganization or similar insolvency event of that Debtor for liabilities owing to it (but a Senior Secured Creditor or an Operating Facility Lender may not direct the Security Agent to enforce the common security in any manner).

Option to Purchase: Senior Secured Creditors

Senior Noteholders holding at least a simple majority of the Senior Notes liabilities or Permitted Senior Financing Creditors holding at least a simple majority of the Permitted Senior Financing Liabilities (the "Senior Secured Acquiring Creditors") may, after the occurrence of an acceleration event which is continuing, by giving not less than ten (10) days' notice to the Security Agent, require the transfer to them (or to a nominee or nominees), in accordance with the applicable transfer provisions of the Intercreditor Agreement, of all, but not part, of the rights, benefits and obligations in respect of the Senior Lender Liabilities and the Operating Facility Liabilities (a "Senior Liabilities Transfer") if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Revolving Credit Facility Agreement and the Operating Facility Documents;

(ii) any conditions relating to such a transfer contained in the Revolving Credit Facility Agreement and the Operating Facility Documents are complied with, other than:

(A) any requirement to obtain the consent of, or consult with, a member of the Group in relation to such transfer, which consent or consultation shall not be required; and

(B) to the extent to which all the Senior Secured Acquiring Creditors provide cash cover for any letter of credit, the consent of the relevant letter of credit issuing bank relating to such transfer;

(iii) the RCF Facility Agent, on behalf of the Senior Lenders, is paid an amount equal to the aggregate of:

(A) any amounts provided as cash cover by the Senior Secured Acquiring Creditors for any letter of credit (as envisaged in paragraph (ii)(B) above);

(B) all of the Senior Lender Liabilities at that time (whether or not due), including all amounts that would have been payable under the Revolving Credit Facility Agreement if the Revolving Credit Facility were being prepaid by the relevant Debtors on the date of that payment; and

(C) all costs and expenses (including legal fees) incurred by the RCF Facility Agent and/or the Senior Lenders and/or the Security Agent as a consequence of giving effect to that transfer;

(iv) the Operating Facility Lenders are paid an amount equal to the aggregate of:

(A) all of the Operating Facility Liabilities at that time (whether or not due), including all amounts that would have been payable under the Operating Facility Documents if the Operating Facilities were being prepaid by the relevant Debtors on the date of that payment; and

(B) all costs and expenses (including legal fees) incurred by the Operating Facility Lenders and/or the Security Agent as a consequence of giving effect to that transfer.

(v) as a result of that transfer:

(A) the Senior Lenders have no further actual or contingent liability to a Debtor under the RCF Finance Documents; and

(B) the Operating Facility Lenders have no further actual or contingent liability to a Debtor under the Operating Facility Documents.

(vi) an indemnity is provided from each of the Senior Secured Acquiring Creditors (other than any Senior Agent) or from another third-party acceptable to all the Senior Lenders and the Operating Facility Lenders in a form reasonably satisfactory to each Senior Lender and Operating Facility Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Senior Lender or Operating Facility Lender in consequence of any sum received or recovered by any Senior Lender or Operating Facility Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Lender or Operating Facility Lender for any reason;

(vii) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders or the Operating Facility Lenders, except that each Senior Lender and Operating Facility Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer; and

(viii) the Senior Finco Creditors have not exercised their rights to purchase as described under the provisions set out in the caption "*Option to Purchase: Senior Finco Creditors*" or, having exercised such rights, have not failed to complete the acquisition of the relevant Senior Secured Liabilities in accordance with such provisions.

Subject to the Intercreditor Agreement, the Senior Secured Acquiring Creditors may only require a Senior Liabilities Transfer if, at the same time, they require a transfer of Hedging Liabilities in accordance with the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no Senior Liabilities Transfer may be required to be made.

At the request of a Senior Agent (on behalf of the Senior Secured Acquiring Creditors), the RCF Facility Agent and the Operating Facility Lenders shall notify that Senior Agent of the foregoing payable sums in connection with such transfer.

Instructing Group

The term "Instructing Group" means at any time:

(a) prior to the Senior Discharge Date:

(i) in relation to any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or to take any other Enforcement Action:

(A) those Senior Instructing Group Creditors whose Senior Secured Credit Participations at that time aggregate to more than 66 $^2/_3$% of the Total Senior Instructing Group Credit Participations at that time; and/or

(B) prior to the Senior Lender Discharge Date, the Majority Senior Creditors,

in each case as applicable in accordance with the provisions set out under the caption "—*Consultation Period*"; or

(ii) in relation to any other matter:

(A) those Senior Instructing Group Creditors whose Senior Secured Credit Participations at that time aggregate to more than 66 $^2/_3$% of the Total Senior Instructing Group Credit Participations at that time; and

(B) prior to the Senior Lender Discharge Date, the Majority Senior Creditors; and

(b) on or after the Senior Discharge Date but before the date of discharge of the Senior Finco Liabilities, and subject always to the provisions set out under the caption "—*Restrictions on Enforcement by Senior Finco Creditors*", the Majority Senior Finco Creditors.

In the foregoing definition of "Instructing Group":

"*Majority Senior Creditors*" means, at any time, those Senior Creditors, whose Senior Credit Participants at that time aggregate more than 66 $^2/_3$% of the total Senior Credit Participants at that time;

"*Majority Senior Finco Creditors*" means, at any time, those Senior Finco Creditors whose Senior Finco Credit Participations at that time aggregate more than 66 $^2/_3$% of the total aggregate amount of all Senior Finco Credit Participations at that time;

"*Senior Instructing Group Creditors*" means:

(a) prior to the Senior Lender Discharge Date, the Senior Secured Creditors (other than the Senior Creditors); and

(b) on and after the Senior Lender Discharge Date, the Senior Secured Creditors (other than the Senior Lenders).

"*Senior Lender Discharge Date*" means the first date on which all Senior Lender Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Senior Lenders are under no further obligation to provide financial accommodation to any of the Debtors under any of the RCF Finance Documents;

"*Senior Notes/Permitted Financing Credit Participations*" means the aggregate of all the Senior Secured Credit Participations at any time of the Senior Noteholders and the Permitted Senior Financing Creditors;

"*Senior Finco Credit Participation*" means:

(a) in relation to a Senior Finco Noteholder, the principal amount of outstanding Senior Finco Notes Liabilities held by that Senior Finco Noteholder; and

(b) in relation to a Permitted Finco Financing Creditor, the aggregate amount of its commitments under each Permitted Finco Financing Agreement (drawn or undrawn and calculated in a manner consistent with the senior commitments) and/or the principal amount of outstanding Permitted Finco Financing Debt held by that Permitted Finco Financing Creditor (as applicable and without double counting);

"*Senior Secured Credit Participation*" means:

(a) in relation to a Senior Creditor, its Senior Credit Participation in relation to the Revolving Credit Facility Agreement and the hedging agreements only;

(b) in relation to a Senior Noteholder, the principal amount of outstanding Senior Notes liabilities held by that Senior Noteholder; and

(c) in relation to a Permitted Senior Financing Creditor, the aggregate amount of its commitments under each Permitted Senior Financing Agreement (drawn or undrawn and calculated in a manner consistent with the senior commitments) and/or the principal amount of outstanding Permitted Senior Financing Debt held by that Permitted Senior Financing Creditor (as applicable and without double counting); and

"*Total Senior Instructing Group Credit Participations*" means:

(a) prior to the Senior Lender Discharge Date, the aggregate of all the Senior Secured Credit Participations at any time (excluding the Senior Secured Credit Participations of the Senior Creditors); and

(b) on and after the Senior Lender Discharge Date, the aggregate of all the Senior Secured Credit Participations at any time (excluding the Senior Secured Credit Participations of the Senior Lenders).

Restrictions Relating to Senior Finco Creditors and Senior Finco Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the Senior Discharge Date, the Senior Finco Debt Issuer shall not (and the Parent shall ensure that no member of the Group will):

(i) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Senior Finco Notes liabilities and any Permitted Finco Financing Liabilities in cash or in kind or apply any such money or property in or towards discharge of any Senior Finco Notes liabilities and any Permitted Finco Financing Liabilities except as permitted by the provisions set out below under the captions "*—Permitted Senior Finco Payments*", "*—Permitted Senior Finco Enforcement*", and the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" or by a refinancing of the Senior Finco Notes or the Permitted Finco Financing Debt as permitted by the Intercreditor Agreement;

(ii) exercise any set-off against any Senior Finco Notes liabilities and any Permitted Finco Financing Liabilities, except as permitted by the provisions set out in the caption "*—Permitted Senior Finco Payments*" below, the provisions set out in the caption "*—Restrictions on Enforcement by Senior Finco Creditors*" below or the fourth paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" below or by a refinancing of the Senior Finco Notes or the Permitted Finco Financing Debt as permitted by the Intercreditor Agreement; or

(iii) create or permit to subsist any security over any assets of any member of the Group or give any guarantee (and the Senior Finco Notes Trustee or Senior Finco Creditor Representative, as the case may be, may not, and no Senior Finco Creditor may, accept the benefit of any such security or guarantee from any member of the Group) for, or in respect of, any Senior Finco Notes liabilities or any Permitted Finco Financing Liabilities other than:

    (a) guarantees by a member of the Group of any obligations of the Group under the Senior Finco Notes Finance Documents and/or the Permitted Finco Financing Documents;

(b) at the option of the Parent, all or any of the security (provided that, for the avoidance of doubt, each of the parties agrees that the security shall rank and secure any Senior Finco Notes and any Permitted Finco Financing Debt as set out in "—*Ranking and Priority—Priority of Security*)"; and

(c) any security over any assets of any Senior Finco Debt Issuer (other than, without prejudice to paragraph (b) above, shares over which the Parent has granted security and loan receivables over which a Senior Finco Debt Issuer has granted security);

(d) any other security or guarantee provided by a member of the Group (the "Credit Support Provider") provided that, to the extent legally possible:

1. the Credit Support Provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);

2. all amounts actually received or recovered by the Senior Finco Notes Trustee, the Senior Finco Creditor Representative or the Senior Finco Creditors, as the case may be, with respect to any such guarantee shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption "—*Application of Proceeds*";

3. any such security may only be enforced in accordance with the provisions set out under the caption "—*Enforcement of Security—Security Held by Other Creditors*"; and

4. such guarantee is expressed to be subject to the Intercreditor Agreement; and

(e) any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:

1. any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or

2. any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Senior Lender Liabilities, Operating Facility Liabilities, Senior Notes liabilities and any Permitted Senior Financing Liabilities (in each case provided that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

Permitted Senior Finco Payments

Prior to the Senior Discharge Date, any member of the Group may make payments with respect to the Senior Finco Notes liabilities and any Permitted Finco Financing Liabilities then due in accordance with the finance documents in relation to the Senior Finco Notes and the Permitted Finco Financing Debt (such payments, collectively, "Permitted Senior Finco Payments"):

(i) if:

(a) the payment is of:

(I) any of the principal amount of the Senior Finco Notes liabilities and the Permitted Finco Financing Liabilities which is either (1) not prohibited from being paid by the Revolving Credit Facility Agreement, the Indenture or any Permitted Senior Financing Agreement; or (2) paid on or after the final maturity date of the relevant Senior Finco Notes liabilities and Permitted Finco Financing Liabilities (subject to certain conditions); or

(II) any other amount which is not an amount of principal or capitalized interest;

(b) no Senior Finco Payment Stop Notice (as defined below) is outstanding; and

(c) no payment default under the Revolving Credit Facility Agreement, the Indenture or the Permitted Senior Financing Documents ("Senior Payment Default") has occurred and is continuing; or

(ii) if the Majority Senior Lenders, the Senior Notes Trustee and the Permitted Majority Senior Financing Creditors or the Senior Creditor Representative in respect of that Permitted Senior Financing Debt (as applicable) (the "Required Senior Consent") give prior consent to that payment being made;

(iii) if the payment is of certain amounts due to the Senior Finco Notes Trustee for its own account;

(iv) if the payment is made by the relevant Senior Finco Debt Issuer and funded directly or indirectly with amounts which have not been received by that Senior Finco Debt Issuer from another member of the Group;

(v) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;

(vi) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Senior Finco Notes Finance Documents and any Permitted Finco Financing Documents (including in relation to any reporting or listing requirements under such documents);

(vii) if the payment is funded directly or indirectly with Permitted Finco Financing Debt;

(viii) if the payment is funded directly or indirectly with Available Shareholder Amounts, New Equity or Permitted Subordinated Debt; or

(ix) of any other amount not exceeding €5,000,000 (or its equivalent) in aggregate in any fiscal year of the Parent.

On or after the Senior Discharge Date, the Debtors may make payments to the Senior Finco Creditors in respect of the Senior Finco Notes liabilities and any Permitted Finco Financing Liabilities in accordance with the Senior Finco Notes Finance Documents and the Permitted Finco Financing Documents, as applicable.

Payment Blockage Provisions

Until the Senior Discharge Date, except with the Required Senior Consent, no Senior Finco Debt Issuer shall make (and the Parent shall procure that no other member of the Group will make), and neither the Senior Finco Notes Trustee, any holder of Senior Finco Notes or the Permitted Finco Financing Creditors may receive from any other members of the Group, any Permitted Senior Finco Payment (other than certain amounts due to the Senior Finco Notes Trustee for its own account, payments funded by amounts not received from another member of the Group or payments funded by Permitted Finco Financing Debt) if:

a. a Senior Payment Default is continuing; or

b. an event of default under the Revolving Credit Facility Agreement, the Indenture and/or any Permitted Senior Financing Agreement (a "Senior Event of Default") (other than a Senior Payment Default) is continuing, from the date which is one business day after the date on which any of the RCF Facility Agent, the Senior Notes Trustee and any Senior Creditor Representative (together, the "Senior Agents" and each a "Senior Agent") delivers a payment stop notice (a "Senior Finco Payment Stop Notice") specifying the event or circumstance in relation to that Senior Event of Default to the Parent, the Security Agent, the Senior Finco Notes Trustee and any Senior Finco Creditor Representative until the earliest of:

- the date falling 179 days after delivery of that Senior Finco Payment Stop Notice;
- in relation to payments of the Senior Finco Notes liabilities and any Permitted Finco Financing Liabilities, if a Finco standstill period is in effect at any time after delivery of that payment stop notice, the date on which that standstill period expires;
- the date on which the relevant Senior Event of Default has been remedied or waived in accordance with the Revolving Credit Facility Agreement, the Indenture or any Permitted Senior Financing Agreement (as applicable);
- the date on which the Senior Agent which delivered the relevant Senior Finco Payment Stop Notice delivers a notice to the Parent, the Security Agent, the Senior Finco Notes Trustee and any Senior Finco Creditor Representative canceling the Senior Finco Payment Stop Notice;
- the Senior Discharge Date; and
- the date on which the Security Agent, the Senior Finco Notes Trustee or any Senior Finco Creditor Representative takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

Unless the Senior Finco Notes Trustee and any Senior Finco Creditor Representative waive this requirement, (i) a new Senior Finco Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Finco Payment Stop Notice; and (ii) no Senior Finco Payment Stop Notice may be delivered by a Senior Agent in reliance on a Senior Event of Default more than 45 days after the date that Senior Agent received notice of that Senior Event of Default.

The Senior Agents may only serve one Senior Finco Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Senior Agents to issue a Senior Finco Payment Stop Notice in respect of any other event or set of circumstances. No Senior Finco Payment Stop Notice may be served in respect of a Senior Event of Default which had been notified to the Senior Agents at the time at which an earlier Senior Finco Payment Stop Notice was issued.

Any failure to make a payment due under any Senior Finco Notes Indenture and any Permitted Finco Financing Documents as a result of the issue of a Senior Finco Payment Stop Notice or the occurrence of a Senior Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined in any Senior Finco Notes Indenture or any Permitted Finco Financing Documents, as applicable) as a consequence of that failure to make a payment in relation to the relevant Senior Finco Notes Indenture and any Permitted Finco Financing Documents; or (ii) the issue of a Senior Finco Enforcement Notice (as defined below) on behalf of the Senior Finco Creditors.

Payment Obligations and Capitalization of Interest Continue

Neither the relevant Senior Finco Debt Issuer nor any other Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Senior Finco Notes Indenture and any Permitted Finco Financing Document by the operation of the provisions set out under each section above under the caption "*—Restrictions Relating to Senior Finco Creditors and Senior Finco Liabilities*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with any Senior Finco Notes Indenture and any Permitted Finco Financing Document shall continue notwithstanding the issue of a Senior Finco Payment Stop Notice.

Cure of Payment Stop

If:

(i) at any time following the issue of a Senior Finco Payment Stop Notice or the occurrence of a Senior Payment Default, that Senior Finco Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Payment Default ceases to be continuing; and

(ii) the relevant Senior Finco Debt Issuer or the relevant Debtor then promptly pays to the Senior Finco Creditors an amount equal to any payments which had accrued under any Senior Finco Notes Indenture and any Permitted Finco Financing Document and which would have been Permitted Senior Finco Payments but for that Senior Finco Payment Stop Notice or Senior Payment Default,

then any Event of Default (including any cross default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived, and any Senior Finco Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Senior Finco Creditors or any other Creditor or Operating Facility Lender.

Restrictions on Amendments and Waivers

The Intercreditor Agreement provides that the Senior Finco Creditors, the Senior Finco Debt Issuers and the other Debtors may amend or waive the terms of the Senior Finco Notes Finance Documents and/or the Permitted Finco Financing Documents in accordance with their terms at any time (and subject only to any consent required under them).

Restrictions on Enforcement by Senior Finco Creditors

Until the Senior Discharge Date, except with the prior consent of or as required by an Instructing Group:

(i) no Senior Finco Creditor shall direct the Security Agent to enforce, or otherwise require the enforcement of any security; and/or

(ii) no Senior Finco Creditor shall take or require the taking of any Enforcement Action in relation to the guarantees by a member of the Group of any of the obligations of any member of the Group under the Senior Finco Notes Finance Documents and/or Permitted Finco Financing Documents,

except as permitted under the provisions set out below under the caption "*—Permitted Senior Finco Enforcement*" below; *provided, however*, that no such action required by the Security Agent need be taken except to the extent the Security Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

Option to Purchase: Senior Finco Creditors

Subject to the following paragraphs, any of the Senior Finco Agents (on behalf of the Senior Finco Creditors) may, after an acceleration event under any of the Revolving Credit Facility Agreement, the Senior Notes or in relation to any Permitted Senior Financing Debt which is continuing, by giving not less than 10 days' notice to the Security Agent, require the transfer to the Senior Finco Creditors of all, but not part, of the rights, benefits and obligations in respect of the Senior Lender Liabilities, the Senior Notes liabilities and the Permitted Senior Financing Liabilities (the "Senior Secured Liabilities") and the Operating Facility Liabilities if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Revolving Credit Facility Agreement, the Indenture, any Permitted Senior Financing Agreement and any Operating Facility Documents (as applicable);

(ii) any conditions relating to such a transfer contained in the Revolving Credit Facility Agreement (in the case of the Senior Lender Liabilities), the Indenture (in the case of the Senior Notes liabilities), any Permitted Senior Financing Agreement (in the case of the Permitted Senior Financing Liabilities) and any Operating Facility Documents (in the case of the Operating Facility Liabilities) are complied with, in each case, other than as specified in the Intercreditor Agreement;

(iii) each of the RCF Facility Agent, on behalf of the Senior Lenders, the Senior Notes Trustee, on behalf of the relevant Senior Noteholders and the applicable Senior Creditor Representative, on behalf of the relevant Permitted Senior Financing Creditors, is paid the amounts required under the Intercreditor Agreement;

(iv) the Operating Facility Lenders are paid the amounts required under the Intercreditor Agreement;

(v) as a result of that transfer the Senior Lenders, the Senior Noteholders, the Permitted Senior Financing Creditors and the Operating Facility Lenders have no further actual or contingent liability to the Parent or any other Debtor under the relevant Secured Debt Documents;

(vi) an indemnity is provided from each Senior Finco Creditor (other than any Senior Finco Agent) in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Senior Lender, Senior Noteholder, Permitted

Senior Financing Creditor or Operating Facility Lender in consequence of any sum received or recovered by any such party from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Lender, Senior Noteholder, Permitted Senior Financing Creditor or Operating Facility Lender for any reason; and

(vii) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders, the Senior Noteholders, the Permitted Senior Financing Creditors or the Operating Facility Lenders, except that each of them shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer.

Subject to the Intercreditor Agreement, a Senior Finco Agent (on behalf of all the Senior Finco Creditors) may only require a transfer of Senior Secured Liabilities if, at the same time, they require a transfer of hedging liabilities regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of Senior Secured Liabilities may be required to be made.

At the request of a Senior Finco Agent (on behalf of all the Senior Finco Creditors), the RCF Facility Agent, the Senior Notes Trustee, any relevant Senior Creditor Representative and the Operating Facility Lenders shall notify the Senior Finco Agents of the foregoing payable sums in connection with such transfer.

Enforcement Action

The term "*Enforcement Action*" comprises:

a) in relation to any liabilities:

- the acceleration of any liabilities or the making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Senior Secured Creditor or a Senior Finco Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, any of the debt documents);
- the making of any declaration that any liabilities are payable on demand;
- the making of a demand in relation to a liability that is payable on demand;
- the making of any demand against any member of the Group in relation to any guarantee liabilities of that member of the Group;
- the exercise of any right to require any member of the Group to acquire any liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any liability but excluding any such right which arises as a result of the permitted debt purchase transactions provisions of the Revolving Credit Facility Agreement (or any other similar or equivalent provision of any of the RCF Finance Documents, the Indenture and the other finance documents for the Senior Notes, the Permitted Senior Financing Documents, the hedging agreements regulated by the Intercreditor Agreement, the Senior Finco Notes Finance Documents and/or the Permitted Finco Financing Documents (the "Secured Debt Documents") and/or any other acquisition of liabilities, acquisition or transaction which any member of the Group is not prohibited from entering into by the terms of the Secured Debt Documents and excluding any mandatory offer arising as a result of a change of control or asset sale (howsoever described) as set out in the Indenture and the other finance documents for the Senior Notes or the Senior Finco Notes Finance Documents (or any other similar or equivalent provision of any of the Secured Debt Documents);
- the exercise of any right of set-off, account combination or payment netting against any member of the Group in respect of any liabilities other than the exercise of any such right:
    i. as close-out netting by a Hedge Counterparty or by a hedging ancillary lender;
    ii. as payment netting by a Hedge Counterparty or by a hedging ancillary lender;
    iii. as inter-hedging agreement netting by a Hedge Counterparty;
    iv. as inter-hedging ancillary document netting by a hedging ancillary lender; and/or
    v. which is otherwise permitted by the terms of any of the Secured Debt Documents, in each case to the extent that the exercise of that right gives effect to a permitted payment; and
    vi. the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group to recover any liabilities;

b) the premature termination or close-out of any hedging transaction under any hedging agreement, save to the extent permitted by the Intercreditor Agreement;

c) the taking of any steps to enforce or require the enforcement of any security (including the crystallization of any floating charge forming part of the security),

d) the entry into any composition, compromise, assignment or similar arrangement with any member of the Group which owes any liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the liabilities (other than any action permitted under the Intercreditor Agreement or any debt buy-back, tender offer, exchange offer or similar or equivalent arrangement not otherwise prohibited by the debt documents); or

e) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, examiner, administrator or similar officer) in relation to the winding up, dissolution, examinership, administration or reorganization of any member of the Group which owes any liabilities, or has given any security, guarantee, indemnity or other assurance against loss in respect of any of the liabilities, or any of such member of the Group's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action:

- the taking of any action falling above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or
- a Senior Secured Creditor or Senior Finco Creditor bringing legal proceedings against any person solely for the purpose of: (a) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any debt document to which it is party, (b) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages or (c) requesting judicial interpretation of any provision of any debt document to which it is party with no claim for damages; or
- bringing legal proceedings against any person in connection with any securities violation, securities or listing regulations or common law fraud; or
- to the extent entitled by law, the taking of any action against any creditor (or any agent, trustee or receiver acting on behalf of that creditor) to challenge the basis on which any sale or disposal is to take place pursuant to the powers granted to those persons under any relevant documentation; or
- any person consenting to, or the taking of any other action pursuant to or in connection with, any merger, consolidation, reorganization or any other similar or equivalent step or transaction initiated or undertaken by a member of the Group (or any analogous procedure or step in any jurisdiction) that is not prohibited by the terms of the Secured Debt Documents to which it is a party.

Permitted Senior Finco Enforcement

The restrictions set out in the caption "*—Restrictions on Enforcement by Senior Finco Creditors*" above will not apply if:

(i) an Event of Default (as defined in any Senior Finco Notes Indenture and any Permitted Finco Financing Agreement, as applicable, each a "Senior Finco Event of Default") (the "Relevant Senior Finco Default") is continuing;

(ii) each Senior Agent has received a notice of the Relevant Senior Finco Default specifying the event or circumstance in relation to the Relevant Senior Finco Default from the Senior Finco Notes Trustee or the Senior Finco Creditor Representative, as the case may be;

(iii) a Senior Finco Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Senior Finco Default is continuing at the end of the relevant Senior Finco Standstill Period.

Promptly upon becoming aware of a Senior Finco Event of Default, the Senior Finco Notes Trustee or the Senior Finco Creditor Representative, as the case may be, may by notice (a "Senior Finco Enforcement Notice") in writing notify the Senior Agents of the existence of such Senior Finco Event of Default.

Senior Finco Standstill Period

In relation to a Relevant Senior Finco Default, a Senior Finco Standstill Period shall mean the period beginning on the date (the "Senior Finco Standstill Start Date") the relevant Senior Agent serves a Senior Finco Enforcement Notice on each of the Senior Agents in respect of such Senior Finco Event of Default and ending on the earlier to occur of:

(i) the date falling 179 days after the Senior Finco Standstill Start Date (the "Senior Finco Standstill Period");

(ii) the date the Senior Secured Parties take any Enforcement Action in relation to a particular guarantor of the Senior Finco Notes and any Permitted Finco Financing Debt (a "Senior Finco Guarantor"); *provided, however,* that if a Senior Finco Standstill Period ends pursuant to this paragraph, the Senior Finco Creditors may only take the same Enforcement Action in relation to the Senior Finco Guarantor as the Enforcement Action taken by the Senior Secured Parties against such Senior Finco Guarantor and not against any other member of the Group;

(iii) the date of an Insolvency Event in relation to the relevant Senior Finco Debt Issuer or a particular Senior Finco Guarantor against whom Enforcement Action is to be taken;

(iv) the expiry of any other Senior Finco Standstill Period outstanding at the date such first mentioned Senior Finco Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(v) the date on which the consent of each of the RCF Facility Agent (acting on the instructions of the Majority Senior Lenders), any Senior Notes Trustee (acting on behalf of the Senior Note holders) and any Senior Creditor Representative (acting on the instructions the Majority Permitted Senior Financing Creditors) has been obtained; and

(vi) a failure to pay the principal amount outstanding under the Senior Finco Notes or on any Permitted Finco Financing Debt, as the case may be, at the final stated maturity of the amounts outstanding under the Senior Finco Notes or on the Permitted Finco Financing Debt, as the case may be (provided that, unless the Senior Lender Discharge Date has occurred or as otherwise agreed by the Majority Senior Lenders and the Parent, such final stated maturity does not fall on a date prior to the date falling 85 months after the date of the Intercreditor Agreement).

Subsequent Senior Finco Event of Default

The Senior Finco Finance Parties may take Enforcement Action under the provisions set out in caption "*—Permitted Senior Finco Enforcement*" above in relation to a Senior Finco Event of Default even if, at the end of any relevant Senior Finco Standstill Period or at any later time, a further Senior Finco Standstill Period has begun as a result of any other Senior Finco Event of Default.

Enforcement on Behalf of Senior Finco Creditors

If the Security Agent has notified each of the Senior Finco Notes Trustee and any Senior Finco Creditor Representative (collectively, the "Senior Finco Agents" and each, a "Senior Finco Agent") that it is enforcing security created pursuant to any security document over shares of a Senior Finco Guarantor, no Senior Finco Creditor may take any action referred to under the provisions set out under the caption "*—Permitted Senior Finco Enforcement*" above against that Senior Finco Guarantor while the Security Agent is taking steps to enforce that security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Effect of Insolvency Event; Filing of Claims

The Intercreditor Agreement provides that, among other things, after the occurrence of an Insolvency Event in relation to any Debtor, or, following an acceleration event which is continuing, any member of the Group, any party entitled to receive a distribution out of the assets of that member of the Group in respect of liabilities owed to that party shall, (if prior to a distress event, only if required by the Security Agent arising on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent and to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption "*—Application of Proceeds*" below.

Subject to certain exceptions, to the extent that any member of the Group's liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any creditor and any Operating Facility Lender which benefited from that set-off shall (if prior to a distress event, only if required by the Security Agent arising on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent, pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out under the caption "*—Application of Proceeds*" below and subject to certain exceptions.

Subject to the provisions set out under the caption "*—Application of Proceeds*" below, if the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the liabilities.

After the occurrence of an Insolvency Event in relation to any Debtor or, following an acceleration event which is continuing, any member of the Group, each creditor and each Operating Facility Lender irrevocably authorizes the Security Agent, on its behalf, to:

(i) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group;

(ii) demand, sue, prove and give receipt for any or all of that member of Group's liabilities;

(iii) collect and receive all distributions on, or on account of, any or all of that member of Group's liabilities; and

(iv) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of Group's liabilities.

Each creditor and Operating Facility Lender will (i) do all things that the Security Agent reasonably requests in order to give effect to the matters referred to in this "*—Effect of Insolvency Event; Filing of Claims*" section and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this "*—Effect of Insolvency Event; Filing of Claims*" section or if the Security Agent requests that a creditor or an Operating Facility Lender take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent may reasonably require, although the Senior Notes Trustee and the Senior Finco Notes Trustee shall be under no obligation to grant such powers of attorney) to enable the Security Agent to take such action.

Turnover

Subject to certain exceptions, the Intercreditor Agreement provides that if any creditor or Operating Facility Lender receives or recovers from any member of the Group:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities which is prohibited under the Intercreditor Agreement or, following the occurrence of an acceleration event where any of the RCF Facility Agent, the Senior Notes Trustee or a Senior Creditor Representative declare in writing to the Security Agent that a "Senior Distress Event" has occurred and such "Senior Distress Event" is continuing, any Senior Lender Liabilities, Senior Notes Liabilities, Permitted Senior Financing liabilities or Operating Facility Liabilities;

(ii) other than as referred to in the second paragraph under the caption "—*Effect of Insolvency Event; Filing of Claims*" any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) any amount:

(A) on account of, or in relation to, any of the liabilities after the occurrence of a distress event including as a result of any other litigation or proceedings against a member of the Group other than after the occurrence of an Insolvency Event in respect of that member of the Group; or

(B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of a distress event,

other than, in each case, any amount received or recovered in accordance with the provisions set out below the caption "—*Application of Proceeds*";

(iv) the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption "—*Application of Proceeds*"; or

(v) subject to certain exceptions, any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group which is not in accordance with the provisions set out in the caption "—*Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of Group,

that creditor or Operating Facility Lender will, subject to certain exceptions: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) subject to receiving payment instructions and any other relevant information the Security Agent, promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay an amount equal to that receipt or recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Enforcement of Security

Enforcement Instructions

The Security Agent may refrain from enforcing the security unless instructed otherwise by (i) an Instructing Group; or (ii) if required as set out under the third paragraph of this section, the Majority Senior Finco Creditors.

Subject to the security having become enforceable in accordance with its terms (i) an Instructing Group; or (ii) to the extent permitted to enforce or to require the enforcement of the security prior to the Senior Discharge Date as described under the caption "—*Restrictions Relating to Senior Finco Creditors and Senior Finco Liabilities*" above, the Majority Senior Finco Creditors, may give or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the security as they see fit.

Prior to the Senior Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor to make a distressed disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Senior Finco Creditors are then entitled to give to the Security Agent as described under the caption "—*Restrictions Relating to Senior Finco Creditors and Senior Finco Liabilities*" above.

Subject to certain provisions of the Intercreditor Agreement, no Secured Party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the security documents except through the Security Agent.

Manner of Enforcement

If the security is being enforced as set forth above under the caption "—*Enforcement Instructions*", the Security Agent shall enforce the security in such manner (including, without limitation, the selection of any administrator, examiner or equivalent officer of any Debtor to be appointed by the Security Agent) as:

- an Instructing Group; or
- prior to the Senior Discharge Date, if (i) the Security Agent has, pursuant to the third paragraph under the caption "—*Enforcement of Security*" above, given effect to instructions given by the Majority Senior Finco Creditors to enforce the security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Senior Finco Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent sees fit (it being understood that, absent such instructions, the Security Agent may elect to take no action).

Exercise of Voting Rights

To the fullest extent permitted under applicable law, each creditor (other than the Senior Notes Trustee and the Senior Finco Notes Trustee) and each Operating Facility Lender shall agree with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent. The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group. Notwithstanding the foregoing, no party can exercise or require any other creditor or Operating Facility Lender under the Intercreditor Agreement to exercise its power of voting or representation to waive, reduce, discharge, extend the due date for payment or otherwise reschedule any of the liabilities owed to that creditor or Operating Facility Lender.

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties and the Debtors waives all rights it may otherwise have to require that the security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

Security Held by Other Creditors

If any security is held by a creditor or Operating Facility Lender other than the Security Agent, then that creditor or Operating Facility Lender may only enforce that security in accordance with instructions given by an Instructing Group pursuant to the terms of the Intercreditor Agreement (and for this purpose references to the Security Agent shall be construed as references to that creditor or Operating Facility Lender).

Duties Owed

Pursuant to the Intercreditor Agreement, each of the Secured Parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the security prior to the Senior Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to any Senior Finco Creditors in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors under general law.

Consultation Period

(a) Subject to paragraph (d) below, before giving any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or to take any other Enforcement Action, the creditor representative(s) of the creditors of the Group represented in the Instructing Group concerned (and, if applicable, any relevant Hedge Counterparties) shall consult with each other creditor representative, each other Hedge Counterparty, each Operating Facility Lender and the Security Agent in good faith about the instructions to be given by the Instructing Group for a period of not less than 30 days from the date on which details of the proposed instructions are received by such creditor representative(s), Hedge Counterparties, Operating Facility Lenders and the Security Agent (or such shorter period as each creditor representative, Hedge Counterparty, Operating Facility Lender and the Security Agent shall agree) (the "Consultation Period"), and only following the expiry of a Consultation Period shall the Instructing Group be entitled to give any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or take any other Enforcement Action.

(b) Subject to paragraph (c) below, in the event conflicting instructions are received from any other Instructing Group, the Security Agent shall enforce the security, refrain or cease from enforcing the security or, as the case may be, take the relevant other Enforcement Action in accordance with the instructions given by an Instructing Group referred to in paragraph (a)(i)(A) of the definition of Instructing Group as set out above (in each case, provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the Security Documents) and the terms of all instructions given by any other Instructing Group shall be deemed revoked.

(c) Prior to the Senior Lender Discharge Date, if:

(i) the Senior Creditors have not been fully repaid within six months of the end of the Consultation Period;

(ii) the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action within three months of the end of the Consultation Period; or

(iii) an Insolvency Event has occurred and the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action at that time,

then the Security Agent shall follow the instructions given by the Majority Senior Creditors (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the relevant security documents).

(d) Subject to paragraph (c) above, no Agent or Hedge Counterparty shall be obliged to consult in accordance with paragraph (a) above and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the security or take any other Enforcement Action prior to the end of a Consultation Period (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the Security Documents) if:

(i) the security has become enforceable as a result of an Insolvency Event; or

(ii) the Instructing Group or any creditor representative of the creditors represented in the Instructing Group determines in good faith (and notifies each other creditor representative, the Hedge Counterparties and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the security would reasonably be expected to have a material adverse effect on:

(A) the Security Agent's ability to enforce any of the security; or

(B) the realization proceeds of any enforcement of the security,

and, where this paragraph (d) applies:

(1) any instructions shall be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors on behalf of which the relevant Instructing Group is acting in relation to the matters referred to in sub-paragraphs (A) and (B) above; and

(2) the Security Agent shall act in accordance with the instructions first received.

Proceeds of Disposals

Non-Distressed Disposals

The Security Agent is irrevocably authorized and instructed (at the request and cost of the relevant Debtor or the Parent) to promptly release (or procure that any other relevant person releases):

(i) any security (and/or any other claim relating to a debt document) over any asset which is the subject of:

(A) a disposal not prohibited by the terms of the Revolving Credit Facility Agreement, the Indenture, any Permitted Senior Financing Agreement, any Senior Finco Notes Indenture and any Permitted Finco Financing Agreement (each a "Debt Financing Agreement") (including a disposal to a member of the Group, but without prejudice to any obligation of any member of the Group in a Debt Financing Agreement to provide replacement security); or

(B) any other transaction not prohibited by the terms of any Debt Financing Agreement pursuant to which that asset will cease to be held or owned by a member of the Group;

(ii) any security (and/or any other claim relating to a debt document) over any document or agreement in order for any member of the Group to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Debt Financing Agreement);

(iii) any security (and/or any other claim relating to a debt document) over any asset of any member of the Group which has ceased to be a Debtor or will cease to be a Debtor simultaneously with such release; and

(iv) any security (and/or any other claim relating to a debt document) over any other asset to the extent that such release is in accordance with the terms of the Debt Financing Agreements.

In the case of a disposal of shares or other ownership interests in a Debtor (or any holding company of any Debtor), or any other transaction pursuant to which a Debtor (or any holding company of any Debtor) will cease to be a member of the Group or a Debtor, the Security Agent (on behalf of itself and the Secured Parties) shall (at the request and cost of the relevant Debtor or the Parent) promptly release (or procure the release of) that Debtor and its subsidiaries from all present and future liabilities under the Secured Debt Documents.

When making any request for a release pursuant to this "—*Non-Distressed Disposals*" section, the Parent shall confirm in writing to the Security Agent that:

(1) in the case of any release requested pursuant to paragraph (i) or (ii) above, the relevant disposal or other action is not prohibited by the terms of any Debt Financing Agreement; or

(2) in the case of any release requested pursuant to paragraph (iv) above, the relevant release is in accordance with terms of the Debt Financing Agreements,

and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

In the case of any release of security requested by the Parent pursuant to the applicable provisions of the Revolving Credit Facility Agreement as part of certain permitted transactions under the Revolving Credit Facility Agreement, when making that request the Parent shall confirm to the Security Agent that:

(i) such request is a "permitted transaction request" (and absent any such statement in a request for a release the Security Agent shall be entitled to assume for all purposes that such request is not a permitted transaction request); and

(ii) it has determined in good faith (taking into account any applicable legal limitations and other relevant considerations in relation to that permitted transaction) that it is either not possible or not desirable to implement that permitted transaction on terms satisfactory to the Parent by instead granting additional security and/or amending the terms of the existing security,

and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent shall (at the cost and expense of the relevant Debtor or the Parent but without the need for any further consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender or Debtor) promptly enter into such documentation and/or take such other action as the Parent (acting reasonably) shall require to give effect to any release or other matter described in the paragraph above.

If any member of the Group is required or permitted under the RCF Finance Documents, the Indenture and the other finance documents for the Senior Notes and/or Permitted Senior Financing Documents, to apply the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of the Senior Lender Liabilities, the Hedging Liabilities, the Senior Notes liabilities or the Permitted Senior Financing Liabilities (as applicable) (together, the "Senior Liabilities") then no such application of those proceeds shall require the consent of any other party or result in any breach of any Senior Finco Finance Documents and any such application shall discharge in full any obligation to apply those proceeds in prepayment, redemption or any other discharge or reduction of any Senior Finco Liabilities.

Distressed Disposals

Generally, a "Distressed Disposal" is a disposal of an asset of a member of the Group which is (a) being effected at the request of an Instructing Group in circumstances where a security interest has become enforceable in accordance with the terms of the relevant security document(s), (b) being effected by enforcement of a security interest in accordance with the terms of the relevant security document(s) or (c) being disposed of to a third-party subsequent to a distress event.

If a Distressed Disposal of any asset of a member of the Group is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any creditor, Operating Facility Lender or Debtor):

(i) to release the security interest or any other claim over that asset and execute and deliver or enter into any release of that security interest or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a Debtor, to release:

    (A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, its guarantee liabilities and its other liabilities;

    (B) any security interest granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

    (C) any other claim of an investor, an intra-group lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor,

    on behalf of the relevant creditors, Operating Facility Lenders, Debtors and certain creditor representatives;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release:

    (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, its guarantees liabilities and its other liabilities;

    (B) any security interest granted by that holding company or any subsidiary of that holding company over any of its assets; and

    (C) any other claim of any investor, any intra-group lender or another Debtor over that holding company's assets or the assets of any subsidiary of that holding company, on behalf of the relevant creditors, Operating Facility Lenders, Debtors and certain creditor representatives;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities or the Debtor liabilities owed by that Debtor or holding company or any subsidiary of that Debtor or holding company:

(A) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities or Debtor liabilities (the "Transferee") will be treated as a Primary Creditor or the Security Agent, any receiver or delegate and each of the agents, the arrangers, the Senior Secured Creditors and the Senior Finco Creditors (each a "Secured Party") for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those liabilities or Debtor liabilities; *provided* that, notwithstanding any other provision of any debt document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of: all (and not part only) of the liabilities owed to the Primary Creditors and the Operating Facility Lenders and all or part of any other liabilities and the Debtor liabilities,

on behalf of, in each case, the relevant creditors, Operating Facility Lenders and Debtors;

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "Disposed Entity") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of the intra-Group liabilities or the Debtor liabilities, to execute and deliver or enter into any agreement to:

(A) agree to the transfer of all or part of the obligations in respect of those intra-Group liabilities or Debtor liabilities on behalf of the relevant intra-Group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) (if the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of Senior Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities or Debtor liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-Group liabilities or Debtor liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities or Debtor liabilities) shall be paid to the Security Agent for application in accordance with the provisions set out under the caption "*—Application of Proceeds*" as if those proceeds were the proceeds of an enforcement of the relevant security interest and, to the extent that any disposal of liabilities or Debtor liabilities has occurred, as if that disposal of liabilities or Debtor liabilities had not occurred.

In the case of a Distressed Disposal effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

Where borrowing liabilities, guarantee liabilities and/or other liabilities in relation to a member of the Group would otherwise be released pursuant to the terms of the Intercreditor Agreement, the creditor or Operating Facility Lender concerned may elect to have those borrowing liabilities, guarantee liabilities and/or, as the case may be, other liabilities transferred to the Parent in which case the Security Agent is irrevocably authorized (to the extent legally possible and at the cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any creditor, Operating Facility Lender or Debtor) to execute such documents as are required to so transfer those liabilities.

Subject to the immediately following paragraph, in the case of a Distressed Disposal effected by or at the request of the Security Agent (acting in accordance with the Intercreditor Agreement), unless the consent of each Senior Agent is otherwise obtained, it is a further condition to any release, transfer or disposal that the proceeds of such disposal are in cash (or substantially all in cash) and such sale or disposal is made pursuant to a "public auction" in respect of which the Primary Creditors are entitled to participate or where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view.

If prior to the first date on which the discharge date for the Senior Finco Notes and any Permitted Finco Financing Debt has occurred, a Distressed Disposal is being effected such that, generally, the guarantees of the Senior Finco Notes and the guarantees of any Permitted Finco Financing Debt or any security over the assets of a Senior Finco Debt Issuer or any Senior Finco Guarantor will be released and/or the Senior Finco Notes liabilities and any Permitted Finco Financing Liabilities will be released, it is a further condition to the release that either:

- the Senior Finco Notes Trustee and any Senior Finco Creditor Representative has approved the release; or
- where shares or assets of a Senior Finco Guarantor or assets of a Senior Finco Debt Issuer are sold:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash);

(B) all claims of the Senior Secured Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any), all of whose shares (other than any minority interest not owned by members of the Group) are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security interests under the security documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale; *provided* that, if each Senior Agent (acting reasonably and in good faith):

(I) determines that the Senior Secured Creditors will recover a greater amount if such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released or discharged; and

(II) serves a written notice on the Security Agent confirming the same,

the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(C) such sale or disposal is made:

(I) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

(II) where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal, that the amount received in connection therewith, generally, is fair from a financial point of view.

Application of Proceeds

The Intercreditor Agreement provides that secured parties may only benefit from Recoveries (as defined below) to the extent that the liabilities of such secured parties has the benefit of the guarantees or security under which such Recoveries are received and provided that, in all cases, the rights of such secured parties shall in any event be subject to the priorities set out below. This shall not prevent a Senior Secured Creditor benefiting from such Recoveries where it was not legally possible for the Senior Secured Creditor to obtain the relevant guarantees or security interests.

Order of Application

The Intercreditor Agreement provides that all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any debt document or in connection with the realization or enforcement of all or any part of the relevant security interests (for the purposes of this "*—Application of Proceeds*" section and the "*—Equalization of the Senior Secured Creditors*" section, the "Recoveries") shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this "*—Application of Proceeds*" section), in the following order of priority:

(i) in discharging any sums owing to the RCF Facility Agent (in respect of the amounts due to the RCF Facility Agent), any Senior Creditor Representative (in respect of amounts due to the Senior Creditor Representative), any Senior Finco Creditor Representative (in respect of amounts due to the Senior Finco Creditor Representative) or certain amounts owing to the Senior Notes Trustee or Senior Finco Notes Trustee amounts, or any sums owing to the Security Agent, any receiver or any delegate on a pro rata and *pari passu* basis;

(ii) in payment of all costs and expenses incurred by certain creditor representatives, Primary Creditor or Operating Facility Lender in connection with any realization or enforcement of the security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) in respect of Recoveries resulting from the realization or enforcement of all or any part of the security or a transaction in lieu thereof, in payment to:

(A) the RCF Facility Agent on its own behalf and on behalf of the arrangers under the Revolving Credit Facility Agreement and the Senior Lenders;

(B) the Hedge Counterparties; and

(C) the Operating Facility Lenders;

for application towards the discharge of:

(I) the liabilities of the Debtors owing to the arrangers under or in connection with the Revolving Credit Facility and the Senior Lender Liabilities (in accordance with the terms of the RCF Finance Documents);

(II) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each hedge counterparty); and

(III) the Operating Facility Liabilities (on a pro rata basis between the Operating Facility Liabilities of each Operating Facility Lender);

on a pro rata basis and *pari passu* between the immediately preceding paragraphs (I), (II) and (III) above;

(iv) in payment to:

(A) the RCF Facility Agent on its own behalf and on behalf of the arrangers under the Revolving Credit Facility Agreement and the Senior Lenders;

(B) the Hedge Counterparties;

(C) the Operating Facility Liabilities (on a pro rata basis between the Operating Facility Liabilities of each Operating Facility Lender);

(D) the Senior Notes Trustee on its own behalf and on behalf of the holders of the Senior Notes; and

(E) each Senior Creditor Representative on its own behalf and on behalf of the arrangers with respect to the Permitted Senior Financing Debt and the Permitted Senior Financing Creditors; and

for application towards the discharge of:

(I) the liabilities of the Debtors owed to the arrangers under or in connection with the Revolving Credit Facility and the Senior Lender Liabilities (in accordance with the terms of the finance documents in relation to the Revolving Credit Facility);

(II) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each Hedge Counterparty); and

(III) the Operating Facility Liabilities (on a pro rata basis between the Operating Facility Liabilities of each Operating Facility Lender);

(IV) the Senior Notes liabilities (other than sums owing to the Security Agent) (in accordance with the terms of the Indenture and the other finance documents for the Senior Notes);

(V) the liabilities of the Debtors owing to the arrangers of the Permitted Senior Financing Debt and the Permitted Senior Financing Liabilities (other than the liabilities owing to a Senior Creditor Representative) (in accordance with the terms of the Permitted Senior Financing Documents and, if there is more than one Permitted Senior Financing Agreement, on a pro rata basis between the Permitted Senior Financing Debt in respect of each Permitted Senior Financing Agreement);

on a pro rata basis and *pari passu* between the immediately preceding paragraphs (I) to (V) above;

(v) in payment to:

(A) each Senior Finco Notes Trustee on its own behalf and on behalf of the Senior Finco Noteholders; and

(B) each Senior Finco Creditor Representative on its own behalf and on behalf of the arrangers under the Permitted Finco Financing Debt and the Permitted Finco Financing Creditors,

for application towards the discharge of:

(I) the Senior Finco Notes liabilities (other than any sums owing to the Security Agent) (in accordance with the terms of the Senior Finco Notes Finance Documents); and

(II) the liabilities of the Debtors owed to the arrangers of the Permitted Finco Financing Debt and the Permitted Finco Financing Liabilities (other than the liabilities owing to a Senior Finco Creditor Representative) (in accordance with the terms of the Permitted Finco Financing Documents and, if there is more than one Permitted Finco Financing Agreement, on a pro rata basis between the Permitted Finco Financing Debt in respect of each Permitted Finco Financing Agreement),

on a pro rata basis and pari passu between the immediately preceding paragraphs (I) and (II) above;

(vi) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(vii) the balance, if any, in payment to the relevant Debtor.

Liabilities of the Senior Finco Debt Issuer

Generally, all amounts from time to time received or recovered by the Security Agent from or in respect of the Senior Finco Debt Issuer pursuant to the terms of any debt document (other than in connection with the realization or enforcement of all or any part of the relevant security interests) shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority:

(i) in accordance with paragraph (i) under the caption "—*Application of Proceeds—Order of Application*";

(ii) in accordance with paragraphs (iv) and (v) under the caption "—*Application of Proceeds—Order of Application*", provided that payments will be made on a *pro rata* basis and *pari passu* between each of the payments referred to in the foregoing paragraphs (iv) and (to the extent relating to liabilities in respect of Senior Finco Notes and/or Permitted Finco Financing Debt where the relevant Senior Finco Debt Issuer is the issuer or, as the case may be, the borrower) (v);

(iii) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(iv) the balance, if any, in payment to the relevant Debtor.

Equalization of the Senior Secured Creditors

The Intercreditor Agreement generally provides that if, for any reason, any Senior Liabilities or any Operating Facility Liabilities remain unpaid after the relevant enforcement date and the resulting losses are not borne by the Senior Secured Creditors and the Operating Facility Lenders in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Secured Creditors and the Operating Facility Lenders at the relevant enforcement date (or, in the case of Recoveries resulting from the realization or enforcement of all or any part of the security or a transaction in lieu thereof, in a manner reflecting the order of priority contemplated under the caption "*—Application of Proceeds—Order of Application*"), the Senior Secured Creditors (subject, in the case of amounts owing to the applicable trustee, to the terms of the Intercreditor Agreement) will make such payments among themselves as the Security Agent shall require to put the Senior Secured Creditors and the Operating Facility Lenders in such a position that (after taking into account such payments) those losses are borne in those proportions (or, as the case may be, to otherwise reflect the order of priority contemplated under the caption "*—Application of Proceeds—Order of Application*").

Group Pushdown

The Intercreditor Agreement, generally, provides that on, in contemplation of, or after, a public equity offering (an "IPO Event") of any member of the Group (other than (x) a subsidiary of a borrower or issuer which is restricted from being designated as such by the relevant Debt Financing Agreement and is not replaced prior to such a public equity offering with another Group entity or a subsidiary of the Parent or (y) a subsidiary of the Issuer) or any of its holding companies (the "IPO Entity"), at the Parent's option:

(i) the Group shall comprise only the IPO Entity and its restricted subsidiaries from time to time;

(ii) the IPO Entity shall take on the Parent's role under the Intercreditor Agreement;

(iii) the holding companies of the IPO Entity and the investors shall be irrevocably and unconditionally released from all of their obligations under the Intercreditor Agreement and (where applicable) the security documents and no provisions of the Intercreditor Agreement shall apply to them; and

(iv) there shall be no obligation or requirement for any person to become party to the Intercreditor Agreement as an "investor" (and any term of any debt document which requires or assumes that any person be an investor or that any liabilities or obligations to such person be subject to the Intercreditor Agreement or otherwise subordinated shall cease to apply),

such amendments being a "Group Pushdown".

The Parent must provide written notice to the Security Agent in order to implement a Group Pushdown. Such a notice may be revoked prior to the IPO Event to which it relates provided that (where requested by an Instructing Group) any security which was released is reinstated and any investor which was released from its obligations under the Intercreditor Agreement accedes again.

The parties to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of it and/or take such other action as is required by the Parent to facilitate or reflect any of the matters contemplated by the preceding paragraph and the Security Agent is irrevocably authorized to promptly execute any release or other document and/or take such other action under or in relation to any debt document (or any asset subject or expressed to be subject to any security document) as is requested in order to complete, implement or facilitate such matters.

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, it and/or a security document may be amended or waived only with the written consent of:

(i) if the relevant amendment or waiver (the "Proposed Amendment") is prohibited by the Revolving Credit Facility Agreement, the RCF Facility Agent (acting on the instructions of the requisite Senior Lenders in accordance with the applicable provisions of the Revolving Credit Facility Agreement);

(ii) if the Proposed Amendment is prohibited by the terms of the Indenture, the Senior Notes Trustee;

(iii) if any Permitted Senior Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Financing Agreement, the Senior Creditor Representative in respect of that Permitted Senior Financing Debt (if applicable, acting on the instructions of the Majority Permitted Senior Financing Creditors);

(iv) if any Senior Finco Notes have been issued and if the Proposed Amendment is prohibited by the terms of the relevant Senior Finco Notes Indenture, the Senior Finco Notes Trustee;

(v) if any Permitted Finco Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Finco Financing Agreement, the Senior Finco Creditor Representative in respect of that Permitted Finco Financing Debt (if applicable, acting on the instructions of the Majority Permitted Finco Financing Creditors);

(vi) if a Hedge Counterparty is providing hedging to a Debtor under a hedging agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty and is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable hedging agreement, as notified by the Parent to the Security Agent at the time of the relevant amendment or waiver);

(vii) if an Operating Facility Lender is providing one or more facility to a Debtor under an Operating Facility Document, that Operating Facility Lender (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Operating Facility Lender and is an amendment or waiver which is expressed to require the consent of that Operating Facility Lender under the applicable Operating Facility Document, as notified by the Parent to the Security Agent at the time of the relevant amendment or waiver);

(viii) certain investors as permitted under the Intercreditor Agreement; and

(ix) the Parent.

Notwithstanding the foregoing, any amendment or waiver of any Secured Debt Document that is made or effected in connection with any Debt Refinancing (see "*—Debt Refinancing*" above), any incurrence of additional and/or refinancing debt (as referred to in "*—Ranking and Priority—Additional and/or Refinancing Debt*" above) or "non-Distressed Disposal" (see "*—Proceeds of Disposals—Non-Distressed Disposals*") or any other provision of the Intercreditor Agreement or in connection with any other provision of any Secured Debt Document (provided that such amendment or waiver is not expressly prohibited by the terms of any other Secured Debt Document) is binding on all parties to the Intercreditor Agreement.

The Intercreditor Agreement or a security document may be amended by the Parent and the Security Agent without the consent of any other party, to cure defects, resolve ambiguities or reflect changes in each case of a minor technical or administrative nature or as otherwise for the benefit of all or any of the Secured Parties. Any amendment, waiver or consent which relates only to the rights or obligations applicable to creditors under a particular Debt Financing Agreement (and which does not materially and adversely affect the rights or interests of creditors under other Debt Financing Agreements) may be approved with only the consent of the creditor representative in respect of that Debt Financing Agreement and the Parent.

Amendments and Waivers: Security Documents

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless the provisions of any debt document expressly provide otherwise, the Security Agent may, if authorized by an Instructing Group, and if the Parent consents, amend the terms of, waive any of the requirements of or grant consents under, any of the security documents which shall be binding on each party.

Subject to the second and third paragraphs of the section captioned "*—Exceptions*" below, any amendment or waiver of, or consent under, any security document which would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the security are distributed requires approval as set out under the section captioned "*—Required Consents*".

Guarantees

The Intercreditor Agreement additionally provides for Hedge Counterparties and Operating Facility Lenders (each as defined above) to receive guarantees and indemnities from the Debtors on substantially the same terms (including the relevant limitations) as such guarantees and indemnities are provided by the obligors to the finance parties under the Revolving Credit Facility Agreement.

Exceptions

Subject to the following paragraphs of this "*—Exceptions*" section, an amendment, waiver or consent which adversely relates to the express rights or obligations of an agent, an arranger or the Security Agent (in each case in such capacity) may not be effected without the consent of that agent, that arranger or the Security Agent (as the case may be) at such time.

The foregoing shall not apply:

- to any release of security, claim or liabilities; or
- to any consent,

which, in each case, the Security Agent gives in accordance with the provisions set out in the caption "*—Proceeds of Disposals*" above.

The first paragraph of this "*—Exceptions*" section shall apply to an arranger only to the extent that the arranger liabilities are then owed to that arranger.

Agreement to Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the debt documents (including the Indenture and the Revolving Credit Facility Agreement) to the contrary.

Funding Loans

On December 16, 2013, in connection with the completion of the Rhiag Acquisition, a portion of the net proceeds of the offerings of the Original Notes were utilized by the Issuer to fund the repayment of indebtedness incurred under the former credit facilities of Rhiag and its subsidiaries through making the following intercompany loans:

(i) a floating rate intercompany loan in an aggregate principal amount of €11,036,145, by and among, the Issuer, as lender, and Auto Kelly CZ, as borrower, entered into in connection with the issuance of the Original Floating Rate Notes, of which €9,273,494 aggregate principal amount is expected to be outstanding as of the Issue Date;

(ii) a fixed rate intercompany loan in an aggregate principal amount of €11,863,855, by and among, the Issuer, as lender, and Auto Kelly CZ, as borrower, entered into in connection with the issuance of the Original Fixed Rate Notes, of which €8,626,506 aggregate principal amount is expected to be outstanding as of the Issue Date;

(iii) a floating rate intercompany loan in an aggregate principal amount of €1,686,747, by and among, the Issuer, as lender, and Bertolotti, as borrower, entered into in connection with the issuance of the Original Floating Rate Notes, of which €48,000 aggregate principal amount is expected to be outstanding as of the Issue Date;

(iv) a fixed rate intercompany loan in an aggregate principal amount of €1,813,253, by and among, the Issuer, as lender, and Bertolotti, as borrower, entered into in connection with the issuance of the Original Fixed Rate Notes, of which €52,000 aggregate principal amount is expected to be outstanding as of the Issue Date;

(v) a floating rate intercompany loan in an aggregate principal amount of €79,710,843, by and among, the Issuer, as lender, and Rhiag, as borrower, entered into in connection with the issuance of the Original Floating Rate Notes, of which €69,831,325 aggregate principal amount is expected to be outstanding as of the Issue Date; and

(vi) a fixed rate intercompany loan in an aggregate principal amount of €85,689,157, by and among, the Issuer, as lender, and Rhiag, as borrower, entered into in connection with the issuance of the Original Fixed Rate Notes, of which €75,068,675 aggregate principal amount is expected to be outstanding as of the Issue Date.

In connection with the Transactions, an aggregate amount of €2.4 million will be repaid under the Auto Kelly Funding Loans and the Bertolotti Funding Loans and will be used to fund a portion of the repayment of €14.0 million of indebtedness under the Revolving Credit Facility prior to the Issue Date and an aggregate amount of €11.6 million will be repaid under the Original Rhiag Funding Loans and will be used to fund the remaining portion of the repayment of €14.0 million of indebtedness under the Revolving Credit Facility prior to the Issue Date.

The Issuer will enter into the New Rhiag Funding Loans on or about the Issue Date, by and among, the Issuer, as lender, and Rhiag, as borrower, in connection with the issuance of the Notes. The New Rhiag Funding Loans will comprise of a floating rate intercompany loan in an aggregate principal amount of €5,590,361 and a fixed rate intercompany loan in an aggregate principal amount of €6,009,639.

The rate of interest for each of the Funding Loans entered into in connection with the issuance of the Original Floating Rate Notes is currently set at a rate that is 0.25% greater than the interest rate applicable to the Original Floating Rate Notes. The rate of interest for each of the Funding Loans entered into in connection with the issuance of the Fixed Rate Notes is currently set at a rate of 7.50% per annum.

Interest payments received by the Issuer under each of the Funding Loans entered into in connection with the issuance of the Original Floating Rate Notes are used to service interest payments under the Original Floating Rate Notes and interest payments received by the Issuer under each of the Funding Loans entered into in connection with the issuance of the Fixed Rate Notes are used to service interest payments under the Fixed Rate Notes. It is anticipated that funds received by the Issuer as payments of interest under the Funding Loans will also be used to service all or a portion of the interest payments under the Notes offered hereby.

The maturity date for each of the Funding Loans entered into in connection with the issuance of the Original Floating Rate Notes is December 15, 2019. The maturity date for each of the Funding Loans entered into in connection with the issuance of the Original Fixed Rate Notes is November 15, 2020.

Notwithstanding the foregoing, the instruments for each of the Funding Loans permits the relevant borrower and the Issuer to amend the terms of such Funding Loan, including with respect to the scheduled maturity date, the rate of interest payable thereunder as well as interest payment dates, and to make repayments thereunder. See "*Risk Factors—Risks Related to our Structure—The Issuer's right to receive payments under the Auto Kelly Funding Loans, the Bertolotti Funding Loans and the Rhiag Funding Loans, respectively, may be subordinated under applicable law to the obligations of other creditors and are subordinated under the Intercreditor Agreement*".

The Issuer's payment rights under each of the Auto Kelly Funding Loans, the Bertolotti Funding Loans and the Rhiag Funding Loans, respectively, are currently pledged (or assigned by way of security) on a first-priority basis to secure the obligations under the Original Floating Rate Notes and the Original Fixed Rate Notes and the guarantees provided by the Group in connection therewith, as well as the Revolving Credit Facility. The foregoing security interests will also secure the obligations under the Notes offered hereby and the guarantees provided by the Group in connection thereto.

Each of the Funding Loans is governed by Italian law.

Local Lines of Credit

We have certain local lines of credit for the provision of, amongst other things, working capital lines, letters of credit, overdraft facilities, guarantees, treasury lines and foreign exchange derivate instruments available to certain members of our Group in an aggregate principal amount of up to €62,346 thousand as at June 30, 2014, of which €6,363 thousand was utilized. In the future, the Group may enter into further such local lines of credit of this nature. These local lines of credit are provided on an on-demand basis. Our material local lines of credit are described below.

Certain of our Italian subsidiaries have entered local lines of credit in connection with our operations in Italy. These Italian local lines of credit have been provided on a uncommitted basis. As at June 30, 2014, we had our local lines of credit in Italy comprised of working capital lines, letters of credit, overdraft facilities, guarantees and treasury lines in Italy in an aggregate amount of €46,991 thousand, of which €2,060 thousand was utilized.

Certain of our Czech subsidiaries have entered local lines of credit in connection with our operations in the Czech Republic. Our Czech local lines of credit have been provided on a committed basis with exception of treasury lines, certain bank guarantees and framework for bank guarantees which may be cancelled at any time by bank. As at June 30, 2014, we had our local lines of credit in the Czech Republic comprised of working capital lines, letters of credit, overdraft facilities, bank guarantees, treasury lines and foreign exchange derivate instruments in the Czech Republic in an aggregate amount of €11,296 thousand, of which €3,374 thousand was utilized.

DESCRIPTION OF THE SENIOR SECURED NOTES

The €50,000,000 aggregate principal amount of 7.25% Senior Secured Notes due 2020 (the "Additional Fixed Rate Notes") offered hereby will be issued by Rhino Bondco S.p.A., a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy (the "Issuer"), and will initially be guaranteed on a senior secured basis by its direct parent, Rhino Midco 2 Limited, a private limited company organized under the laws of England and Wales (the "Company"), and by each of Auto Kelly a.s., Rhiag Group Ltd, Rhino Bidco S.p.A., Elit Group Ltd and Elit CZ spol. s.r.o. The Issuer will issue the Additional Fixed Rate Notes under an existing indenture dated as of November 5, 2013 (the "Indenture"), among, *inter alios*, the Issuer, the Company, BNP Paribas Securities Services, Milan Branch, as Security Agent (the "Security Agent") and The Law Debenture Trust Corporation p.l.c., as Trustee (the "Trustee"). Pursuant to the Indenture, the Issuer issued on November 5, 2013, €215,000,000 aggregate principal amount of 7.25% Senior Secured Notes due 2020 (the "Original Fixed Rate Notes") and €200,000,000 aggregate principal amount of Floating Rate Senior Secured Notes due 2019 (the "Floating Rate Notes", and together with the Original Fixed Rate Notes, the "Original Notes"). The Additional Fixed Rate Notes, the Original Fixed Rate Notes (together with the Additional Fixed Rate Notes, the "Fixed Rate Notes") and the Floating Rate Notes will constitute a single class of debt securities for all purposes under the Indenture, including with respect to waivers and amendments, except as otherwise specified in the Indenture. The Additional Fixed Rate Notes will be issued in private transactions that are not subject to the registration requirements of the Securities Act. See "*Notice to Investors*"

Unless the context otherwise requires or is clear from context, in this "*Description of the Senior Secured Notes*" and the Indenture, (i) the term "Issuer" refers only to Rhino Bondco S.p.A. and any successor obligor to Rhino Bondco S.p.A. on the Notes, and not to any of its subsidiaries or to its direct parent, the Company, (ii) the term "Company" refers only to Rhino Midco 2 Limited, and any successor obligor to Rhino Midco 2 Limited on its guarantee of the Notes (as defined below), (iii) the guarantee provided by the Company of the Notes is referred to herein as the "Parent Guarantee", (iv) the Guarantors that are Restricted Subsidiaries of the Issuer are referred to herein as the "Subsidiary Guarantors," and each guarantee provided by such a Subsidiary Guarantor, a "Subsidiary Guarantee" and (v) the term "Notes" collectively refers to the Additional Fixed Rate Notes, the Original Notes and any Additional Notes (as defined below). You can find the definitions of certain other terms used in this "*Description of the Senior Secured Notes*" below and under the heading *"—Certain Definitions*."

The Additional Fixed Rate Notes will be issued bearing temporary international securities identification numbers ("ISINs") and temporary common codes that differ from the original ISINs and original common codes assigned to the Original Fixed Rate Notes, and will also bear an applicable restrictive Securities Act legend referred to under the heading "*Transfer Restrictions*" in this offering memorandum. In respect of the Additional Fixed Rate Notes offered hereby in reliance upon Regulation S, the applicable temporary ISIN and temporary common code will be replaced with the original ISIN and original common code borne by the Original Fixed Rate Notes issued on November 5, 2013, in reliance on Regulation S, and the Regulation S restrictive legend (referred to in paragraph (4) under the heading "*Transfer Restrictions*" in this offering memorandum) will be removed at the earlier of (x) 40 days after the Additional Fixed Rate Notes Issue Date and (2) the earliest date or dates permitted under U.S. federal securities laws. In respect of the Additional Fixed Rate Notes offered hereby in reliance upon Rule 144A, the applicable temporary ISIN and temporary common code will be replaced with the original ISIN and original common code borne by the Original Fixed Rate Notes, issued on November 5, 2013, in reliance on Rule 144A, and the Rule 144A restrictive legend (referred to in clause (4) under "*Transfer Restrictions*" in this offering memorandum) will be removed at the earlier of (1) one year after the Additional Fixed Rate Notes Issue Date and (2) the earliest date or dates permitted under U.S. federal securities laws. Following the replacement of the applicable temporary ISINs and temporary common codes as set forth above, the Additional Fixed Rate Notes will become fully fungible with the Original Fixed Rate Notes for trading purposes.

The terms of the Additional Fixed Rate Notes include those stated in the Indenture and will not incorporate provisions by reference to the Trust Indenture Act (as defined below). The Additional Fixed Rate Notes are subject to all such terms pursuant to the provisions of the Indenture, and Holders of the Additional Fixed Rate Notes are referred to the Indenture for a statement thereof.

The Indenture is subject to the terms of the Intercreditor Agreement and will be subject to the terms of any Additional Intercreditor Agreement (as defined below). The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral (as defined below) securing the Notes. Please see "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of certain terms of the Intercreditor Agreement.

The following is a summary of the material provisions of the Indenture and the Security Documents and does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all provisions of the Indenture and the Security Documents, respectively. Because this is a summary, it may not contain all the information that is important to you. You should read the Indenture and the Security Documents in their entirety. Copies of the Indenture and the Intercreditor Agreement are available as described under "*Available Information*."

Brief Description of the Additional Fixed Rate Notes and the Guarantees

The Additional Fixed Rate Notes

- will be senior obligations of the Issuer, secured by the Collateral described below on a first-priority basis along with obligations under the Revolving Credit Facility, the Original Notes, certain Hedging Agreements and certain other future indebtedness (although any liabilities in respect of obligations under the Revolving Credit Facility, certain Hedging

Agreements and certain other future indebtedness (including any Operating Facilities) that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral);

- will be senior in right of payment to any Subordinated Indebtedness of the Issuer;
- will be effectively senior in right of payment to any existing or future unsecured obligations of the Issuer, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- will be guaranteed by the Guarantors, which guarantees may be subject to the guarantee limitations described herein; and
- will benefit from a security assignment of the Issuer's rights under each of the Funding Loans made on the Completion Date to Rhiag and certain of its subsidiaries and the funding loan to be made by the Issuer to Rhiag on or about the Additional Fixed Rate Notes Issue Date using a portion of the proceeds of the Additional Fixed Rate Notes offered hereby.

The Parent Guarantee

- will be the senior obligation of the Company, secured by the Collateral described below on a first priority basis along with obligations under the Revolving Credit Facility, the Original Notes and certain Hedging Agreements (although any liabilities in respect of obligations under the Revolving Credit Facility, certain Hedging Agreements and certain other future indebtedness (including any Operating Facilities) that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral);
- will be senior in right of payment to any Subordinated Indebtedness of the Company;
- will be senior in right of payment to any future Subordinated Shareholder Funding of the Company;
- will be effectively senior in right of payment to any existing or future unsecured obligations of the Company, to the extent of the value of the Collateral that is available to satisfy the obligations under the Parent Guarantee; and
- will be effectively senior in right of payment to any existing or future obligations of the Company secured on a basis junior to the Parent Guarantee, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes.

The Subsidiary Guarantees

- will be the senior obligations of the relevant Subsidiary Guarantor, secured by the Collateral described below on a first priority basis along with obligations under the Revolving Credit Facility, the Original Notes, certain Hedging Agreements and certain other future indebtedness (although any liabilities in respect of obligations under the Revolving Credit Facility, certain Hedging Agreements and certain other future indebtedness (including any Operating Facilities) that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral);
- will be senior in right of payment to any Subordinated Indebtedness of the relevant Subsidiary Guarantor;
- will be effectively senior in right of payment to any existing or future unsecured obligations of the relevant Subsidiary Guarantor, to the extent of the value of the Collateral that is available to satisfy the obligations under the Subsidiary Guarantee;
- will be effectively senior in right of payment to any existing or future obligations of the relevant Subsidiary Guarantor secured on a basis junior to its Subsidiary Guarantee, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes; and
- will be subject to limitations described herein.

Principal and Maturity

The Issuer will issue €50,000,000 in aggregate principal amount of Additional Fixed Rate Notes on the Additional Fixed Rate Notes Issue Date. The Additional Fixed Rate Notes will mature on November 15, 2020. The Additional Fixed Rate Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The rights of holders of beneficial interests in the Additional Fixed Rate Notes to receive the payments on such Additional Fixed Rate Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Additional Fixed Rate Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Interest

Interest on the Additional Fixed Rate Notes will accrue at the rate of 7.25% per annum and will be payable, in cash, semi-annually in arrears on May 15 and November 15 of each year, commencing on November 15, 2014, to Holders of record on the immediately preceding May 1 and November 1, respectively. Interest on the Additional Fixed Rate Notes will accrue from

May 15, 2014. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

Additional Notes

From time to time, subject to the Issuer's compliance with the covenants described under the headings "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*", the Issuer is permitted to issue additional Notes, which shall have terms substantially identical to the Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate delivered by the Issuer to the Trustee ("Additional Notes"):

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes will be issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of Holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) if other than in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed; and

(8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.

Such Additional Notes will be treated, along with all other Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. Additional Notes may also be designated as additional Fixed Rate Notes or additional Floating Rate Notes, but only if having terms substantially identical in all material respects to the Original Fixed Rate Notes or the Floating Rate Notes, respectively. The Original Fixed Rate Notes, the Additional Fixed Rate Notes offered hereby and any additional Fixed Rate Notes shall be deemed to form one series. The Floating Rate Notes and any additional Floating Rate Notes shall be deemed to form one series. Unless the context otherwise requires or is clear from context, for all purposes of the Indenture and this "*Description of the Senior Secured Notes*", (i) references to the "Fixed Rate Notes" shall be deemed to refer to the Additional Fixed Rate Notes offered hereby, the Original Fixed Rate Notes as well as any additional Fixed Rate Notes and (ii) references to the "Floating Rate Notes" shall be deemed to include the initial Floating Rate Notes as well as any additional Floating Rate Notes. However, in order for any Additional Notes to have the same ISIN, CUSIP or common code, as applicable, as the Fixed Rate Notes or the Floating Rate Notes (as the case may be) initially issued on the Issue Date, such Additional Notes must be fungible with such Notes for U.S. federal income tax purposes.

Methods of Receiving Payments on the Notes

Principal, premium, if any, interest and Additional Amounts (defined below), if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more Global Note registered in the name of or held by a nominee of Euroclear or Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, interest and Additional Amounts, if any, on any certificated securities ("Definitive Registered Notes") will be payable at the specified office or agency of one or more Paying Agents in the City of London and Luxembourg, in each case, maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes*."

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents (each, a "Paying Agent") for the Notes, including in the City of London (the "Principal Paying Agent"). The Issuer will also undertake, to the extent possible, to use reasonable efforts to maintain a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC regarding the taxation of savings income (the "Directive"). The initial Principal Paying Agent for the Notes is Deutsche Bank AG, London Branch in the City of London.

The Issuer will also maintain one or more registrars (each, a "Registrar") with offices in Luxembourg, for so long as the Notes are listed on the Official List of the Irish Stock Exchange plc (the "Irish Stock Exchange") and its rules so require. The Issuer will also maintain a transfer agent (the "Transfer Agent") in Luxembourg. The initial Registrar and Transfer Agent for the Notes is Deutsche Bank Luxembourg S.A. The Registrar and the Transfer Agent, respectively, will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders of the Notes. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes. For so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market thereof and the rules of the Irish Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Dublin, Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*).

Transfer and Exchange

The Additional Fixed Rate Notes offered hereby will initially be issued in the form of registered notes in global form without interest coupons, as follows:

- The Additional Fixed Rate 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 global notes in registered form without interest coupons attached (the "144A Global Notes").
- The 144A Global Notes will, upon issuance, be deposited with and registered in the name of the common depositary for the accounts of Euroclear and Clearstream.
- The Additional Fixed Rate Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the 144A Global Notes, the "Global Notes").
- The Regulation S Global Notes will, upon issuance, be deposited with and registered in the name of the common depositary for the accounts of Euroclear and Clearstream.

In addition, the Additional Fixed Rate Notes will be issued bearing temporary ISINs and temporary common codes that differ from the original ISINs and original common codes assigned to the Original Fixed Rate Notes, and will also bear an applicable restrictive Securities Act legend referred to under the heading "*Transfer Restrictions*" in this offering memorandum. In respect of the Additional Fixed Rate Notes offered hereby in reliance upon Regulation S, the applicable temporary ISIN and temporary common code will be replaced with the original ISIN and original common code borne by the Original Fixed Rate Notes issued on November 5, 2013, in reliance on Regulation S, and the Regulation S restrictive legend (referred to in paragraph (4) under the heading "*Transfer Restrictions*" in this offering memorandum) will be removed at the earlier of (x) 40 days after the Additional Fixed Rate Notes Issue Date and (2) the earliest date or dates permitted under U.S. federal securities laws. In respect of the Additional Fixed Rate Notes offered hereby in reliance upon Rule 144A, the applicable temporary ISIN and temporary common code will be replaced with the original ISIN and original common code borne by the Original Fixed Rate Notes, issued on November 5, 2013, in reliance on Rule 144A, and the Rule 144A restrictive legend (referred to in clause (4) under "*Transfer Restrictions*" in this offering memorandum) will be removed at the earlier of (1) one year after the Additional Fixed Rate Notes Issue Date and (2) the earliest date or dates permitted under U.S. federal securities laws. Following the replacement of the applicable temporary ISINs and temporary common codes as set forth above, the Additional Fixed Rate Notes will become fully fungible with the Original Fixed Rate Notes for trading purposes.

Ownership of interests in the Global Notes ("Book-Entry Interests") will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer Restrictions*." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "144A Book-Entry Interests") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "Regulation S Book Entry Interests") only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the Additional Fixed Rate Notes Issue Date, ownership of Regulation S Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 aggregate principal amount, as the case may be, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer Restrictions*."

Subject to the restrictions on transfer referred to above, Additional Fixed Rate Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in aggregate principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture requires the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, as applicable, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of such Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of such Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date applicable to such Additional Fixed Rate Notes; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer (each, as defined below).

The Issuer, the Trustee, the Registrar and the Paying Agents will be entitled to treat the Holder of a Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the date on the front cover of this offering memorandum, all of the Company's Subsidiaries are Restricted Subsidiaries. In the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," the Company will be permitted to designate Restricted Subsidiaries (other than the Issuer) as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

The Funding Loans

On the Completion Date, the Issuer entered into funding loan agreements with each of Rhiag (such funding loans, the "Original Rhiag Funding Loans"), Bertolotti S.p.A., (such funding loans, the "Bertolotti Funding Loans") and Auto Kelly a.s. (such funding loans, the "Auto Kelly Funding Loans" and, together with the Rhiag Funding Loans and the Bertolotti Funding Loans, the "Funding Loans" and, each a "Funding Loan"), respectively. A portion of the net proceeds of the issuance of the Original Notes issued on the Issue Date were lent by the Issuer under the Original Funding Loans to fund the repayment of indebtedness incurred under the Rhiag Group's former credit facilities. In addition, on or about the Additional Fixed Rate Notes Issue Date, the Issuer will lend, pursuant to a funding loan agreement with Rhiag (such funding loans, the "New Rhiag Funding Loan"), a portion of the proceeds of the Additional Fixed Rate Notes offered hereby. The New Rhiag Funding Loan together with the Funding Loans are referred to as the "Group Funding Loans". The Group Funding Loans are subordinated in right of payment to the Notes and the Guarantees pursuant to the Intercreditor Agreement. For all purposes of this "*Description of the Senior Secured Notes*", Rhiag, Bertolotti S.p.A. and Auto Kelly a.s. are collectively referred to as the "Funding Loan Borrowers."

It is anticipated that funds received by the Issuer as payments of interest under the Group Funding Loans will be used to service all or a portion of the interest payments under the Notes. As the aggregate principal amount of the Group Funding Loans is lower than that of the Notes, the Group Funding Loans may have a variable interest rate that allows for higher interest payments from time to time, or, if the Group Funding Loans do not generate interest in an amount required to service the interest on the Notes, the Funding Loan Borrowers may in addition upstream further funds as needed by means of dividends or loans or by the repayment of principal under the Group Funding Loans.

Each of the Indenture, the Group Funding Loans, and the Security Documents do not contain any restrictions on the ability of the Issuer or the relevant Funding Loan Borrower to amend the terms of the relevant Funding Loan, including with respect to the scheduled maturity date, the rate of interest payable thereunder as well as interest payment dates. See "*Risk Factors—Risks Related to our Structure—The Issuer's right to receive payments under each of the Funding Loans, respectively, may be* *subordinated under Italian law to the rights of other creditors and are subordinated under the Intercreditor Agreement"* and *"Description of Certain Financing Arrangements—Funding Loans.*"

Note Guarantees

The obligations of the Issuer pursuant to the Additional Fixed Rate Notes, including any payment obligation resulting from a Change of Control (as defined below), will (subject to the Agreed Security Principles) be guaranteed, jointly and severally on a senior secured basis, by the Company and certain subsidiaries of the Issuer (each, a "Guarantor").

The initial Guarantors, the type of guarantee of the Notes and their respective jurisdictions of incorporation will be as follows:

The Company	Parent Guarantee	England
Rhino Bidco S.p.A.	Subsidiary Guarantee	Italy
Rhiag Group Ltd	Subsidiary Guarantee	Switzerland
Auto Kelly a.s.	Subsidiary Guarantee	Czech Republic
Elit Group Ltd	Subsidiary Guarantee	Switzerland
ELIT CZ, spol. s r.o.	Subsidiary Guarantee	Czech Republic

The Guarantors accounted for €348,224 thousand and 40.9% of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and €28,636 thousand and 34.6% of the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013. The Issuer, the Guarantors and the Funding Loan Borrowers collectively accounted for €793,504 thousand and 93.2% of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and €76,935 thousand and 93.1% of the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013.

In addition, as described below under "*—Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary of the Company (other than the Issuer) that guarantees the Revolving Credit Facility, Public Debt or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Notes and the Revolving Credit Facility. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, retention of title claims and similar matters. Each Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. For example, due to financial assistance laws and/or corporate benefit laws applying to Italian companies, we do not currently expect any of the Subsidiaries of the Issuer located in Italy, other than Rhino Bidco S.p.A., to guarantee the Additional Fixed Rate Notes. In addition, the Guarantees of the Additional Fixed Rate Notes to be granted by the Guarantors organized under the laws of Switzerland and the Czech Republic will be limited by financial assistance and/or corporate benefit laws, among other limitations, which may substantially limit their value. For example, the Guarantee given by a Guarantor organized under the laws of Switzerland will be limited to the equity reserves of that Guarantor. The Guarantee to be granted by Auto Kelly a.s. and ELIT CZ spol. s r.o., respectively, will be limited by, among other things, financial assistance laws that may either result in such Guarantor effectively having no obligation under its Guarantee, the Guarantee to be partially or entirely invalidated or prevent or Holders of the Notes from exercising their rights under the Guarantee. In addition, the Subsidiary Guarantee to be granted by Rhino Bidco S.p.A. will initially be limited in amount that allows for a net worth, after giving effect to the Guarantee, of €25 million, in order to allow for the upstreaming of funds to the Issuer, and the Guarantee may be modified by Rhino Bidco S.p.A. from time to time to ensure that this headroom is maintained to ensure that such Guarantee does not by the operation of law obstruct the payment of dividends or other distributions to the Issuer. The Subsidiary Guarantee to be granted by Rhino Bidco S.p.A. may be increased or decreased from time to time based on the most recently available financial statements of Rhino Bidco S.p.A. in line with the procedures outlined in the Indenture and in accordance with Italian law (including the requirement of completing further "whitewash" procedures). See *"Risk Factors—Risks Related to the Notes—The Note Guarantees will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may adversely affect their validity and enforceability"* and *"Risk Factors—Risks Related to our Structure—The insolvency laws of the Republic of Italy or the jurisdiction of incorporation or formation of each of the Guarantors may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar."*

The Guarantee of a Guarantor will terminate and release upon:

- except in the case of the Parent Guarantee, a sale or other disposition (including by way of consolidation or merger) of ownership interests in the Guarantor (directly or through a parent company) such that the Guarantor does not remain a Restricted Subsidiary, or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary), in each case, otherwise permitted by the Indenture;

- except in the case of the Parent Guarantee, the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- defeasance or discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*":
- except in the case of the Parent Guarantee, with respect to a Guarantor that is not a Significant Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to the Revolving Credit Facility and (ii) does not guarantee any other Credit Facility or Public Debt;
- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*—Amendments and Waivers*"; or
- in the case only of the Parent Guarantee, pursuant to the provisions described below under "*IPO Pushdown.*"

Substantially all the operations of the Company are conducted through its Subsidiaries. Claims of creditors of Subsidiaries that are not Subsidiary Guarantors or Funding Loan Borrowers, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes, or the claims made under the Group Funding Loans. The Notes and each Guarantee and the Group Funding Loans therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Subsidiaries of the Company (other than the Guarantors and the Funding Loan Borrowers). As at June 30, 2014, on a *pro forma* basis after giving effect to the Offering and the application of the proceeds thereof as described in "*Use of Proceeds*", our non-Guarantor subsidiaries (other than the Issuer) would have had €2,206 thousand of financial liabilities outstanding. Although the Indenture limits the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by the Company or Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness.*"

Security

The Collateral

Pursuant to the Security Documents entered into in connection with the issuance of the Original Notes issued on the Issue Date and the Revolving Credit Facility, respectively, and the additional Security Documents to be entered into on the Additional Fixed Rate Notes Issue Date, the obligations of the Issuer under the Additional Fixed Rate Notes and of the Guarantors under their Guarantees will be secured, on an equal and ratable first-priority basis, subject to the operation of the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, over the assets listed below:

(a) the entire issued Capital Stock of the Issuer, Rhino Bidco S.p.A., Rhiag, Auto Kelly a.s. and ELIT CZ, spol. s r.o.;

(b) substantially all the assets of the Company;

(c) certain bank accounts of the Issuer and Rhino Bidco S.p.A.;

(d) the Issuer's rights under the Auto Kelly Funding Loan, the Bertolotti Funding Loan and the Rhiag Funding Loan; and

(e) the rights of Rhino Bidco S.p.A. under the documents governing the Acquisition (together, the "Existing Collateral").

In addition, subject to the Intercreditor Agreement and subject to the Agreed Security Principles, each subsidiary of the Company that accedes to the Revolving Credit Facility as a guarantor after the Issue Date shall also enter into a supplemental indenture as a Guarantor with respect to the Notes and accede to the Intercreditor Agreement, and security will be granted over the shares of capital stock of such Subsidiary Guarantor (together with the Existing Collateral, the "Collateral"). All Collateral shall be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

The Collateral will be granted in favor of the Security Agent on behalf of the Holders of the Additional Fixed Rate Notes on the Additional Fixed Rate Notes Issue Date.

Notwithstanding the foregoing, certain assets will not be pledged (or the Liens not perfected) to secure the Additional Fixed Rate Notes in accordance with the Agreed Security Principles, including:

- if the cost of providing security is not proportionate to the benefit accruing to the Holders;
- if there is material incremental cost involved in creating security over all assets of a Guarantor in a particular category of assets, only the material assets in that category will be subject to security;
- if providing such security requires consent before such assets may be secured or where providing such security would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of the Company, the Issuer or any of their Subsidiaries in respect of those assets or require any of them to take any action materially adverse to their interests and where (subject to certain conditions being met) such consent cannot be obtained after the use of reasonable endeavors;

- if providing such security would be prohibited by applicable law, general statutory limitations, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" or transfer pricing rules or similar matters or providing security would be outside the applicable pledgor's capacity or conflict with fiduciary duties of directors or cause material risk of personal or criminal liability after the use of reasonable endeavors to overcome such prohibitions (if possible);
- if in certain jurisdictions it may be either impossible or impractical to create security over certain categories of assets, security will not be taken over such assets;
- if providing such security would have a material adverse effect (as reasonably determined in good faith by such Subsidiary) on the ability of such Subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture and any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to this principle;
- no perfection action will be required in jurisdictions where a Guarantor is not located but perfection action may be required in the jurisdiction of one Guarantor in relation to security granted by another Guarantor located in a different jurisdiction and (where otherwise consistent with the Agreed Security Principles) in any supra-national registries agreed between the Company and the Security Agent from time to time; and
- in the case of bank accounts, if providing such security or perfecting liens thereon would require giving notice to the banks with whom the accounts are maintained, such notice will only be provided after the Notes are accelerated.

The Agreed Security Principles with respect to the Additional Fixed Rate Notes will be interpreted and applied in good faith by the Issuer.

The Collateral also secures the Original Notes, the liabilities under the Revolving Credit Facility and certain existing Hedging Agreements, and may secure the liabilities under certain other Hedging Agreements, Operating Facilities (as defined below) and other indebtedness (including any Additional Notes). Pursuant to the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility, any Operating Facilities and hedging obligations permitted to be incurred under the covenant "*—Certain Covenants—Limitation on Indebtedness*" and permitted to be secured on the Collateral on a "super priority" basis to the Notes (see "*—Certain Definitions—Permitted Collateral Liens*") will receive priority over the Holders with respect to any proceeds received upon any enforcement action over any Collateral.

Subject to certain conditions, including compliance with the covenant described under "*—Certain Covenants—Impairment of Security Interest*," the Company is permitted to grant security over the Collateral in connection with future issuances of its Indebtedness or Indebtedness of its Restricted Subsidiaries, including any Additional Notes, in each case, as permitted under the Indenture and the Intercreditor Agreement. Any proceeds received upon any enforcement over any Collateral, after all liabilities in respect of obligations under the Revolving Credit Facility, any Operating Facilities (to the extent secured on a "super priority" basis) and certain Hedging Agreements that are secured have been discharged from such recoveries, will be applied *pro rata* in payment of all liabilities in respect of obligations under the Indenture and the Notes and any other Indebtedness of the Company or its Restricted Subsidiaries permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement.

Administration of Security and Enforcement of Liens

The Security Documents and the Collateral will be administered by the Security Agent, in each case pursuant to the Intercreditor Agreement, for the benefit of all holders of secured obligations. The enforcement of the Security Documents will be subject to the procedures set forth in the Intercreditor Agreement. For a description of certain terms of the Intercreditor Agreement, see "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

The ability of Holders of the Notes to realize upon the Collateral will be subject to various bankruptcy law limitations in the event of the Issuer's, a Guarantor's, a Funding Loan Borrower's or the relevant Collateral grantor's or provider's bankruptcy. See "*Risks Related to the Notes—The security interests in the Notes Collateral may be limited by local law or subject to certain limitations or defenses that may adversely affect their validity and enforceability.*"

In addition, the enforcement of the Collateral will be limited to the maximum amount required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. As a result of these limitations, the enforceable amounts of the Issuer's obligation under the Notes and a Guarantor's obligation under its Guarantee could be significantly less than the total amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee of the Notes. See "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests and Certain Insolvency Law Considerations.*"

The Security Documents have been, or will be, entered into by the relevant security provider and the Security Agent to the extent permitted by applicable laws. In certain jurisdictions, including Italy, due to the laws and other jurisprudence governing the creation and perfection of security interests, the relevant Security Documents may provide for the creation of "parallel debt" obligations in favor of the Security Agent, and certain security interests in such jurisdictions may secure the parallel debt (and not the Indebtedness under the Notes, the Guarantees and the other secured obligations). The parallel debt construct has not been tested under the laws of Italy, Switzerland and the Czech Republic, and in a number of other jurisdictions. See "*Risk Factors—Risks Related to the Notes—The security interests in the Notes Collateral may be limited by local law or subject to certain limitations or defenses that may adversely affect their validity and enforceability.*" Subject to the terms of the Security

Documents, the Issuer, the Guarantors and the other relevant providers or grantors of the Collateral will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes (other than as set forth in the Security Documents), to freely operate the Collateral, to collect, invest and dispose of any income therefrom and, where applicable, dispose of or use up assets that are Collateral.

No appraisals of any of the Collateral have been prepared by or on behalf of the Issuer in connection with the issuance of the Additional Fixed Rate Notes. There can be no assurance that the proceeds from the sale of the Collateral would be sufficient to satisfy the obligations owed to the Holders of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time or at all.

In addition, the Intercreditor Agreement places limitations on the ability of the Security Agent to cause the sale of certain of the Collateral. These limitations may include requirements that some or all of the Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Indenture provides that by accepting an Additional Fixed Rate Note, each Holder will be deemed to have:

- irrevocably appointed the Security Agent to act as its agent under the Intercreditor Agreement and the other relevant documents to which it is a party (including, without limitation, the Security Documents);
- irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other documents to which it is a party (including, without limitation, the Security Documents), together with any other incidental rights, power and discretions; and (ii) execute each document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf; and
- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below) and each Holder will also be deemed to have authorized the Trustee to enter into any such Additional Intercreditor Agreement.

Priority

The relative priority with regard to the Collateral as between (a) the lenders under the Revolving Credit Facility and other future indebtedness (including Operating Facilities (if any)), (b) the counterparties under certain Hedging Agreements and (c) the Trustee and the Holders of the Notes under the Indenture, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide that the obligations under the Notes will receive proceeds of enforcement of security over the Collateral only after the claims of lenders under the Revolving Credit Facility, certain other future indebtedness (including any Operating Facilities) and claims of counterparties under certain Hedging Agreements are satisfied. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See "*—Release of Liens,*" "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Release of Liens

The Security Agent will take any action required to effectuate any release of Collateral required by a Security Document:

(1) upon payment in full of principal, interest and all other obligations in respect of the Notes issued under the Indenture or discharge or defeasance thereof in accordance with the Indenture;

(2) upon release of a Guarantee (with respect to the Liens securing such Guarantee granted by such Guarantor) in accordance with the Indenture;

(3) in connection with any disposition of Collateral, directly or indirectly, to (a) any Person other than the Company or any of its Restricted Subsidiaries (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*") that is permitted by the Indenture (with respect to the Lien on such Collateral) or (b) the Company or any Restricted Subsidiary consistent with the Intercreditor Agreement;

(4) as described under "*—Amendments and Waivers*;"

(5) automatically without any action by the Trustee, if the Lien granted in favor of the Revolving Credit Facility, Public Debt or such other Indebtedness that gave rise to the obligation to grant the Lien over such Collateral is released (other than pursuant to the repayment and discharge thereof); *provided* that such release would otherwise be permitted by another clause above;

(6) as otherwise provided in the Intercreditor Agreement;

(7) in order to effectuate a merger, consolidation, conveyance or transfer conducted in compliance with the covenant described under "*—Certain Covenants—Merger and Consolidation*;" and

(8) in connection with an IPO Pushdown, as specified in the Indenture.

Each of these releases shall be effected by the Security Agent and, to the extent required or necessary, the Trustee, without the consent of the Holders.

The Company, the Issuer and the other Restricted Subsidiaries may also, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to Collateral, including, without limitation: (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property subject to the Lien under the Security Documents which has become worn out, defective or obsolete or not used or useful in the business; (ii) selling, transferring, paying off or using up or otherwise disposing of current assets or intercompany receivables in the ordinary course of business; and (iii) any other action permitted by the Security Documents or the Intercreditor Agreement.

IPO Pushdown

(a) On, in contemplation of, or following an IPO Event, the Company shall be entitled to require (by written notice to the Trustee (a "Pushdown Notice")) that the terms of the Indenture and the Intercreditor Agreement shall operate (with effect from the date specified in the relevant Pushdown Notice (the "Pushdown Date")) on the basis that: (i) references to the Company and Restricted Subsidiaries (and all related provisions) shall apply only to the IPO Entity and its Restricted Subsidiaries from time to time, although the Issuer shall remain the same entity and the pledge of the shares of the Issuer (unless the Issuer is the IPO Entity) and Rhino Bidco S.p.A. shall remain in place; (ii) all financial ratio, basket calculations and financial definitions shall exclude any Holding Company of the IPO Entity and all reporting obligations shall be assumed at the level of the IPO Entity (or the Issuer, if so elected); (iii) each reference in the Indenture and/or the Intercreditor Agreement to the "Company" shall be deemed to be a reference to the IPO Entity (to the extent applicable and unless the context requires otherwise, and provided further that nothing in this paragraph (a), including the deeming construct contemplated by this sub-paragraph (iii) and any action taken by the IPO Entity prior to it being deemed to be the Company, shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the Indenture or a Default or an Event of Default); (iv) none of the representations, warranties, undertakings, covenants or Events of Default in the Indenture, the Intercreditor Agreement or the Security Documents shall apply to any entity of which the IPO Entity is Subsidiary (whether in its capacity as a Guarantor or otherwise); (v) no event, matter or circumstance relating to any Holding Company of the IPO Entity (whether in its capacity as a Guarantor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the Indenture or a Default or an Event of Default; (vi) each Holding Company of the IPO Entity shall be irrevocably and unconditionally released from all obligations under the Indenture, the Intercreditor Agreement and any security granted by any such Holding Company; and (vii) unless otherwise notified by the Company: (A) each person which is party to the Intercreditor Agreement as an "Investor" shall be irrevocably and unconditionally released from the Intercreditor Agreement and all obligations and restrictions under the Intercreditor Agreement (and from the date specified by the Company that person shall cease to be party to the Intercreditor Agreement as an Investor and shall have no further rights or obligations under the Intercreditor Agreement as an Investor); and (B) there shall be no obligation or requirement for any person to become party to the Intercreditor Agreement as an Investor; and (viii) in the event that any person is released from or does not become party to the Intercreditor Agreement as an Investor as a consequence of this paragraph (a), any term of the Indenture and/or the Intercreditor Agreement which requires or assumes that any person be an Investor or that any liabilities or obligations to such person be subject to the Intercreditor Agreement or otherwise subordinated shall cease to apply. An IPO Pushdown Notice may not be delivered if a Default or Event of Default has occurred and is continuing (disregarding any Default or Event of Default that could be deemed to arise in connection with the transactions contemplated by this provision).

(b) The Trustee and the Security Agent shall be required to enter into any amendment to the Indenture or amendment to or replacement of the Intercreditor Agreement or the Security Documents required by the Company and/or take such other action as is required by the Company in order to facilitate or reflect any of the matters contemplated by paragraph (a) above. The Trustee and the Security Agent are each irrevocably authorized and instructed by the Holders of the Notes (without any consent by the Holders of the Notes) to execute any such amended or replacement documents and/or take other such action on behalf of the Holders (and shall do so on the request of and at the cost of the Company).

(c) For the purpose of this covenant, the "IPO Entity" shall be any Restricted Subsidiary of the Company notified to the Trustee by the Company in writing as the person to be treated as the IPO Entity in relation to the relevant IPO Event, provided that: (i) the IPO Entity shall be a Restricted Subsidiary which will issue shares, or whose shares are to be sold, pursuant to that IPO Event (or a Holding Company of such member of the Group); and (ii) the Company may not designate a Subsidiary of the Issuer as the IPO Entity.

(d) If the Company delivers a Pushdown Notice to the Trustee pursuant to paragraph (a) above in relation to a contemplated IPO Event, it shall be entitled to revoke that Pushdown Notice at any time prior to the occurrence of the relevant IPO Event by written notice to the Trustee. In the event that any Pushdown Notice is revoked in accordance with this paragraph (d): (i) the provisions of sub-paragraphs (a)(i) to (a)(vii) above shall cease to apply in relation to that Pushdown Notice; (ii) if any security has been released pursuant to paragraph (a) above in reliance on that Pushdown Notice, if required by the Trustee by prior written notice to the Company and subject to the Agreed Security Principles, the Company or the relevant Restricted Subsidiary shall as soon as reasonably practicable execute a replacement Security Document in respect of that security; and (iii) if any person party to the Intercreditor Agreement as an "Investor" has been released from the Intercreditor Agreement pursuant to sub-paragraph (a)(vii) above in reliance on that Pushdown Notice, if required by the

Trustee by prior written notice to the Company and that person, that person shall as soon as reasonably practicable accede to the Intercreditor Agreement as an Investor.

For the avoidance of doubt: (A) nothing in paragraph (d) above shall prohibit or otherwise restrict the Company from delivering a further Pushdown Notice in relation to any actual or contemplated IPO Event; and (B) revocation of a Pushdown Notice shall not, and shall not be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term in the Indenture or the Intercreditor Agreement or a Default or an Event of Default (whether by reason of any action or step taken by any person, or any matter or circumstance arising or committed, while that Pushdown Notice was effective or otherwise).

Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements

In connection with the Incurrence of any Indebtedness by the Company or any of its Restricted Subsidiaries that is permitted to share the Collateral, the Trustee and the Security Agent shall, at the request of the Company, enter into with the Company, the relevant Restricted Subsidiaries and the holders of such Indebtedness (or their duly authorized representatives) one or more intercreditor agreements or deeds (including a restatement, replacement, amendment or other modification of the Intercreditor Agreement) (an "Additional Intercreditor Agreement"), on substantially the same terms as the Intercreditor Agreement (or terms that are not materially less favorable to the Holders) and substantially similar as applies to sharing of the proceeds of security and enforcement of security, priority and release of security; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or adversely affect the personal rights, duties, liabilities, indemnification or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement. In connection with the foregoing, the Company shall furnish to the Trustee such documentation in relation thereto as it may reasonably require. As used herein, a reference to the Intercreditor Agreement will also include any Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement, the Trustee shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described herein under "*—Certain Covenants—Limitation on Restricted Payments*."

The Indenture provides that, at the written direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such Intercreditor Agreement that may be Incurred by the Company or its Restricted Subsidiaries that is subject to any such Intercreditor Agreement (provided that such Indebtedness is Incurred in compliance with the Indenture), (3) add Guarantors or other Restricted Subsidiaries to the Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for pledges of the Collateral to secure Additional Notes or to implement any Permitted Collateral Liens or (6) make any other change to any such agreement that does not adversely affect the Holders of Notes in any material respect. The Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*" or as permitted by the terms of such Intercreditor Agreement, and the Issuer may only direct the Trustee or Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or any Intercreditor Agreement.

The Indenture provides that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have authorized the Trustee and the Security Agent to enter into the Intercreditor Agreement and any Additional Intercreditor Agreement on each Holder's behalf.

A copy of the Intercreditor Agreement or an Additional Intercreditor Agreement shall be made available to the Holders upon request and will be made available for inspection during normal business hours on any Business Day upon prior written request at the office of the Issuer and, for so long as any Notes are admitted for trading on the Global Exchange Market of the Irish Stock Exchange, at the offices of the Paying Agent in The City of London.

Optional Redemption

Except as set forth herein and under "*—Redemption for Taxation Reasons*", the Fixed Rate Notes are not redeemable at the option of the Issuer. At any time prior to November 1, 2016, the Issuer may redeem the Fixed Rate Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days prior notice at a redemption price equal to 100% of the principal amount of the Fixed Rate Notes to be redeemed plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the redemption date.

At any time and from time to time on or after November 1, 2016, the Issuer may redeem the Fixed Rate Notes in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date:

Twelve month period commencing November 1 in	Percentage
2016	103.625%
2017	101.813%
2018 and thereafter	100.000%

At any time and from time to time prior to November 1, 2016, the Issuer may redeem Fixed Rate Notes with the net cash proceeds received by the Issuer from any Equity Offering at a redemption price equal to 107.25% plus accrued and unpaid interest to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the Fixed Rate Notes (including additional Fixed Rate Notes), *provided* that:

(1) in each case the redemption takes place not later than 180 days after the closing of the related Equity Offering; and

(2) not less than 60% of the original principal amount of the Fixed Rate Notes being redeemed (including the principal amount of any additional Fixed Rate Notes) remain outstanding immediately thereafter.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof.

General

Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering).

If the Issuer effects an optional redemption of the Fixed Rate Notes, it will, for so long as the Fixed Rate Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market thereof and the rules of the Irish Stock Exchange so require, inform the Irish Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Fixed Rate Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Fixed Rate Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Fixed Rate Notes will be subject to redemption by the Issuer.

Sinking Fund

The Issuer will not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Registrar will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Registrar, as applicable, by the Issuer, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream or Euroclear or Clearstream prescribe no method of selection, on a *pro rata* basis or by use of a pool factor; *provided*, *however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. The Registrar will not be liable for any selections made by it in accordance with this paragraph.

So long as any Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market thereof and the rules of the Irish Stock Exchange so require, any such notice to the Holders of the relevant Notes shall to the extent and in the manner permitted by such rules be posted on the official website of the Irish Stock Exchange (*www.ise.ie*) and in addition to such release, not less than 10 days nor more than 60 days prior to the redemption date, the Issuer will mail, or at the expense of the Issuer, cause to be mailed, such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may also be posted on the official website of the Irish Stock Exchange (*www.ise.ie*), to the extent and in the manner permitted by the rules of the Irish Stock Exchange.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Redemption for Taxation Reasons

The Issuer or Successor Issuer, as defined below, may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "Tax Redemption Date") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (see "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer, Successor Issuer or Guarantor determine in good faith that, as a result of:

(1) any change in, or amendment to, the law (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any change in, or amendment to, or the introduction of, an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction

(each of the foregoing in clauses (1) and (2), a "Change in Tax Law"),

the Issuer, Successor Issuer or Guarantor are, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer, Successor Issuer or Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable but not including assignment of the obligation to make payment with respect to the Notes). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of the Original Notes Offering Memorandum, such Change in Tax Law must become effective on or after the date of the Original Notes Offering Memorandum. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of the Original Notes Offering Memorandum, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction, unless the Change in Tax Law would have applied to the predecessor of the Successor Issuer. Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor (see "*—Withholding Taxes*") would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or Successor Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer, Successor Issuer or Guarantor has or have been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is incorporated or organized or any political subdivision or taxing authority or agency thereof or therein.

Withholding Taxes

All payments made by the Issuer, a Successor Issuer or Guarantor (a "Payor") or by any other entity to which withholding/deduction obligation applies according to Italian Law ("Tax Agent") on the Notes or the Guarantees, as defined below, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) Italy or any political subdivision or Governmental Authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Note or Guarantee is made by the Issuer, Successor Issuer, Guarantor or their agents, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which the Payor or a Tax Agent is incorporated or organized, resident for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax

(each of clause (1), (2) and (3), a "Relevant Taxing Jurisdiction"),

will at any time be required from any payments made by a Payor or a Tax Agent with respect to any Note or Guarantee, including payments of principal, redemption price, premium, if any, or interest, the Payor or a Tax Agent will pay (together with such payments) such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments by the Holders or the Trustee, as the case may be, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will equal the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being

physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment in respect thereof;

(2) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor or Tax Agent addressed to the Holder, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes;

(4) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(5) any Taxes that are required to be deducted or withheld on a payment to an individual and that are required to be made pursuant to Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directives;

(6) any Taxes imposed in connection with a Note presented for payment (where presentation is permitted or required for payment) by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another paying agent;

(7) any Taxes that are imposed or withheld to the Holder or the Beneficial Owner which is a Black Listed Entity;

(8) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* (pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended or supplemented from time to time ("Legislative Decree No. 239")) and any related implementing regulations, and pursuant to Italian Legislative Decree No. 461 of 21 November 1997; *provided* that:

    (i) Additional Amounts shall be payable in circumstances where the procedures required under Legislative Decree No. 239 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due to the actions or omissions of the Payor or its agents; and

    (ii) for the avoidance of doubt, (A) no Additional Amounts shall be payable with respect to any Taxes to the extent that such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which are subject to *imposta sostitutiva* by reason of not being resident in a country which allows for a satisfactory exchange of information with Italy and that, until the entry into force of Italian Ministerial Decree to be issued pursuant to Art. 168-bis of Presidential Decree of 22 December 1986, N. 917, are not included in the list of countries provided by Ministerial Decree dated September 4, 1996, as subsequently amended and supplemented (the "white list") and (B) no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of the approval of the ministerial Decree to be issued under Art. 168-*bis* D.P.R. No. 917 of 22 December 1986 which may amend the list of the countries which allow for a satisfactory exchange of information with Italy, whereby such holder's country of residence does not appear on the white list;

(9) any deduction for Swiss withholding tax if such deduction is required in respect of a payment to be made by a Guarantor organized under the laws of Switzerland (a "Swiss Guarantor") under its Guarantee, the Notes or the Indenture because such payment qualifies as a deemed dividend distribution and the payment by the Swiss Guarantor of the Additional Amount would be unlawful; or

(10) any combination of the above.

Such Additional Amounts will also not be payable (x) if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is permitted or required for payment) within 15 days after the relevant payment was first made available for payment to the Holder or (y) where, had the beneficial owner of the Note been the Holder, such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (10) inclusive above.

In addition, no Additional Amounts shall be paid with respect to any payment to any Holder who is a fiduciary or a partnership or other than the sole beneficial owner of such Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

The Payor or Tax Agent will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor with the assistance of the Tax Agent (if any) will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Issuer and will provide such certified copies to the Trustee.

Such copies shall be made available to the Holders upon request and will be made available at the offices of the Principal Paying Agent if the Notes are then admitted for trading on the Global Exchange Market.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Guarantee, at least 30 days prior to the date of such payment, the Payor (directly or through the Tax Agent) will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant withholding tax or deduction payment date, in which case the Payor (directly or through the Tax Agent) may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in either the Indenture, the Guarantees or this "*Description of the Senior Secured Notes*" there are mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor (directly or through the Tax Agent) will pay any present or future stamp, court or documentary taxes, or any other property or similar taxes, charges or levies that arise in any jurisdiction from the execution, delivery, registration or enforcement of any Notes, the Indenture, the Security Documents or any other document or instrument in relation thereto (other than a transfer of the Notes) excluding any such taxes, charges or levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction, and the Payor agrees to indemnify the Holders for any such taxes paid by such Holders. The foregoing obligations of this paragraph will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is organized or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms hereof, each Holder will have the right to require the Issuer to repurchase all (equal to €100,000 aggregate principal amount and integral multiples of €1,000 in excess thereof) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obliged to repurchase Notes as described under this "*—Change of Control*" section in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived.

The definition of "Change of Control" provides that a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "Change of Control Offer") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "Change of Control Payment");

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Change of Control Payment Date");

(3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(4) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(5) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Principal Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the relevant Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate (or cause to be authenticated) and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Note equal in aggregate principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in an aggregate principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

If and for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market thereof and the rules of the Irish Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date in a leading newspaper of general circulation in Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Irish Stock Exchange (*www.ise.ie*).

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Company or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations, or require a repurchase of the Notes, under the Change of Control provisions of the Indenture by virtue of the conflict.

Under the Revolving Credit Facility, the occurrence of a "change of control" under and as defined therein would permit each lender thereunder to require the repayment of such lender's commitments. Future debt of the Company or its Subsidiaries may prohibit the Issuer from purchasing Notes in the event of a Change of Control or provide that a Change of Control is a default or requires repurchase upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer.

Finally, the Issuer's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "*Risk Factors—Risks Related to our Structure—We may not be able to obtain the funds required to repurchase the Notes upon a "change of control"*."

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Company and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is limited case law interpreting the phrase "substantially all", there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding aggregate principal amount of the Notes under the Indenture.

Certain Covenants

Limitation on Indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Company and any of the Restricted Subsidiaries may Incur Indebtedness if on the date of such Incurrence and after giving pro forma effect thereto (including pro forma application of the proceeds thereof), (i) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries is not less than 2.0 to 1.0 and (ii) if the Indebtedness to be Incurred is Senior Secured Indebtedness, the Consolidated Secured Leverage Ratio for the Company does not exceed 5.0 to 1.0, if the date of Incurrence is on or prior to May 1, 2015, or 4.75 to 1.0 thereafter.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred pursuant to any Credit Facility and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness, not exceeding (i) the greater of €75 million and 100% of Consolidated EBITDA, plus (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary; or

(b) without limiting the covenant described under "*—Limitation on Liens,*" Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided, however*, that:

(a) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary of the Company; and

(b) any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary of the Company,

shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be;

(4) Indebtedness represented by (a) the Notes (other than any Additional Notes), (b) any Indebtedness (other than Indebtedness described in clauses (1) and (3) of this paragraph) outstanding on the Completion Date, including the loans of the proceeds of and the guarantees of and security granted with respect to the Notes, (c) any Indebtedness of the Rhiag Group outstanding on the Completion Date and (d) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (e) Management Advances;

(5) Indebtedness of any Person (i) Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary of the Company or another Restricted Subsidiary of the Company or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary or (ii) Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary; *provided, however*, with respect to each of clause (5)(i) and (5)(ii), that at the time of such acquisition or other transaction (x) the Company would have been able to Incur €1.00 of additional Indebtedness pursuant to clause (i) of the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for *bona fide* hedging purposes of the Company or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or Senior Management of the Company);

(7) Indebtedness represented by Capitalized Lease Obligations or Purchase Money Obligations, and in each case any Refinancing Indebtedness in respect thereof, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of (A) €10 million and (B) 1.5% of Total Assets;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement; *provided, however*, that upon the drawing of such letters of credit or similar instruments, the obligations are

reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within five Business Days of Incurrence;

(b) Customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries; and

(d) Indebtedness incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business on arm's length commercial terms on a recourse basis;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the aggregate principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of €30 million and 4.5% of Total Assets;

(12) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or its Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Company, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" to the extent the Company and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "—Limitation on Restricted Payments" in reliance thereon;

(13) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing;

(14) Indebtedness under daylight borrowing facilities incurred in connection with the Transactions or any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred; and

(15) Indebtedness consisting of local lines of credit or working capital or other operating facilities ("Operating Facilities") not exceeding €15 million outstanding at one time.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding on the Completion Date under the Revolving Credit Facility shall be deemed initially Incurred on the Completion Date under clause (1) of the second paragraph of the description of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant, and any Indebtedness Incurred under clause (1) of the second paragraph of this covenant may not be reclassified pursuant to clause (1) of this paragraph;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11) or (12) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(7) the amount of Indebtedness shall be determined as specified in the definition of "Indebtedness"; and

(8) for the purposes of determining "Consolidated EBITDA" under clause (1)(i) of the second paragraph of this covenant, (i) pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Leverage Ratio for the Company and its Restricted Subsidiaries and (ii) Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date upon which Indebtedness is incurred (in the case of term facilities).

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, including a change of IFRS to U.S. GAAP, will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness*." The amount of any Indebtedness outstanding as of any date shall be calculated as specified under the definition of "Indebtedness."

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Company as of such date.

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the euro Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Company, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro- denominated restriction shall be deemed not to have been exceeded so long as the aggregate principal amount of such Refinancing Indebtedness does not exceed the aggregate principal amount of such Indebtedness being refinanced; (b) the euro Equivalent of the aggregate principal amount of any such Indebtedness outstanding on the Completion Date shall be calculated based on the relevant currency exchange rate in effect on the Completion Date; and (c) if and for so long as any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in euro, will be the amount of the principal payment required to be made under such Currency Agreement and, otherwise, the euro Equivalent of such amount plus the euro Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any distribution on or in respect of the Company's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:

    (a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company or in Subordinated Shareholder Funding;

(b) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Company or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value); and

(c) dividends or distributions payable to any Parent in respect of Indebtedness of such Parent which is guaranteed by the Company or any Restricted Subsidiary;

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any direct or indirect Parent of the Company held by Persons other than the Company or a Restricted Subsidiary of the Company (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*");

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "Restricted Payment"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Company is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph under the "—*Limitation on Indebtedness*" covenant after giving effect, on a pro forma basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (6), (10), (11), (12) and (17) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Issue Date (other than (w) the Equity Contribution, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (z) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange);

(iv) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries resulting from:

(A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Company or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Company or any Restricted Subsidiary; or

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c); *provided, however,* that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (iv); and

(v) the amount of the cash and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or of marketable securities received by the Company or any of its Restricted Subsidiaries in connection with:

(A) the sale or other disposition (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Company; and

(B) any dividend or distribution made by an Unrestricted Subsidiary or Affiliate to the Company or a Restricted Subsidiary;

provided , *however,* that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (v); *provided further, however,* that such amount shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c). Upon a Specified Change of Control Event, all amounts calculated pursuant to this clause (c) shall be reset to zero and all references to Issue Date in this clause (c) shall thereafter refer to the date of such Specified Change of Control Event.

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by the Board of Directors of the Company.

The foregoing provisions will not prohibit any of the following (collectively, "Permitted Payments"):

(1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Designated Preference Shares, Subordinated Shareholder Funding or Subordinated Indebtedness made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company; *provided, however,* that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*" below, but only if the Company shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Company shall have first complied with the terms described under "*—Change of Control*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €5 million plus (2) €2 million multiplied by the number of calendar years that have commenced since the Issue Date plus (3) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent, but not including the Equity Contribution) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*" above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments (i) of fees and expenses Incurred in connection with the Transactions or disclosed in the Original Notes Offering Memorandum or consisting of Auto Kelly Deferred Payments or (ii) to the extent specified in clauses (2), (3), (5), (7), (11) and (12) of the second paragraph under "*—Limitation on Affiliate Transactions*;"

(10) so long as no Default or Event of Default has occurred and is continuing (or would result from), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Company or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company or loaned as Subordinated Shareholder Funding to the Company and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.0 to 1.00 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.25 to 1.00;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed €20 million or, if greater, 3.0% of Total Assets;

(12) payments by the Company, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Company or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors of the Company);

(13) Investments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this clause (13); (14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent issued after the Issue Date; *provided*, *however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by Parent or an Affiliate, the issuance of Designated Preference Shares) of the Company or loaned as Subordinated Shareholder Funding to the Company, from the issuance or sale of such Designated Preference Shares;

(15) dividends or other distributions of Capital Stock of Unrestricted Subsidiaries;

(16) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing; and

(17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment; *provided* that the Consolidated Net Leverage Ratio on a pro forma basis after giving effect to any such dividend, distribution, loan or other payment does not exceed 3.0 to 1.0.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Company acting in good faith.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien (other than Permitted Liens) upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Company), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "Initial Lien"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Guarantee in the case of Liens of a Guarantor) are secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, or junior to, in the case of Liens securing Indebtedness consisting of Hedging Obligations or Indebtedness Incurred pursuant to clause (1) or clause (15) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*," the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens*."

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer;

(B) make any loans or advances to the Issuer; or

(C) sell, lease or transfer any of its property or assets to the Issuer,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Senior Finance Documents) or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date or the Completion Date, including the Indenture governing the Notes;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an

acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "Initial Agreement") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Company);

(4) any encumbrance or restriction:

 (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

 (b) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or

 (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Revolving Credit Facility and the Intercreditor Agreement, together with the security documents associated therewith as in effect on the Completion Date or (ii) in comparable financings (as determined in good faith by the Company) or where the Company determines when such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Company's ability to make principal or interest payments on the Notes;

(12) any encumbrance or restriction existing by reason of any lien permitted under "*—Limitation on Liens*"; or

(13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors of the Company, are necessary or advisable to effect such Qualified Receivables Financing.

Limitation on Sales of Assets and Subsidiary Stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as

determined in good faith by the Board of Directors of the Company, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) together with all other Asset Dispositions since the Issue Date (on a cumulative basis) received by the Company or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition may be applied by the Company or such Restricted Subsidiary, at its option:

(a) to the extent the Company or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness of a Restricted Subsidiary), (i) to prepay, repay or purchase any Indebtedness of a non- Guarantor Restricted Subsidiary (other than the Issuer) (in each case, other than Indebtedness owed to the Company or any Restricted Subsidiary) or Indebtedness under the Revolving Credit Facility (or any Refinancing Indebtedness in respect thereof) within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) (except in the case of any revolving Indebtedness) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; or (ii) to prepay, repay or purchase Pari Passu Indebtedness at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment or purchase; *provided* that the Company or Restricted Subsidiary shall redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (ii) only if the Company makes (at such time or subsequently in compliance with this covenant) an offer to the Holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness; or

(b) to the extent the Company or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided*, *however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Company that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day,

provided that, pending the final application of any such Net Available Cash in accordance with clause (a) or clause (b) above, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute “Excess Proceeds” under the Indenture. On the 366th day after an Asset Disposition, or at such earlier date that the Company elects, if the aggregate amount of Excess Proceeds under the Indenture exceeds €20 million, the Company will be required to make an offer (“Asset Disposition Offer”) to all Holders of Notes issued under the Indenture and, to the extent the Company elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum aggregate principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing such Pari Passu Indebtedness, as applicable, and in the case of the Notes in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their euro Equivalent determined as of a date selected by the Company that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Company upon converting such portion into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "Asset Disposition Offer Period"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "Asset Disposition Purchase Date"), the Company will purchase the aggregate principal amount of Notes and, to the extent they elect, Pari Passu Indebtedness required to be purchased pursuant to this covenant (the "Asset Disposition Offer Amount") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Company will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and such Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in the case of the Notes in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Company will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this covenant. The Company or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Company for purchase, and the Company will promptly issue a new Note (or amend the Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Company, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in an aggregate principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in an aggregate principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Company to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness of the Company or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Company or a Guarantor) and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Company or any Restricted Subsidiary of the Company from the transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Company and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Company (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Company or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of €10 million and 1.5% of Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this covenant, the Company will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (an "Affiliate Transaction") involving aggregate value in excess of €2 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €15 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Company.

Any Affiliate Transaction shall also be deemed to have satisfied the requirements set forth in clause (2) of this paragraph if such Affiliate Transaction is approved by a majority of the Disinterested Directors. If there are no Disinterested Directors, any Affiliate Transaction shall also be deemed to have satisfied the requirements set forth in this covenant if the Company or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Company or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person on an arm's length basis.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "—Limitation on Restricted Payments," any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (l)(b), (2) and (11) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, any Restricted Subsidiary of the Company or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the Transactions and the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or the Senior Management of the Company or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture;

(11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual customary management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €1 million per year and (b) customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of the Company in good faith;

(12) payment to any Permitted Holder of all reasonable out-of- pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Company and its Subsidiaries; and

(13) any transaction effected as part of a Qualified Receivables Financing.

Reports

For so long as any Notes are outstanding, the Company will provide to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Company or its predecessor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company or its predecessor for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited pro forma income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a summary description of material risk factors and material recent developments;

(2) within 60 days (or, in the case of the first such report, 90 days) following the end of the first three fiscal quarters in each fiscal year of the Company beginning with the quarter ending September 30, 2013, all quarterly reports of the Company containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year period, together with condensed footnote disclosure; (b) unaudited pro forma income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA or Adjusted EBITDA and material changes in liquidity and capital resources of the Company, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive officer changes at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statement and pro forma financial information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, (x) in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods and (y) to the extent comparable prior period financial information of the Company does not exist, the comparable prior period financial information of Rhiag may be provided in lieu thereof. At the Company's election, any such report may also include financial statements of Rhiag in lieu of those for the Company; provided that if the financial statements of Rhiag are included in such report, a reasonably detailed description of material differences between the financial statements of the Company, on one hand, and Rhiag, on the other, shall be included for any period after the Issue Date. Following an Initial Public Offering of the Capital Stock of the Company or any parent thereof and/or the listing of such Capital Stock on the Milan Stock Exchange or another recognized European stock exchange, the requirements of clauses (1), (2) and (3) above shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange. Except as provided for above, no report need include separate financial statements for any Subsidiaries of the Company.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Company and its Subsidiaries, which reconciliation shall include the following items: revenues, EBITDA or Adjusted EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Trustee of the reports specified in clauses (1), (2) and (3) of the first paragraph of this covenant, the Company shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Company and its Subsidiaries or (ii) otherwise to provide substantially comparable availability of such reports (as determined by the Company in good faith) or (b) to the extent the Company determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon request, prospective purchasers of the Notes. The Company will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, at the offices of the Paying Agent in Luxembourg or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Irish Stock Exchange (*www.ise.ie*).

In addition, so long as the Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "Successor Issuer") will be a Person organized and existing under the laws of any member state of the European Union or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement);

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(3) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (in each case, in form and substance reasonably satisfactory to the Trustee), provided that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (1) and (2) above.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under such Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) and the provisions described below under "*—The Company*" and "*—Subsidiary Guarantors*" (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary of the Company may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer, (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (c) the Company and its Restricted Subsidiaries may undertake the Transactions. Notwithstanding the preceding clauses (2) and (3) (which does not apply to the transactions referred to in this sentence), the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction, or changing the legal form of the Issuer.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) will not apply to the creation of a new subsidiary of the Issuer that becomes a parent of one or more of the Issuer's Subsidiaries.

The Issuer shall remain a Wholly-Owned Subsidiary of the Company, except to the extent that the Issuer becomes an IPO Entity in compliance with the provisions described under "IPO Pushdown." Rhiag shall remain a Wholly-Owned Subsidiary of the Issuer.

The Company

The Company will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "Successor Company") will be a Person organized and existing under the laws of any member state of the European Union or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Company) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company under the Parent Guarantee and (b) all obligations of the Company under the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement);

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to clause (i) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect to such transaction; and

(4) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee), provided that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (2) and (3) above.

Any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness*."

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under such Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) and the provisions described above under "*—The Issuer*" and below under "*—Subsidiary Guarantors*" (which do not apply to transactions referred to in this sentence) and, other than with respect to the second preceding paragraph, clause (4) of the first paragraph of this covenant, (a) any Restricted Subsidiary of the Company may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Company, (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (c) the Company and its Restricted Subsidiaries may undertake the Transactions. Notwithstanding the preceding clauses (2), (3) and (4) (which does not apply to the transactions referred to in this sentence), the Company may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Company, reincorporating the Company in another jurisdiction, or changing the legal form of the Company.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) will not apply to the creation of a new subsidiary as a Restricted Subsidiary of the Company.

Subsidiary Guarantors

No Subsidiary Guarantor may:

(1) consolidate with or merge with or into any Person;

(2) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into such Guarantor,

unless

(A) the other Person is the Company or any Restricted Subsidiary that is Guarantor or becomes a Guarantor concurrently with the transaction); or

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Guarantee and the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement); and

(2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture.

Notwithstanding the preceding clause (3)B(2) and the provisions described above under "*—The Issuer*" and "*—The Company*", (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Subsidiary Guarantor, (b) any Subsidiary Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Subsidiary Guarantor and (c) the Subsidiary Guarantors may undertake the Transactions. Notwithstanding the preceding clause (3)B(2) (which does not apply to the transactions referred to in this sentence), a Subsidiary Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Subsidiary Guarantor reincorporating the Subsidiary Guarantor in another jurisdiction, or changing the legal form of the Subsidiary Guarantor.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until the Reversion Date, the provisions of the Indenture summarized under the following captions will not apply to such Notes: "*—Limitation on Restricted Payments,*" "*—Limitation on Indebtedness,*" "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries,*" "*—Limitation on Affiliate Transactions,*" "*—Limitation on Sales of Assets and Subsidiary Stock,*" "*—Additional Guarantees,*" "*—Lines of Business,*" and the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Company*", and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and the "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of such Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Company's option, as having been Incurred pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under the first two paragraphs of the covenant described under "*—Limitation on Indebtedness,*" such Indebtedness will be deemed to have been outstanding on the Completion Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness.*"

Additional Guarantees

The Company will not cause or permit any of its Restricted Subsidiaries (other than the Issuer) that are not Guarantors, directly or indirectly, to Guarantee any Indebtedness under the Revolving Credit Facility (or other Indebtedness that is Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*") or Public Debt and any refinancing thereof in whole or in part unless such Restricted Subsidiary becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the

Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Indebtedness.

A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee.

Concurrently with the provision of any additional Guarantees as described above, subject to the Intercreditor Agreement and any Additional Intercreditor Agreement (if such security is being granted in respect of the other Indebtedness), and subject to the Agreed Security Principles, any such Guarantor will provide security over certain of its material assets (excluding any assets of such Guarantor which are subject to a Permitted Lien at the time of the execution of such supplemental indenture if providing such security interest would not be permitted by the terms of such Permitted Lien or by the terms of any obligations secured by such Permitted Lien) to secure its Guarantee on a first priority basis consistent with the Collateral. See "*Security.*"

Each additional Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Company shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes to the extent and for so long as the Incurrence of such Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to the Company or a Restricted Subsidiary; or (4) an inconsistency with the Intercreditor Agreement or the Agreed Security Principles.

Impairment of Security Interest

The Company shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, any Lien over any of the Collateral that is prohibited by the covenant entitled "*Limitation on Liens*;" provided, that the Company and its Restricted Subsidiaries may Incur any Lien over any of the Collateral that is not prohibited by the covenant entitled *"Limitation on Liens,"* including Permitted Collateral Liens and the Collateral may be discharged, transferred or released in any circumstances not prohibited by the Indenture, the Intercreditor Agreement or the applicable Security Documents.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Lien in accordance with the Indenture and the Intercreditor Agreement. Subject to the foregoing, the 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) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; or (iv) make any other change thereto that does not adversely affect the Holders in any material respect; *provided, however*, that (except where permitted by the Indenture or the Intercreditor Agreement or to effect or facilitate the creation of Permitted Collateral Liens Incurred in accordance with the Indenture), no Security Document may be amended, extended, renewed, restated, or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement, or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Company delivers to the Security Agent and the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Trustee, from an independent financial advisor or appraiser or investment bank of international standing which confirms the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the person granting Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or replacement, or (3) an Opinion of Counsel (subject to any qualifications customary for this type of Opinion of Counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, 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 Document, so amended, extended, renewed, restated, modified or released and replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, modification or replacement and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject.

In the event that the Company and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such actions without the need for instructions from the Holders.

Lines of Business

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Similar Business, except to such extent as would not be material to the Company and its Restricted Subsidiaries, taken as a whole.

Events of Default

Each of the following is an Event of Default under the Indenture:

(1) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure to comply for 30 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in aggregate principal amount of the outstanding Notes with any of the Company's or the Issuer's obligations under the covenants described under "*—Change of Control*" above or under the covenants described under "*—Certain Covenants*" above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above);

(4) failure by the Company or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in aggregate principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) other than Indebtedness owed to the Company or a Restricted Subsidiary whether such Indebtedness or guarantee now exists, or is created after the date hereof, which default:

    (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("payment default"); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the "cross acceleration provision");

    and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €20 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Company, the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "bankruptcy provisions");

(7) failure by the Company, the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €20 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "judgment default provision");

(8) any security interest under the Security Documents on any material Collateral shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable or the Company or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "security default provisions"); and

(9) any Guarantee of the Company or a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Guarantee and any such Default continues for 10 days (the "guarantee provisions").

However, a default under clauses (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 30% in aggregate principal amount of the outstanding Notes notify the Company of the default and, with respect to clauses (3), (4), (5) and (7), the Company does not cure such default within the time specified in clauses (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Trustee by notice to the Company or the Holders of at least 30% in aggregate principal amount of the outstanding Notes by written notice to the Company and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) under “Events of Default” has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

The Holders of a majority in aggregate principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium or interest, or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security reasonably satisfactory to the Trustee against any loss, claim, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 30% in aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such Holders have offered in writing the Trustee security and/or indemnity satisfactory to the Trustee against any loss, claim, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security and/or indemnity; and

(5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture provides that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification reasonably satisfactory to it against all losses, claims, liabilities and expenses caused by taking or not taking such action.

The Indenture provides that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Company, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Company. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer’s Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Company is taking or proposes to take in respect thereof.

The Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

Amendments and Waivers

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes); *provided* that, if any amendment, waiver or other modification will only affect one series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required.

However, without the consent of Holders holding not less than 75% of the then outstanding aggregate principal amount of Notes affected, an amendment or waiver may not, with respect to any such series of the Notes held by a non-consenting Holder:

(1) reduce the principal amount of such Notes whose Holders must consent to an amendment;

(2) reduce the stated rate of or extend the stated time for payment of interest on any such Note;

(3) reduce the principal of or extend the Stated Maturity of any such Note;

(4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under "*—Optional Redemption*";

(5) make any such Note payable in money other than that stated in such Note;

(6) impair the right of any Holder to receive payment of principal of and interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release (i) the security interest granted for the benefit of the Holders in the Collateral or (ii) any Guarantee, in each case, other than pursuant to the terms of the Security Document or the Indenture, as applicable, except as permitted by the Intercreditor Agreement;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or

(10) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Company, the Trustee and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency, conform any provision to this "*Description of the Senior Secured Notes*," or reduce the minimum denomination of the Notes;

(2) provide for the assumption by a successor Person of the obligations of the Company, the Issuer or any Guarantor under any Note Document;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes (provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code);

(4) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Company or any Restricted Subsidiary;

(5) make any change that does not adversely affect the rights of any Holder in any material respect;

(6) at the Company's election, comply with any requirement of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act, if such qualification is required;

(7) make such provisions as necessary (as determined in good faith by the Company) for the issuance of Additional Notes;

(8) to provide for any Restricted Subsidiary to provide a Guarantee in accordance with the Covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Additional Guarantees*," to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the Indenture, the Intercreditor Agreement or the Security Documents;

(9) to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document; or

(10) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of parties to the Revolving Credit Facility, in any property which is required by the Revolving Credit Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with.

In formulating its decisions on such matters, the Trustee shall be entitled to rely on such evidence as it deems appropriate, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Meeting of Holders of Notes

Without prejudice to the provisions described above under the caption "*—Amendments and Waivers,*" in accordance with the provisions set forth under the Italian Civil Code, the Indenture includes provisions for the convening of meetings of the holders of the Notes to consider any matter affecting their interests, including, without limitation, the modification or abrogation by resolution of any provisions of the Notes or the Indenture. For the purposes of this *"—Meeting of Holders of Notes*", the series of the Fixed Rate Notes and the series of the Floating Rate Notes shall be deemed to be separate issuances and have different interests, and thus each of such series shall have their own separate meetings of holders, quorum requirements and resolutions. A meeting may be convened by the Board of Directors of the Issuer and/or the Noteholders' Representative (as defined below) and shall be convened upon request by holders of at least 5.0% of the aggregate principal amount of the outstanding series of the relevant Notes.

In accordance with the Italian Civil Code, the vote required to pass a resolution by a meeting of the holders of a series of Notes will be (i) in the case of the first meeting, one or more persons that hold or represent holders of more than one half of the aggregate principal amount of the relevant outstanding Notes, and (ii) in the case of the second and any further adjourned meeting, one or more persons that hold or represent holders of at least two-thirds of the aggregate principal amount of the relevant outstanding Notes so present or represented at such meeting that will be validly held if there are one or more persons present that hold or represent holders of more than one-third of the aggregate principal amount of the relevant outstanding Notes; *provided, however*, that (a) the Issuer's by- laws may provide for a higher quorum (to the extent permitted under Italian law) and (b) certain proposals, as set out under Article 2415 paragraph 1, item 2, and paragraph 3 of the Italian Civil Code (namely, the amendment of the economic terms and conditions of the relevant Notes) may only be sanctioned by a resolution passed at a meeting of holders of the relevant Notes (including any adjourned meeting) by one or more persons present that hold or represent holders of not less than one-half of the aggregate principal amount of the outstanding relevant Notes.

With respect to the matters set forth in the second paragraph under "*—Amendments and Waivers*", and to the extent permitted under Italian law, the Indenture contractually increases the percentage of the aggregate principal amount of each series of Notes otherwise required by Article 2415 of the Italian Civil Code to pass a resolution with respect to such matters from 50% to 75% of the aggregate principal amount of outstanding Notes. See "*Risk Factors—Risks Related to the Notes—The Issuer may amend the economic terms and conditions of the Fixed Rate Notes without the prior consent of the relevant noteholders with the vote of either 75% or 50% of the aggregate principal amount of the relevant series of outstanding Notes.*" Any resolution duly passed at any such meeting shall be binding on all the holders of the relevant series of Notes, whether or not such holder was present at such meeting or voted to approve such resolution.

Noteholders' Representative

A representative of the holders of each series of the Notes (*rappresentante comune*) (the "Noteholders' Representative") may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the holders of the Notes in order to represent the interests of the holders of the relevant Notes pursuant to Article 2418 of the Italian Civil Code as well as to give effect to resolutions passed at a meeting of the holders of the relevant Notes. Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the holders of each series of the Notes of the initial appointment as of the Issue Date of the Trustee as the Noteholders' Representative. If the Noteholders' Representative is not appointed by a meeting of the holders of the relevant Notes, the Noteholders' Representative shall be appointed by a decree of the Court where the Issuer has its registered office upon request by one or more holders of the relevant Notes and/or upon request by the Board of Directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter.

Acts by Holders

In determining whether the Holders of the required aggregate principal amount of the Notes have concurred in any direction, waiver or consent, any Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all its and each Guarantor's obligations under the Notes and the Indenture ("legal defeasance") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registrations of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and each Guarantor's obligations under the covenants described under "*—Certain Covenants*" (other than with respect to clauses (1) and (2) of each of the covenants described under "*—Certain Covenants—Merger and Consolidation—The Issuer*," "*—Certain Covenants—Merger and Consolidation—The Company*" and "*—Certain Covenants—Merger and Consolidation—Subsidiary Guarantors*") and "*—Change of Control*" and the default provisions relating to such covenants described under "*—Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Company, the Issuer and its Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" above ("covenant defeasance").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of each of the covenants described under "*—Certain Covenants—Merger and Consolidation—The Issuer*," "*—Certain Covenants—Merger and Consolidation—The Company*" and clauses (A), (B) and (C) of the covenant described under "*—Certain Covenants—Merger and Consolidation—Subsidiary Guarantors*"), (4), (5), (6) (with respect only to the Company, the Issuer and Significant Subsidiaries), (7), (8) or (9) under "*—Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "defeasance trust") with the Trustee (or such entity designated or appointed as agent by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law since the issuance of the Notes);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent or Registrar for cancellation; or (b) all Notes not previously delivered to the Paying Agent or Registrar for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or such entity designated by the Trustee for this purpose), euros or euro-denominated European Government Obligations or a combination thereof, as applicable in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions under the Indenture to apply the deposited money towards payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*—Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Company or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Company, the Issuer, or any Subsidiary thereof under the Note Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

The Law Debenture Trustee Corporation p.l.c. has been appointed as the Trustee under the Indenture. The Indenture provides that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in such Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture are not construed as an obligation or duty.

The Indenture imposes certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Company and its Affiliates and Subsidiaries.

The Indenture sets out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, (b) fails to meet certain minimum limits regarding the aggregate of its capital and surplus or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture contains provisions for the indemnification of the Trustee for any loss, claim, liability, taxes and expenses incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

All notices to Holders of Notes will be validly given if mailed to them at their respective addresses in the register of the Holders of the Notes, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange shall so require, notices with respect to the Notes will be published in a newspaper having general circulation in Ireland (which is expected to be *The Irish Times*) 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, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered to Euroclear and Clearstream, each of which will give such notices to the holders of Book-Entry Interests. Such notices may also be published on the official website of the Irish Stock Exchange (*www.ise.ie*), to the extent and in the manner permitted by the rules of the Irish Stock Exchange.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed five years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed three years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Company and the Guarantors under or in connection with the Notes and the Guarantees, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Enforceability of Judgments

Since substantially all the assets of the Company and its Subsidiaries are located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Guarantees, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes and the Guarantees, the Issuer and each Guarantor have, in the Indenture, irrevocably submitted to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Additional Fixed Rate Notes will be governed by and construed in accordance with the laws of the State of New York. The Indenture, including the Guarantees of the Notes, and the rights and duties of the parties thereunder are governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder are governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Company or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Acquisition*" means the acquisition of the Rhiag Group by Rhino Bidco S.p.A. pursuant to the Acquisition Agreement.

"*Acquisition Agreement*" means the share purchase agreement, dated as of October 9, 2013, by and among the Company and Lanchester S.A., as it may be amended from time to time.

"*Additional Fixed Rate Notes Issue Date*" means October 30, 2014.

"*Agreed Security Principles*" means the Agreed Security Principles as set out in an annex to the Revolving Credit Facility as in effect on the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

"*Additional Assets*" means:

(1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Company, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary of the Company; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Company.

" *Applicable Premium*" means, with respect to any Fixed Rate Note, the greater of:

(A) 1% of the principal amount of such Note; and

(B) on any redemption date, the excess (to the extent positive) of:

(a) the present value at such redemption date of (i) the redemption price of such Note at November 1, 2016 (such redemption price (expressed in percentage of principal amount) being set forth in the table under "*—Optional Redemption*" (excluding accrued but unpaid interest)), plus (ii) all required interest payments due on such Note to and including such date set forth in clause (i) (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the applicable Bund Rate at such redemption date plus 50 basis points; over

(b) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory or other assets in the ordinary course of business;

(4) a disposition of obsolete, surplus or worn out equipment or other assets or equipment or other assets that are no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation—The Company*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Company) of less than €5 million or, if greater, 1.0% of Total Assets;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of clause (3) of the first paragraph under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) dispositions in connection with Permitted Liens;

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(17) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person;

(18) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; and

(19) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;

"*Associate*" means (i) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Company or any Restricted Subsidiary of the Company.

"*Auto Kelly Deferred Payments*" means the payments to be made to the former shareholder of Auto Kelly a.s. as described in the Original Notes Offering Memorandum.

"Black Listed Entity" is any person or entity that is resident, domiciled or located, including a permanent establishment thereof established:

(a) in one of the countries not listed in the Italian Ministerial Decree to be issued pursuant to Art. 168-bis of Presidential Decree of 22 December 1986, N. 917 as amended and supplemented from time to time and/or deemed not to be listed in such Ministerial Decree pursuant to Art. 1(90) of Italian Law No. 244 of 24 December 2007 for the timeframe contemplated therein; or

(b) until the decree referred to in paragraph (a) above is issued and becomes effective, in one of the countries listed in the Italian Ministerial Decree of 23 January 2002 as amended and supplemented from time to time and/or in one of the countries not listed in the white list contained in the Italian Ministerial Decree 4 September 1996 as amended and supplemented from time to time.

For the avoidance of doubt:

(i) regardless of paragraphs (a) and (b) above, an Italian permanent establishment subject to Tax in Italy pursuant to Presidential Decree 917 of 22 December 1986 as subsequently amended, or any other provision applicable from time to time to the same effect, of a foreign entity which is a Blacklisted Entity, to which the Notes are effectively connected and the payments due under the Notes are attributable for tax purposes, is not a Blacklisted Entity;

(ii) for the purposes of paragraphs (a) to the extent applicable and (b) above, persons and entities expressly mentioned in Art. 2 of the Italian Ministerial Decree of 23 January 2002 as amended and supplemented from time to time are not Blacklisted Entities; and

(iii) for the purposes of paragraphs (a) to the extent applicable and (b) above, persons and entities not expressly mentioned in Art. 3 of the Italian Ministerial Decree of 23 January 2002 as amended and supplemented from time to time are not Blacklisted Entities.

"*Board of Directors*" means (1) with respect to the Company, the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"*Bund Rate*" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bunds or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Company in good faith)) most nearly equal to the period from the redemption date to November 1, 2016 in the case of the Fixed Rate Notes and to November 1, 2014 in the case of the Floating Rate Notes; provided, however, that if the period from the redemption date to November 1, 2016 in the case of the Fixed Rate Notes and to November 1, 2014 in the case of the Floating Rate Notes is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to November 1, 2016 in the case of the Fixed Rate Notes and to November 1, 2014 in the case of the Floating Rate Notes is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy, London, United Kingdom, or New York, New York, United States are authorized or required by law to close; *provided*, *however*, that for any payments to be made under the Indenture, such day shall also be a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer ("TARGET") payment system is open for the settlement of payments.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

" *Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, any Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"*Change of Control*" means:

(1) the Company becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company, provided that for the purposes of this clause, (x) no Change of Control shall be deemed to occur by reason of the Company becoming a Subsidiary of a Successor Parent and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so

defined) shall not be included in any Voting Stock of which any such person or group is the "beneficial owner" (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders,

provided that, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

"*Clearstream*" means Clearstream Banking, a *société anonyme* as currently in effect or any successor securities clearing agency.

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Completion Date*" means December 16, 2013.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense and Receivables Fees;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization or impairment expense;

(5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including one-time 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 in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (in each case whether or not successful) in each case, as determined in good faith by an Officer of the Company;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain Covenants—Limitation of Affiliate Transactions*" and any management fees or charges paid or to be paid to former shareholders and/or their Affiliates; and

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other items classified by the Company as extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

Notwithstanding the foregoing, the provision for taxes and the depreciation, amortization, non-cash items, charges and write-downs of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income (loss) of such Restricted Subsidiary was included in calculating Consolidated Net Income for the purposes of this definition.

"Consolidated Financial Interest Expense" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Company and its Restricted Subsidiaries related to Indebtedness (including (a) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (b) the interest component of Capitalized Lease Obligations, and (c) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness) but not including any pension liability interest cost, amortization of debt discount, debt issuance cost and premium, commissions, discounts and other fees and charges owed or paid with respect to financings, or costs associated with Hedging Obligations (other than those described in clause (c) above).

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding taxes) and franchise taxes of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Company and its Restricted Subsidiaries, whether paid or accrued, including any pension liability interest cost, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of debt discount, debt issuance cost and premium;

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;

(5) costs associated with Hedging Obligations and any foreign currency losses;

(6) dividends on other distributions in respect of all Disqualified Stock of the Company and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a subsidiary of the Company;

(7) the consolidated interest expense that was capitalized during such period; and

(8) interest actually paid by the Company or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person.

"*Consolidated Leverage*" means the sum of the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations except to the extent provided in clause (c) of the penultimate paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*").

"*Consolidated Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available; *provided, however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period the Company or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "Sale") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "Purchase"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto, including anticipated synergies and cost savings, as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Company or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto, including anticipated synergies and cost savings, as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Net Income and Fixed Charge Coverage Ratio, (a) calculations will be as determined in good faith by a responsible financial or chief accounting officer of the Company (including in respect of cost savings and synergies) as though the full effect of synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Company) of cost savings programs that have been initiated by the Company or its Restricted Subsidiaries as though such cost savings programs had been fully implemented on the first day of the relevant period and (b) in determining the amount of Indebtedness outstanding on any date of determination, pro forma effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period. For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Net Income and Fixed Charge Coverage Ratio, the financial results of Rhiag shall be considered the financial information of the Company for any periods prior to the date of the acquisition of Rhiag. For the purpose of calculating pro forma effects pursuant to clause (2) above, the third paragraph of the definition of Fixed Charge Coverage Ratio and for the first paragraph and clause (5) of the second paragraph of the covenant described under "*Limitation on Indebtedness*," as well as clause (3) of the first paragraph of the covenant described under "*Merger and Consolidation—The Company*," pro forma effect may also be given to anticipated acquisitions where the Indebtedness to be Incurred is to finance such acquisitions, which have not yet occurred. The pro forma calculation of the Consolidated Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the calculation date pursuant to the provisions described in the second paragraph under "—*Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the calculation date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under "—*Certain Covenants—Limitation on Indebtedness*."

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Company and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Company's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer of the Company (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," any net income (loss) of any Restricted Subsidiary (other than Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company or a Guarantor by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, and (c) restrictions not prohibited by the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Company);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss or charge (including for the avoidance of doubt, (i) any rebranding of the business (or any part thereof); (ii) any separation of the business in and following the Transactions (including any working capital impact); (iii) any fines, penalties or similar amounts owed or paid to regulators or authorities or pursuant to court orders, judgments or decisions; (iv) any tax referable to any payments, dividends or other distributions made or declared intra-group; and/or (v) any integration costs) or any charges or reserves in respect of any restructuring, redundancy or severance expense or other costs related to the Transactions, in each case, as determined in good faith by the Company;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary;

(11) any purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Company and the Restricted Subsidiaries), as a result of any consummated acquisition (either prior to or after the Issue Date) or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(12) any goodwill or other intangible asset impairment, charge, amortization or write-off;

(13) Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes;

(14) consolidated depreciation expense; and

(15) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Net Leverage Ratio*" means the Consolidated Leverage Ratio, but calculated by deducting cash and Cash Equivalents on a consolidated basis.

"*Consolidated Secured Leverage Ratio*" means the Consolidated Leverage Ratio, but calculated by excluding all Indebtedness other than Senior Secured Indebtedness.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

- (a) for the purchase or payment of any such primary obligation; or
- (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the original Revolving Credit Facility as in effect on the Issue Date or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means in respect of a Person any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Company) of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Designated Preference Shares*" means, with respect to the Company or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Disinterested Director*" means, with respect to any Affiliate Transaction, a member of the Board of Directors of the Company having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Company shall be deemed not to have such a financial interest by reason of such member's holding Capital Stock of the Company or any Parent or any options, warrants or other rights in respect of such Capital Stock.

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary); or

(3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part, in each case on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided, however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Equity Contribution*" means the contribution to the Company of shareholder funds on or about the Completion Date as part of the Transactions.

"*Equity Offering*" means (x) a sale of Capital Stock of the Company (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (y) the sale of Capital Stock or other securities, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of, or as Subordinated Shareholder Funding to, the Company or any of its Restricted Subsidiaries.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*euro*" means the official currency of the European Union.

"*euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Company or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Company) on the date of such determination.

"*Euroclear*" means Euroclear Bank S.A./N.V., or any successor securities clearing agency.

"*European Government Obligations*" means any security that is (1) a direct obligation of Belgium, the Netherlands, France, Germany or any Permissible Jurisdiction, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*European Union*" means all members of the European Union as of January 1, 2004 and the Czech Republic.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Company and other than the Equity Contribution.

"*fair market value*" may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"Fixed Charge Coverage Ratio" means, with respect to any Person on any determination date, the ratio of Consolidated EBITDA of such Person for the most recently completed four consecutive fiscal quarters ending immediately prior to such determination date for which internal consolidated financial statements of such Person are available to the Fixed Charges of such Person and its Restricted Subsidiaries for such four consecutive fiscal quarters.

In the event that the Company or any Restricted Subsidiary Incurs, assumes, Guarantees, redeems, defeases, retires or extinguishes any Indebtedness (other than Indebtedness incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Fixed Charge Coverage Ratio Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such Incurrence, assumption, Guarantee, redemption, defeasance, retirement or extinguishment of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period; provided, however, that the pro forma calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Fixed Charge Coverage Ratio Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the Fixed Charge Coverage Ratio Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*."

For purposes of making the computation referred to above, any Investment, acquisitions, dispositions, mergers, consolidations and disposed operations that have been made by the Company or any of its Restricted Subsidiaries during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall (at the election of the Company, except in the case of material acquisitions, dispositions, mergers, consolidations and disposed operations) be calculated on a pro forma basis assuming that all such Investments, acquisitions, dispositions, mergers, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in Consolidated EBITDA resulting therefrom), including the full run rate effect of anticipated synergies and cost savings, had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Company or any of its Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation or disposed or discontinued any operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall (at the election of the Company, except in the case of material acquisitions, dispositions, mergers, consolidations and disposed operations) be calculated giving pro forma effect thereto, including the full effect of anticipated synergies and cost savings, for such period as if such Investment, acquisition, disposition, merger, consolidation or disposed operation and the full run rate effect of such anticipated synergies and cost savings had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition, whenever pro forma effect is to be given to a transaction, the pro forma calculations shall be made in good faith by a responsible financial or chief accounting officer of the Company (including synergies and cost savings). If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Company may designate.

"Fixed Charges" means, with respect to any Person for any period, the sum of:

(1) Consolidated Financial Interest Expense of such Person for such period;

(2) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Preferred Stock during such period;

(3) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period; and

(4) any interest expense on Indebtedness of another person that is guaranteed by such Person or its Restricted Subsidiaries or secured by a Lien on assets of such Person or its Restricted Subsidiaries, but only to the extent such interest expense is actually paid,

determined on a consolidated basis in accordance with IFRS.

"*Governmental Authority*" means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

"*Guarantee* " means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, *however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantor*" means the Company and any Restricted Subsidiary that Guarantees the Notes.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement (each, a "Hedging Agreement").

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Clearstream and Euroclear.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) ("IFRS") endorsed from time to time by the European Union or any variation thereof with which the Company or its Restricted Subsidiaries are, or may be, required to comply; *provided* that at any date after the Issue Date the Company may make an irrevocable election to establish that "IFRS" shall mean IFRS as in effect on a date that is on or prior to the date of such election.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness* " means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Company) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include Subordinated Shareholder Funding or any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, any asset retirement obligations, any prepayments of deposits received from clients or customers in the ordinary course of business, or obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business. For the avoidance of doubt and notwithstanding the above, the term "Indebtedness" excludes any accrued expenses or trade payables.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings and obligations in respect of the Auto Kelly Deferred Payments;

(ii) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or

(iii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Company.

"*Initial Investors*" means Apax Partners LLP and any funds or partnerships managed or advised, directly or indirectly, by Apax Partners LLP or an Affiliate thereof, and, solely in their capacity as such, any limited partner of any such partnership or fund.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Company or any Parent or any successor of the Company or any Parent (or following an IPO Pushdown, the entity designated as an "IPO Entity" in compliance with the provisions described under "*IPO Pushdown*") (the "IPO Entity") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated November 5, 2013, among, *inter alios*, the lenders and agent under the Revolving Credit Facility as well as certain hedging counterparties, as amended from time to time and to which the Trustee acceded to on the Issue Date.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time.

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*:"

(1) "Investment" will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Company at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Company's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors of the Company in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Company.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade*" means (i) BBB– or higher by S&P, (ii) Baa3 or higher by Moody's, or (iii) the equivalent of such ratings by S&P or Moody's, or of another Nationally Recognized Statistical Ratings Organization.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction or Switzerland, Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "A–" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur when the Notes receive both of the following:

(1) a rating of "BBB–" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's;

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"IPO Event" means the occurrence of an Initial Public Offering or a Listing.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means November 5, 2013.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Listing" means a listing of all or any part of the share capital of the Company or any Subsidiary or parent of the Company on the Milan Stock Exchange or on any other recognized investment exchange (as that term is used in the Financial Services and Markets Act 2000) or any other sale or issue by way of flotation or public offering in relation to the Company or any such Subsidiary or parent of the Company in any jurisdiction or country.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Company or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Company, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Company;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding €2 million in the aggregate outstanding at any time.

"*Management Investors*" means the officers, directors, employees and other members of the management of or consultants to any Parent, the Company or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company, any Restricted Subsidiary or any Parent.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which by its terms or by applicable law are required to be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"*Note Documents*" means the Notes (including Additional Notes), the Indenture and the Security Documents.

"*Officer*" means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Managing Director, or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

"*Original Notes Offering Memorandum*" refers to the final offering memorandum dated October 25, 2013, relating to the offerings of the Original Notes issued on the Issue Date.

"*Parent*" means any Person of which the Company at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(4) fees and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, by any Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Company, in an amount not to exceed €1 million in any fiscal year; and

(7) expenses Incurred by any Parent in connection with any Public Offering or other sale of Capital Stock or Indebtedness:

    (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary;

(y) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

(z) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Pari Passu Indebtedness*" means Indebtedness of the Company or any Guarantor if such Indebtedness or Guarantee ranks equally in right of payment to the Notes or the Notes Guarantees, as the case may be, and, in each case, is secured by a Lien on assets of the Company.

"*Paying Agent*" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Note on behalf of the Company.

"*Permissible Jurisdiction*" means any member state of the European Union.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Company or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Permitted Collateral Liens*" means (A) Liens on the Collateral (i) that are Permitted Liens described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (17), (18), (19), (20) or (24) of the definition thereof or (ii) that are Liens in on bank accounts equally and ratably granted to cash management banks securing cash management obligations, (B) Liens securing Additional Notes, (C) Liens on the Collateral to secure Indebtedness of the Company or a Restricted Subsidiary that is permitted to be Incurred under clauses (1), (2) (in the case of (2), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (4)(a) and (c) (if the original Indebtedness was so secured), (5)(i) (covering only the shares and assets of the acquired Person the Indebtedness of which is so secured), (5)(ii) (but only if after giving effect to such Incurrence on that date, the Consolidated Secured Leverage Ratio either does not exceed 5.0 to 1.0 (if Incurred on or prior to May 1, 2015) or 4.75 to 1.0 (if Incurred thereafter), or is not greater than prior to such incurrence), (6), (11), (12) (in the case of (12), *provided* that the amount of Senior Secured Indebtedness shall not exceed 80% of the aggregate Indebtedness Incurred under such clause) or (15) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and any Refinancing Indebtedness in respect of such Indebtedness; *provided*, *however*, that (a) such Lien will not give an entitlement to be repaid with proceeds of enforcement of the Collateral in a manner which is inconsistent with the Intercreditor Agreement and any Additional Intercreditor Agreement and (b) notwithstanding the terms of any Intercreditor Agreement or Additional Intercreditor Agreement, no Indebtedness shall be given super priority status, except for Indebtedness incurred pursuant to clauses (1) or (15) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and any Hedging Obligations, and any Refinancing Indebtedness in respect of any such Indebtedness, (D) Liens on the Collateral securing Indebtedness incurred under the first paragraph of "*—Certain Covenants—Limitation on Indebtedness*;" and (E) Liens on the Collateral that secure Indebtedness on a basis junior to the Notes. To the extent that Indebtedness relating to an instrument or agreement is permitted to be secured by a Permitted Collateral Lien, other associated obligations under such instrument or agreement not themselves constituting Indebtedness may also be secured by such Permitted Collateral Lien.

"*Permitted Holders*" means, collectively, (1) the Initial Investors and any Affiliate thereof, (2) Senior Management, (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Company, acting in such capacity, and (4) any "group" (as such term is defined under Section 13(d)(3) of the Exchange Act) of which a Permitted Holder (without giving effect to this clause (4)) is a "Permitted Holder" and where such Permitted Holder is the beneficial owner of more than 50% of the Capital Stock beneficially owned by such group. Any person or group whose acquisition of beneficial ownership constitutes (i) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (ii) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Initial Investor.

"*Permitted Investment*" means (in each case, by the Company or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition (but excluding a Permitted Asset Swap), in each case, that was made in compliance with "—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*;"

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*;"

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed €30 million or, if greater, 4.5% of Total Assets; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*;"

(13) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(15) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the Indenture;

(16) guarantees, keepwells and similar arrangements not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*;" and

(17) Investments in the Notes.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not the Issuer, a Guarantor or a Funding Loan Borrower securing Indebtedness of any Restricted Subsidiary that is not the Issuer, a Guarantor or a Funding Loan Borrower;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of the Company of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its

Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(7) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture, or over assets or property of any Restricted Subsidiary which is not required to give a Guarantee pursuant to the Agreed Security Principles and which Lien is in favor of obligations under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and (b) any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(13) (a) Liens existing on the Issue Date, excluding Liens securing the Revolving Credit Facility and the Notes and, with respect to the assets of or capital stock of the Rhiag Group, Liens existing on the Completion Date; (b) Liens directly or indirectly securing the Notes; and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to the Intercreditor Agreement or an Additional Intercreditor Agreement, or otherwise is subject to loss-sharing as among the Holders of the Senior Secured Notes and the creditors of such Indebtedness;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); *provided*, *however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, *further*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of the Company or any Restricted Subsidiary securing Indebtedness or other obligations of the Company or such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Company or any Restricted Subsidiary;

(16) Liens (other than Permitted Collateral Liens) securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary of the Company has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on cash accounts securing Indebtedness incurred under clause (10) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" with local financial institutions;

(22) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts securing cash pooling arrangements;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) Liens with respect to obligations which do not exceed €15 million at any one time outstanding;

(26) Permitted Collateral Liens;

(27) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(28) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing; and

(29) Liens on Indebtedness permitted to be Incurred pursuant to clause (15) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*."

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €50 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors of the Company shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Company), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Company) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Company or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Company or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly Owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Company in which the Company or any Subsidiary of the Company makes an Investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any other Restricted Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Company or any other Restricted Subsidiary of the Company, (iii) is recourse to or obligates the Company or any other Restricted Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Company or any other Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Company nor any other Restricted Subsidiary of the Company has any contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company; and

(3) to which neither the Company nor any other Restricted Subsidiary of the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or the Guarantees, such Refinancing Indebtedness is subordinated to the Notes or the Guarantees on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, *however*, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary; and provided, further, that the provisions of clause (3) above would not operate to preclude the refinancing of Indebtedness with Indebtedness that is secured with a super priority status (or other preferential security status) if such security is otherwise permitted pursuant to the Indenture.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person*" with respect to any Permitted Holder means:

(1) any controlling equityholder or 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 which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) in the case of the Initial Investors any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:

    (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company's Subsidiaries);

    (b) issuing or holding Subordinated Shareholder Funding;

    (c) being a holding company parent, directly or indirectly, of the Company or any of the Company's Subsidiaries;

    (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company's Subsidiaries; or

    (e) having made any payment in respect to any of the items for which the Company is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*;" or

(2) if and for so long as the Company is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Company and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"*Reversion Date*" means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes shall cease to have such Investment Grade Status.

"*Revolving Credit Facility*" means the revolving credit facility established pursuant to the revolving credit facility agreement dated November 5, 2013, among, *inter alios*, the Company, the Issuer, the senior lenders, facility agent and security agent (as named therein), as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*Rhiag*" means Rhiag-Inter Auto Parts Italia S.p.A.

"*Rhiag Group*" means Rhiag together with its subsidiaries.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission or any successor thereto.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Documents*" means the Intercreditor Agreement and each collateral pledge agreement, security assignment agreement or other document under which collateral is pledged to secure the Notes.

"*Senior Finance Documents*" means the Revolving Credit Facility and such other documents identified as "Senior Finance Documents" as defined in and in accordance with the Revolving Credit Facility.

"*Senior Management*" means the officers, directors, and other members of senior management of the Company or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company or any Parent and with an equity investment in excess of €250,000.

"*Senior Secured Indebtedness*" means any Indebtedness secured by a Lien on the Collateral on a basis *pari passu* with or senior to the security in favor of the Notes.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Company's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Company's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Company's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means any businesses, services or activities in any sector engaged in by the Company or any of its Subsidiaries or any Associates on the Issue Date and any businesses, services and activities engaged in by the Company or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that at the time any transfer of shares or other change of control transaction occurs, the Consolidated Leverage Ratio would have been less than 4.00 to 1.00 (if the transaction occurs on or before the date 18 months after the Completion Date) or 3.50 to 1.00 (thereafter), immediately prior to the occurrence of such event and immediately thereafter and giving pro forma effect thereto. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the date of the completion of the Acquisition.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Company or any Subsidiary of the Company which the Company has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or its Guarantees pursuant to a written agreement (and for the avoidance of doubt, for the purposes of the Indenture Indebtedness shall not be considered subordinated in right of payment solely because it is unsecured, or secured on a junior basis to or entitled to proceeds from security enforcement after, other Indebtedness).

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Company by a Parent in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Parent or a Permitted Holder, including, for the avoidance of doubt, any preferred equity or subordinated loans to be issued by the Company in connection with the Transactions, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition);

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries; and

(5) pursuant to its terms is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

"*Subsidiary* " means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

  (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

  (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent*" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed or levied by any government or other taxing authority.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in

  (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any Permissible Jurisdiction, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

  (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

  (a) any lender under the Revolving Credit Facility;

  (b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or

  (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

  in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any Permissible Jurisdiction or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Total Assets*" means the consolidated total assets of the Company and its Restricted Subsidiaries in accordance with IFRS as shown on the most recent balance sheet of such Person.

"*Transactions*" means the transactions contemplated by the Acquisition Agreement, the Equity Contribution, the Funding Loans, any bridge credit facility agreement to which the Company or the Issuer is a party and any other issuance of intercompany debt, the issuance of the Original Notes issued on the Issue Date, the Security Documents and borrowings under the Revolving Credit Facility as in effect on the Issue Date, the repayment or discharge of existing indebtedness of the Rhiag Group, the closing out or replacement of Hedging Obligations pursuant to the foregoing, and the payment or incurrence of any fees, expense or charges associated with any of the foregoing.

"*Trust Indenture Act*" means the Trust Indenture Act of 1939, as amended.

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Company that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Company in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein but not including the Issuer) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Company or any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Company in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Company could Incur at least €1.00 of additional Indebtedness pursuant to clause (i) of the first paragraph of the "*Limitation on Indebtedness*" covenant, (y) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation, or (z) any Indebtedness of such Unrestricted Subsidiary would be permitted to be Incurred pursuant to the second paragraph of the "*Limitation on Indebtedness*" covenant. Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of such Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary of the Company, all of the Voting Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly Owned Subsidiary) is owned by the Company or another Wholly Owned Subsidiary.

BOOK-ENTRY; DELIVERY AND FORM

General

Notes sold to "qualified institutional buyers" in reliance on Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Rule 144A Global Notes"). Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the Rule 144A Global Notes, the "Global Notes"). The Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream, Luxembourg.

Ownership of interests in the Rule 144A Global Notes ("Rule 144A Book-Entry Interests") and ownership of interests 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 Euroclear and/or Clearstream, Luxembourg or persons that hold interests through such participants. Euroclear and Clearstream, Luxembourg 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 issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream, Luxembourg and their respective participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the registered owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream, Luxembourg (or its nominee), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, Luxembourg, and indirect participants must rely on the procedures of Euroclear and Clearstream, Luxembourg and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

None of the Issuer, the Guarantors or the Trustee or any agent named herein or any of their respective affiliates will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, Luxembourg, 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 Euroclear and/or Clearstream, Luxembourg, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, Luxembourg, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream, Luxembourg will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by using a pool factor or on such other basis as they deem fair and appropriate unless otherwise required by law or applicable stock exchange or depositary requirements.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the relevant Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the relevant paying agent. The relevant paying agent will, in turn, make such payments to the common depositary or its nominee for Euroclear and Clearstream, Luxembourg, which will distribute such payments to participants in accordance with their respective customary procedures. All payments required to be made by the Issuer with respect to the Notes or by a Guarantor under its Note Guarantee, will be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and except as described under "*Description of the Senior Secured Notes—Withholding Taxes*". If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Senior Secured Notes—Withholding Taxes*", the Issuer will pay additional amounts as may be necessary in order for the net amounts received by any holder of the relevant Global Notes or owner of the relevant Book-Entry Interests after such deduction or withholding to equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee, the registrar and the paying agent(s), respectively, will treat the registered holders of the relevant Global Notes (*i.e.*, the common depositary for Euroclear or Clearstream, Luxembourg (or its nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the registrar or any of the paying agent(s) has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream, Luxembourg or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream, Luxembourg or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- Euroclear, Clearstream, Luxembourg or any participant or indirect participant; or
- the records of the common depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes, will be paid to holders of interests in such Notes through Euroclear and/or Clearstream, Luxembourg in Euro.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of the Issuer, the Trustee, any agents named herein, the Initial Purchasers or any of their respective agents or affiliates will be liable to any holder of Global Notes or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream, Luxembourg have advised us that they will take any action permitted to be taken by a holder of a Note (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream, Luxembourg 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" (as defined in the Indenture) under a Note, each of Euroclear and Clearstream, Luxembourg, at the request of the holders of the Notes, reserve the right to exchange the Global Notes for definitive registered Notes in certificated form (together, the "Definitive Registered Notes"), and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in accordance with Euroclear and Clearstream, Luxembourg's rules and will be settled in immediately available funds. If a holder of a Note requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states that require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream, Luxembourg and in accordance with the procedures set forth in the Indenture.

The Global Notes will each bear a legend to the effect set forth under "*Transfer Restrictions*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*".

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form to be provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Senior Secured Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the registrar a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to the Notes. See "*Transfer Restrictions*".

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if Euroclear or Clearstream, Luxembourg notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream, Luxembourg following an "Event of Default" under and as defined in the Indenture and enforcement action is being taken in respect thereof under the Indenture.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, Luxembourg or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the paying agent(s) and the registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; *provided*, *however*, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream, Luxembourg, as applicable.

Information Concerning Euroclear and Clearstream, Luxembourg

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, Luxembourg, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors in the Notes. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor any of the Initial Purchasers are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream, Luxembourg:

Euroclear and Clearstream, Luxembourg hold securities for participating organizations. They 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, Luxembourg provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream, Luxembourg also interface with domestic securities markets in several countries. Euroclear and Clearstream, Luxembourg participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream, Luxembourg participant, either directly or indirectly.

Euroclear and Clearstream, Luxembourg have no record of, or relationship with, persons holding through their account holders. Since Euroclear and Clearstream, Luxembourg only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream, Luxembourg systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream, Luxembourg systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream, Luxembourg participants.

Global Clearance and Settlement under the Book-Entry System

Application has been made to list the Notes represented by the Global Notes on the Official List of the Irish Stock Exchange and to admit the Notes for trading on the Global Exchange Market of the Irish Stock Exchange, and the Notes are also expected to be listed on the ExtraMOT, Professional Segment as of the Issue Date, respectively, and any permitted secondary market trading activity in the Notes will, therefore, be required to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated Notes will also be settled in immediately available funds.

Although Euroclear and Clearstream, Luxembourg currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, Luxembourg, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Initial Purchasers, the Trustee, or the registrar or the paying agent(s) in respect of the Notes will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in Euro. Book-Entry Interests owned through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream, Luxembourg holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream, Luxembourg and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Euroclear or Clearstream, Luxembourg on days when those systems are open for business.

In addition, because of time zone differences, there may be complications with completing transactions involving Euroclear and/or Clearstream, Luxembourg on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream, Luxembourg, is used, or Brussels if Euroclear is used.

Clearing Information

The Issuer expects that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream, Luxembourg. The international securities identification numbers and common codes for the Notes are set out under "*Listing and General Information*".

TAX CONSIDERATIONS

Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of Notes including without limitation, the consequences of receipt of interest and premium, if any, on and sale or redemption of Notes or any interest therein.

EU Directive on the Taxation of Savings Income

Council Directive 2003/48/EC (the "Savings Directive") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from January 1, 2015.

The Council of the European Union has adopted a Directive (the "Amending Directive") which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular, to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by January 1, 2016, which legislation must apply from January 1, 2017.

Investors who are in any doubt as to their position should consult their professional advisers.

The Proposed Financial Transaction Tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Certain Italian Tax Considerations

The following summary herein regarding Italian taxation is based on the laws and published practice of the Italian tax authorities in effect in Italy as of the date on the front cover of this offering memorandum and is subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. Neither the Issuer nor the Guarantors will update this summary to reflect changes in laws and if any such changes occur the information in this summary could become invalid.

The following is a summary of the material Italian tax consequences of the purchase, ownership and disposal of Notes for certain Italian resident beneficial owners and for Notes held in Italy by non-Italian resident beneficial owners. The following summary does not purport to be a comprehensive description of all the Italian tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the Italian tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisors concerning the overall tax consequences of their acquiring, holding and disposing of Notes and receiving payments on interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional and local tax laws.

Tax Treatment of the Notes

Interest and Other Proceeds—Notes that qualify as "obbligazioni o titoli similari alle obbligazioni"

Pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended and restated ("Decree No. 239") and pursuant to Art. 44 paragraph 2(c) of Italian Presidential Decree No. 917 of December 1986, as amended ("Decree No. 917"), in general, interest and other proceeds (including the difference between the redemption amount and the issue price) in respect of notes that qualify as bonds or debentures similar to bonds ("*obbligazioni o titoli similari alle obbligazioni*") may be subject to final Italian substitute tax if owed to beneficial owners resident in Italy for tax purposes, depending on the legal status of the beneficial owners. For such purposes, debentures similar to bonds are defined as publicly traded securities (i.e., "*titoli di massa*") that incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value and that do not give any right to, directly or indirectly, participate in the management of the relevant issuer or of the business in relation to which they are issued.

Italian Resident Noteholders—Applicability of Imposta Sostitutiva

In particular, pursuant to Decree No. 239, payments of interest and other proceeds (including any original issue discount) in respect of notes that qualify as "*obbligazioni o titoli similari alle obbligazioni*" to Italian resident beneficial owners (either when interest and/or other proceeds are paid or when payment thereof is obtained by a beneficial owner on a transfer of Notes) ("Interest"), will be subject to final *imposta sostitutiva* (substitute tax) at a rate of 26% in Italy pursuant to Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 (20% for interest accrued before July 1, 2014), if made to Italian resident beneficial owners that are: (i) private individuals holding Notes not in connection with an entrepreneurial activity (unless they have entrusted the management of their financial assets, including the Notes, to an Italian authorized financial intermediary and have opted for the *Risparmio Gestito* regime provided for by Article 7 of Italian Legislative Decree No. 461 of November 21, 1997 ("Decree No. 461") (the "Asset Management Option"—see below under "*—Capital Gains Tax—Capital Gains Realized by Italian Resident Noteholders*"); (ii) partnerships (other than *societá in nome collettivo, societá in accomandita semplice* or similar partnerships), *de facto* partnerships not carrying out commercial activities and professional associations; (iii) public and private entities other than companies and trusts not carrying out commercial activities as their exclusive or principal activity; or (iv) entities exempt from corporate tax.

The *imposta sostitutiva* will be applied by the Italian resident qualified financial intermediaries provided by law (including banks, *societá di intermediazione mobiliare* ("SIMs"), fiduciary companies, *societá di gestione del risparmio* ("SGRs"), stock brokers and other qualified entities expressly indicated in Ministerial Decrees, as well as permanent establishments in Italy of banks or intermediaries resident outside Italy—collectively referred to as "Intermediaries" and each as an "Intermediary") that will intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes.

If Interest is not collected through an Italian resident qualified Intermediary and no *imposta sostitutiva* is levied, the Italian resident beneficial owners listed above will be required to include Interest in their yearly income tax return and subject it to tax at a rate of 26% pursuant to Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June, 23 2014 (20% for interest accrued before July 1, 2014) as discussed above.

Italian Resident Noteholders—Imposta Sostitutiva not Applicable

The imposta sostitutiva is not applicable to Interest paid to beneficial owners that are: (i) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorized financial intermediary and have opted for the Asset Management Option; (ii) Italian resident collective investment funds (other than real estate investment funds), "*Societá di Investimento a Capitale Variabile*" ("SICAV") and investment funds (collectively, the "Funds"); (iii) pension funds referred to in Legislative Decree No. 252 of December 5, 2005; (iv) Italian resident real estate investment funds; (v) Italian resident corporations or permanent establishments in Italy of non-residents to which the Notes are effectively connected; (vi) Italian resident partnerships qualified as *societá in nome collettivo* or *societá in accomandita semplice* and other similar partnerships, including de facto partnerships, carrying out a commercial activity; or (vii) public and private entities, other than companies, and trusts carrying out commercial activities which hold Notes in connection with the same commercial activities.

If the Notes are part of an investment portfolio managed on a discretionary basis by an Italian authorized Intermediary and the beneficial owner of the Notes has opted for the Asset Management Option, an annual substitute tax at a rate of 26%, pursuant to Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 (20% for interest accrued before July 1, 2014) (the "Asset Management Tax") applies on the increase in value of the managed assets accrued, including Interest, even if not realized, at the end of each tax year. The Asset Management Tax is applied on behalf of the taxpayer by the managing authorized Intermediary.

Furthermore, as clarified by Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014, the *imposta sostitutiva* does not apply in respect of Notes held by Funds. As a consequence, interest (i) is not subject to the *imposta sostitutiva* and (ii) contributes to the annual net accrued result of the relevant Funds and the proceeds thereof are generally subject to a withholding tax of 26%, pursuant to Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 (20% before July 1, 2014) when they are paid to the Funds' investors, on account of taxes or as final tax depending on the status of the investor, subject to certain exceptions.

Italian resident pension funds subject to the regime provided by Art. 17 of Italian Legislative Decree No. 252 of December 5, 2005 (the "Pension Funds"), are generally subject to an 11% annual substitute tax (the "Pension Fund Tax"); for 2014, the Pension Fund Tax was increased to 11.5% under Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 on the increase in value of the managed assets accrued at the end of each tax year (which increase includes interest and other proceeds accrued paid on Notes). However, interest paid on Notes held by Pension Funds will not be subject to the *imposta sostitutiva* but shall be included in the calculation of such Pension Fund's annual net accrued result.

Italian resident real estate investment funds established pursuant to Art. 37 of Italian Legislative Decree No. 58 of February 24, 1998 and Art. 14 bis of Italian Law No. 86 of January 25, 1994 ("Real Estate Investment Funds") are not subject to any taxation at the fund level. Depending on the nature and residence of each investor, as well as on its investment ratio, any income realized by Real Estate Investment Funds, including Interest, may be directly attributed to the relevant investor regardless of its distribution, or taxed with the application of a 26% withholding tax at the moment of the relevant distribution, pursuant to Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 (20% before July 1, 2014).

Interest accrued to (i) Italian resident corporations or to permanent establishments in Italy of non-Italian investors to which the Notes are effectively connected, (ii) Italian resident partnerships qualified as *societá in nome collettivo* or *societá in accomandita semplice* or similar partnerships carrying out a commercial activity and (iii) Italian resident public and private entities, other than companies, and trusts, carrying out commercial activities, and holding Notes in connection with the commercial activities, respectively, will not be subject to the imposta sostitutiva but generally shall be included in the taxable business income for income tax purposes (and, in certain cases, depending on the status of the holder of the Notes, may also be required to be included in the taxable net value of production for purposes of regional tax on productive activities—"IRAP") of such beneficial owner, subject to tax in Italy in accordance with applicable tax law. In such instances, a tax credit for withholding tax applied outside Italy, if any, should be generally available.

To ensure payment of interest and other proceeds in respect of the Notes without application of the imposta sostitutiva, where allowed, each of the foregoing investors must be the beneficial owner of such interest and other proceeds on the Notes and must timely deposit the Notes, together with the interest relating to such Notes, directly or indirectly, with an Intermediary.

Non-Italian Resident Noteholders

Where the holder of Notes is a non-Italian resident, an exemption from the *imposta sostitutiva* applies, provided that the non-Italian-resident holder is: (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy (as per article 168-*bis*, Italian Presidential Decree No. 917 of December 22, 1986). Until the entry into force of the Decree provided by article 168-*bis*, Italian Presidential Decree No. 917 of December 22, 1986, reference is to be made to the Ministerial Decree of September 4, 1996 as subsequently amended and supplemented (the "White List"); or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) an "institutional investor", whether or not subject to tax, which is established in a White List country, even if it does not possess the status of a taxpayer in its own country of establishment; or (d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

The exemption from the *imposta sostitutiva* for qualifying non-Italian-resident holders of Notes is conditional upon the following: (i) the Notes must be deposited directly, or indirectly (through a "first level" bank) with an Italian financial intermediary, qualifying as "second level" bank; and (ii) a self-declaration, according to the scheme approved by Italian Ministerial Decree of 12 December 2001, together with the documents indicated in the explanatory notes to the same self-declaration, must be submitted to the "second level" bank. The self-declaration is valid until withdrawn or revoked, provided that no change to information included in the self-declaration has occurred. However, changes of address or the identification code of the legal representative or of the representative agent do not require submission of a new self-declaration, but must be notified to the subject to which the declaration was previously forwarded. Additional requirements are provided for "institutional investors" referred to in paragraph (c) above.

The *imposta sostitutiva* will be applicable at a rate of 26% pursuant to Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 (20% before July 1, 2014) on interest paid to holders of Notes who do not qualify for the foregoing exemption or do not timely and properly satisfy the relevant conditions.

Holders of Notes who are subject to *imposta sostitutiva* may, nevertheless, be eligible for full or partial relief under an applicable tax treaty, provided that the relevant conditions are satisfied.

Payments Made by an Italian Resident Guarantor

With respect to payments made by an Italian resident Guarantor, any such payments should not be subject to Italian withholding tax. However, there is no authority directly regarding the Italian tax regime of payments on Notes made by an Italian resident Guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments or that the Italian courts would not support such an alternative treatment.

In particular, according to a different interpretation, such payments may be subject to Italian withholding tax at the rate of 26% pursuant to Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 (20% before July 1, 2014) levied as a final tax or a provisional tax ("*a titolo d'imposta o a titolo di acconto*") depending on the legal status and tax residence of the beneficial owner of the Notes, pursuant to Italian Presidential Decree No. 600 of

September 29, 1973. Double taxation treaties entered into by Italy may, however, apply allowing for a lower (or in certain cases, no) rate applicable of the withholding tax in case of payments to non-Italian resident beneficial owner of the Notes.

Furthermore, in accordance with another interpretation, any such payments made by an Italian resident Guarantor should be treated as payments by the Issuer and subject to the tax treatment described above under the caption "*—Interest and other proceeds—Notes that Qualify as 'Obbligazioni o Titoli Similari alle Obbligazioni'*".

Capital Gains Tax

Capital Gains Realized by Italian Resident Noteholders

Any capital gain realized upon the sale or transfer for consideration or redemption of the Notes would be treated as part of the taxable business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the ordinary tax regime, if realized by holders of the Notes that are:

- Italian resident corporations;
- Italian resident partnerships qualified as *societá in nome collettivo* or *societá in accomandita semplice* and other similar partnerships, including *de facto* partnerships, carrying on a commercial activity;
- permanent establishments in Italy of foreign investors to which the Notes are effectively connected;
- Italian resident individuals carrying out a commercial activity, as to any capital gains realized within the scope of the commercial activity carried out; or
- Italian resident public or private entities, other than companies, and trusts carrying out commercial activities, holding the Notes in connection with the same commercial activities.

Pursuant to Decree No. 461, any capital gain realized by Italian resident individuals holding Notes not in connection with an entrepreneurial activity, and certain other persons upon sale or transfer for consideration or redemption of the Notes, would be subject to an imposta sostitutiva at the current rate of 26%, pursuant to Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 (20% for capital gains realized before July 1, 2014). Under the tax return regime (the "Regime della Dichiarazione"), which is the standard regime for taxation of capital gains realized by Italian resident individuals not engaged in an entrepreneurial activity, imposta sostitutiva on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any relevant incurred capital loss, realized by Italian resident individual holders of Notes holding Notes not in connection with an entrepreneurial activity pursuant to all disposals of Notes carried out during any given fiscal year. Italian resident individuals holding Notes not in connection with an entrepreneurial activity must report overall capital gains realized in any tax year, net of any relevant incurred capital loss, in the annual tax return to be filed for such year and pay imposta sostitutiva on such gains together with any income tax due for such year. Capital losses in excess of capital gains may be carried forward against similar capital gains realized in any of the four succeeding tax years. Pursuant to Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 48.08% of capital losses incurred prior to December 31, 2011 can be offset against capital gains (62.5% for capital gains realized prior to 30 June 2014)within the above mentioned time limits; such percentage was increased to 76.92% for capital losses incurred between January 1, 2012 and June 30, 2014 under Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014.

As an alternative to the Regime della Dichiarazione, Italian resident individual holders holding the Notes not in connection with entrepreneurial activity may elect to pay a 26% imposta sostitutiva pursuant to Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 (20% for capital gains realised before July 1, 2014) separately on capital gains realized on each sale or redemption of the Notes (the "Risparmio Amministrato"). Such separate taxation of capital gains is permitted, subject to: (i) the Notes being deposited with Italian banks, SIMs or other authorized intermediaries; and (ii) an express election for the "Risparmio Amministrato" regime being timely made in writing by the relevant noteholder. Under the "Risparmio Amministrato" regime, the financial intermediary is responsible for accounting for the imposta sostitutiva in respect of capital gains realized on each sale, transfer or redemption of the Notes (as well as in respect of capital gains realized at revocation of its mandate), net of any relevant incurred capital loss, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the taxpayer by deducting a corresponding amount from proceeds to be credited to the relevant noteholder. Under the Risparmio Amministrato regime, where a sale, transfer or redemption of the Notes results in a capital loss, such loss may be deducted from similar capital gains realized in the same tax year or in any of the four succeeding tax years. Under Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014, only 48.08% of capital losses incurred prior to December 31, 2011, can be offset against capital gains (62.5% for capital gains realized prior to June 30, 2014), within the above mentioned time limits; such percentage was increased to 76.92% for capital losses incurred between January 1, 2012 and June 30, 2014 under Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014. Under the Risparmio Amministrato regime, a noteholder is not required to report capital gains in its annual tax declaration and may remain anonymous.

Any capital gains accrued on the Notes not held in connection with an entrepreneurial activity by Italian resident individuals who have elected for the Asset Management Option will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at year end, subject to the Asset Management Tax to be applied on behalf of the taxpayer by the managing authorized intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. Under Law Decree No. 66 of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014, only 48.08% of net capital losses of the investment portfolio accrued prior to December 31, 2011 may be carried forward and offset against future net accrued profits (62.5% for net profits accrued before July 1, 2014), within the foregoing time limits; such percentage was increased to 76.92% for net capital losses accrued between January 1, 2012 and June 30, 2014 under Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014. Under the Asset Management Option, a noteholder is not required to report capital gains realized in its annual tax declaration and may remain anonymous.

In respect of Notes held by Funds, capital gains on the Notes are not taxable at the level of such Funds. The proceeds of the Funds are generally subject to a withholding tax of 26%, pursuant to Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 (20% before July 1, 2014) applied to the Fund's investors, on account of taxes or as final tax depending on the status of the investor, subject to certain exemptions. See also *"—Tax Treatment of the Notes—Italian Resident Noteholders—Imposta Sostitutiva Not Applicable*" above.

In respect of Notes held by Pension Funds, capital gains on the Notes will be included in the computation of the tax liability of the Pension Fund Tax. See also *"—Tax Treatment of the Notes—Italian Resident Noteholders—Imposta Sostitutiva Not Applicable*" above.

Capital gains realized on Notes held by Real Estate Investment Funds are not taxable at the level of such Real Estate Investment Fund. Depending on the nature and residence of each investor, as well as on its investment ratio, any income realized by Real Estate Investment Funds, including capital gains, may be directly attributed to the relevant investor regardless of its distribution, or taxed by way of application of a 26%, pursuant to Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 (20% before July 1, 2014) withholding tax at the moment of the distribution. See also "—Tax Treatment of the Notes—Italian Resident Noteholders—Imposta Sostitutiva Not Applicable" above.

Capital Gains Realized by Non-Italian Resident Noteholders

The 26% final imposta sostitutiva on capital gains, pursuant to Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 (20% for capital gains realized before July 1, 2014), may be payable on capital gains realized upon the sale or redemption of the Notes by non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy. However, pursuant to Article 23, letter f), n. 3 of Decree 917, capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer and traded on regulated markets in Italy or abroad are not subject to the imposta sostitutiva, subject to timely filing of required documentation (in particular, a self- declaration that the Noteholder is not resident in Italy for tax purposes). As of the date of this offering memorandum, the Italian tax authorities have not officially confirmed whether a multi-lateral trading platform qualifies for this exemption. Capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer, even if not traded on regulated markets, are not subject to the *imposta sostitutiva*, provided that the beneficial owner is:

(a) resident, for tax purposes, in a White List country;

(b) an international body or entity set up in accordance with international agreements which have entered into force in Italy;

(c) an "institutional investor", whether or not subject to tax, which is established in a White List country, even if it does not possess the status of a taxpayer in its own country of establislnnent; or

(d) a central bank or an entity which manages, *inter alia,* the official reserves of a foreign State.

In order to ensure gross payment, qualifying non-Italian resident Noteholders must be the beneficial owners of the payments of the Interest and must:

(a) deposit, directly or indirectly, the Notes with a resident bank or a SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralized securities management system which is in contact, through a *telematic link,* with the Ministry of Economy and Finance; and

(b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva.*

This statement, which is not required for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign central banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by the Ministerial Decree of 12 December 2001.

If none of the above conditions above is met, capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer and not traded on regulated markets may be subject to the *imposta sostitutiva* at the current rate of 26%, pursuant to Law Decree No. 66. of April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 (20% for capital gains realized before July 1, 2014). However, where meeting the relevant conditions, Noteholders could benefit from an applicable tax treaty with Italy. Under the majority of treaties in force with Italy, capital gains shall be taxable in the State of residence of the alienator and, therefore, the 26%, pursuant to Law Decree No. 66. of

April 24, 2014, converted into law with amendments through Law No. 89 of June 23, 2014 (20% for capital gains realized before July 1, 2014) *imposta sostitutiva* should not apply provided that double tax treaty protection is available.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian resident persons and entities holding Notes deposited with an Intermediary, but non-Italian resident Noteholders retain the right to waive this regime.

Italian Inheritance and Gift Tax

The transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

- a rate of 4% for transfers in favor of the spouse or direct relatives exceeding, for each beneficiary, the threshold of €1 million;
- a rate of 6% for transfers in favor of siblings exceeding, for each beneficiary, the threshold of €100,000;
- a rate of 6% for transfers in favor of relatives up to the fourth degree and to all relatives in law in direct line and to other relatives in law up to the third degree, irrespective of the value of the Notes; and
- a rate of 8% for transfers in favor of any other person or entity, irrespective of the value of the Notes.

If the heir/heiress and/or the donee is a person with a severe disability pursuant to Law n. 104 of February 5, 1992, inheritance or gift tax is applied to the extent that the value of the inheritance or gift exceeds €1.5 million.

Stamp Duty ("bollo"); IVAFE Under Italian Law

The scope of stamp duty ("*bollo*") has been extended also to certain financial investments held through an Italian financial intermediary; subject to certain exemptions, such stamp duty applies at an annual rate of 0.2% on and from January 1, 2014, as provided for under Law No. 147 of December 27, 2013 (0.15% for 2013) with a cap of €14,000 on and from January 1, 2014, as provided for under Law No. 147 of December 27, 2013 (€4,500 for 2013) for investors other than individuals. However, there remains uncertainty in relation to the application of such tax.

If the Notes are held abroad by Italian resident individuals (and are not deposited in Italy nor "managed" by certain Italian intermediaries), an additional "stamp duty" applies (so called "*IVAFE*") at an annual rate of 0.2% on and from January 1, 2014, as provided for under Law No. 147 of December 27, 2013 (0.15% for 2013).

Transfer Tax and Registration Tax

Following the repeal of the Italian transfer tax as of December 31, 2007, contracts relating to the transfer of securities are subject to registration tax as follows: (i) public deeds and notarized deeds ("*atti pubblici e scritture private autenticate*") executed in Italy are subject to fixed registration tax at rate of €200, according to Italian Law Decree No. 104 of September 12, 2013 (€168 before January 1, 2014); (ii) private deeds ("*scritture private non autenticate*") are subject to registration tax at rate of €200, according to Italian Law Decree No. 104 of September 12, 2013, (€168 before January 1, 2014) only in case of use or voluntary registration.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of April 18, 2005 ("Decree No. 84"). Under Decree No. 84, subject to the satisfaction of certain conditions, in respect of interest paid on the Notes (including interest accrued on the Notes at the time of their disposal) to individuals who qualify as beneficial owners of the interest payment and are resident for tax purposes in another EU member state, any "qualified paying agent" resident in Italy shall not apply withholding tax on such interest payment and shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information may be transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

The EU Savings Directive (Council Directive 2003/48/EC) has been modified for by the EU Council Directive 2014/48/EU of March 24, 2014 (published on the Official Journal of the European Union on April 15, 2014). The EU Council Directive 2014/48/EU contains important amendments, among other things, to the EU Savings Directive. The amendments approved with the Council Directive 2014/48/EU, among other things, include the obligation to communicate to the relevant authorities certain details with respect to transactions and cross-border interest payments. Italy is required to implement the provisions of the EU Council Directive 2014/48/EU by January 1, 2016, with such provisions becoming effective on and from January 1, 2017.

Certain U.S. Federal Income Tax Consequences

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of Notes as of the date hereof. This summary deals only with Notes that are held as capital assets by a U.S. holder (as defined below) who acquires the Notes upon original issuance at their initial offering price (generally the first price at which a substantial amount of the Notes is sold to the investors for cash (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriter, placement agent or wholesaler)).

A "U.S. holder" means a beneficial owner of a Note that is for U.S. federal income tax purposes any of the following:

- an individual citizen or resident of the U.S.;

- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury Regulations ("Treasury Regulations") to be treated as a U.S. person.

This summary is based upon provisions of the United States Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. This summary does not address all aspects of U.S. federal income taxes and does not deal with foreign, state, local or other tax consequences that may be relevant to U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, investors in partnerships or other pass-through entities for U.S. federal income tax purposes, tax-exempt entities or insurance companies;
- tax consequences to persons holding the Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to holders of the Notes whose "functional currency" is not the U.S. dollar;
- net investment tax consequences, if any;
- U.S. federal estate or gift tax consequences, if any; or
- alternative minimum tax consequences, if any.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds our Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our Notes, you should consult your tax advisors.

It is currently expected, and the following discussion assumes, that the Notes will not be issued with original issue discount that is equal to or greater than a statutory de minimis amount for U.S. federal income tax purposes.

We will treat the notes offered hereby as having been issued in a "qualified reopening" of the initial notes for U.S. federal income tax purposes. Accordingly, the notes offered hereby will be part of the same issue as, and will be fungible with, the initial notes for U.S. federal income tax purposes.

If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

Characterization of the Notes

In certain circumstances (e.g., as described under "*Description of the Senior Secured Notes—Change of Control*") 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. This position is based in part on assumptions regarding the likelihood, as of the date of issuance of the Notes, that such additional payments will not have to be paid. Our position is not binding on the IRS. If the IRS successfully challenged this position, and the Notes were treated as contingent payment debt instruments, the timing, amount and character of income on the Notes would differ materially from the discussion below. The discussion below assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

Pre-Issuance Accrued Interest

The initial offering price for the Notes offered hereby will include amounts attributable to interest accrued, if any, from May 15, 2014, hereinafter referred to as "pre-issuance accrued interest". Pre-issuance accrued interest will be included in the accrued interest to be paid on the Notes on the first interest payment date after the issuance of the Notes. In accordance with applicable Treasury Regulations, for U.S. federal income tax purposes, the Notes offered hereby will be treated as having been purchased for a price that does not include any pre-issuance accrued interest. If the Notes are so treated, the portion of the first stated interest payment equal to the pre-issuance accrued interest will be treated as a nontaxable return of the amount paid for such pre-issuance accrued interest and, accordingly, will not be taxable as interest on the Notes but should reduce a U.S. holder's basis by a corresponding amount.

Payments of Interest

Interest (other than any pre-issuance accrued interest excluded from the purchase price of a Note, as discussed above under "—*Pre-Issuance Accrued Interest*") will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes. In addition to interest on the Notes (which includes any foreign tax withheld from the interest payments you receive), you will be required to include in income any additional amounts paid in respect of such tax withheld. You may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your applicable foreign taxes for a particular tax year). Interest income (including any additional amounts) on a Note generally will be considered foreign source income and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

If you use the cash basis method of accounting for U.S. federal income tax purposes, you will be required to include in income the U.S. dollar value of the amount received, determined by translating the euros received at the spot rate in effect on the date of receipt regardless of whether the payment is in fact converted into U.S. dollars. You will not recognize exchange gain or loss with respect to the receipt of such payment.

If you use the accrual method of accounting for U.S. federal income tax purposes, you may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued. Under the second method, you may elect to translate interest income at the spot rate on:

- the last day of the accrual period,
- the last day of the taxable year if the accrual period straddles your taxable year, or
- the date the interest payment is received if such date is within five days of the end of the accrual period.

This election will apply to all debt obligations you hold from year to year and cannot be changed without the consent of the IRS. You should consult your own tax advisors as to the advisability of making the above election.

In addition, upon receipt of an interest payment on a Note (including, upon the sale of a Note, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), you will recognize U.S. source ordinary income or loss in an amount equal to the difference, if any, between the U.S. dollar value of such payment (determined by translating the euros received at the spot rate in effect on the date of receipt) and the U.S. dollar value of the interest income you previously included in income with respect to such payment.

Amortizable Bond Premium

If a U.S. holder's initial purchase price for a Note (excluding any pre-issuance accrued interest excluded from the purchase price of a Note, as discussed above under "—*Pre-Issuance Accrued Interest*") exceeds the stated principal amount of the Note, such U.S. holder will be considered to have acquired the Note with amortizable bond premium equal to such excess. Subject to the limitation described below, a U.S. holder generally may elect to amortize any amortizable bond premium over the remaining term of such Note on a constant yield method (based on the Note's yield-to-maturity) as an offset to stated interest. However, because the Notes may be redeemed prior to maturity at a premium, special rules apply that may reduce, eliminate or defer the amount of premium that a U.S. holder may amortize with respect to the Notes. If a U.S. holder makes the election to amortize bond premium, such U.S. holder will be required to reduce its adjusted tax basis in such Note by the amount of the premium amortized in any year. If a U.S. holder does not make this election, the premium will decrease the capital gain or increase the capital loss such U.S. holder would otherwise recognize on disposition of such Note. An election to amortize bond premium on a constant yield method will also apply to all other taxable debt instruments held or subsequently acquired by a U.S. holder on or after the first day of the first taxable year for which the election is made. Such an election may not be revoked without the consent of the IRS. Prospective holders should consult their own tax advisors about this election.

Sale, Exchange, Retirement or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement or other taxable disposition of a Note, you generally will recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, retirement or other taxable disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income, except for pre-issuance accrued interest which will be treated in the manner described above) and your adjusted tax basis in the Note. Your adjusted tax basis in a Note will, in general, be your U.S. dollar cost for such Note (less any amount attributable to pre-issuance accrued interest that is excluded from the purchase price of a Note, as discussed above under "—*Pre-Issuance Accrued Interest*"), reduced by any amortized bond premium. If you purchased your Note with euros, your U.S. dollar cost generally will be the U.S. dollar value of the euros paid for such Note determined at the spot rate on the date of such purchase (or, in the case of a cash basis or electing accrual basis taxpayer, the settlement date of the purchase, if the Note is treated as traded on an established securities market for U.S. federal income tax purposes). If your Note is sold, exchanged, retired or otherwise disposed of in a taxable transaction for euros, the amount realized generally will be based on the spot rate in effect on the date of such sale, exchange, retirement or other taxable disposition (or, in the case of a cash basis or electing accrual basis taxpayer, the settlement date of the sale, exchange, retirement or other taxable disposition, if the Note is treated as traded on an established securities market for U.S. federal income tax purposes).

Subject to the foreign currency rules discussed below, your gain or loss will generally be capital gain or loss and will long-term capital gain or loss if at the time of sale, exchange, retirement or other taxable disposition you have held the Note for more than one year. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realized by you on the sale, exchange, retirement or other taxable disposition of a Note generally would be treated as U.S. source gain or loss.

A portion of your gain or loss with respect to the principal amount of a Note may be treated as exchange gain or loss. Such exchange gain or loss will be treated as ordinary income or loss and generally will be U.S. source gain or loss. For these purposes, the principal amount of the Note is your purchase price for the Note calculated in euros on the date of purchase, and the amount of exchange gain or loss is equal to the difference between (i) the U.S. dollar value of the principal amount determined on the date of the sale, exchange, retirement or other taxable disposition of the Note and (ii) the U.S. dollar value of the principal amount on the date you purchased the Note (or, possibly, in the case of a cash basis or electing accrual basis taxpayer, the settlement dates of such purchase and taxable disposition, if the Note is treated as traded on an established securities market for U.S. federal income tax purposes). The amount of exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of the Note.

Exchange Gain or Loss with Respect to Euros

Your tax basis in euros received as interest on a Note will be the U.S. dollar value thereof at the spot rate in effect on the date the euros are received. Your tax basis in euros received on the sale, exchange, retirement or other taxable disposition of a Note will be equal to the U.S. dollar value of the euros, determined at the time of the sale, exchange, retirement or other taxable disposition. As discussed above, if the Notes are traded on an established securities market, a cash basis U.S. holder (or, upon election, an accrual basis U.S. holder) will determine the U.S. dollar value of the euros by translating the amount received at the spot rate of exchange on the settlement date of the sale, exchange, retirement or other taxable disposition. Accordingly, your basis in the euros received would be equal to the spot rate of exchange on the settlement date.

Any gain or loss recognized by you on a sale, exchange, retirement or other taxable disposition of the euros generally will be ordinary income or loss and generally will be U.S. source gain or loss.

Reportable Transactions

Treasury Regulations meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions are required to be reported to the IRS including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a Note or foreign currency received in respect of a Note to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of a threshold amount. If you are considering the purchase of a Note, you should consult with your own tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Backup Withholding and Information Reporting

Generally, information reporting requirements may apply to payments of principal and interest on a Note, or the proceeds from the sale of a Note, unless you are an exempt recipient. Additionally, if you fail to provide your taxpayer identification number, or in the case of interest payments, fail either to report in full dividend and interest income or to make certain certifications, you may be subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service.

Foreign Financial Asset Reporting

Certain U.S. holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the Notes. You are urged to consult your own tax advisors regarding information reporting requirements relating to your ownership of the Notes.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Notes by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA (collectively, "Similar Laws"), and entities whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement (each, a "Plan").

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an "ERISA Plan") and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest", within the meaning of ERISA, or "disqualified persons", within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition and/or holding of Notes by an ERISA Plan with respect to which the Issuer, an Initial Purchaser or a Guarantor is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or "PTCEs", that may apply to the acquisition and holding of the Notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any ERISA Plan involved in the transaction and provided further that the ERISA Plan pays no more than adequate consideration in connection with the transaction. There can be no assurance that all of the conditions of any such exemptions will be satisfied.

Because of the foregoing, the Notes should not be purchased or held by any person investing "plan assets" of any Plan, unless such purchase and holding will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws.

Representation

Accordingly, by acceptance of a Note, each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Notes constitutes assets of any Plan or (ii) the purchase and holding of the Notes by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTE GUARANTEES AND THE SECURITY INTERESTS AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain limitations on the validity and enforceability of the Note Guarantees and the security interests being provided for the Notes, and a summary of certain insolvency law considerations in each of the jurisdictions in which the Issuer, the Guarantors and Rhiag are incorporated or organized. The description below is only a summary, and does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the Notes or the Note Guarantees or security interests being provided for the Notes. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

European Union

The Issuer, four of the Guarantors (Bidco, the Parent, Auto Kelly CZ and Elit CZ) and Rhiag, are incorporated and organized under the laws of the Member States of the European Union.

Pursuant to Council Regulation (EC) No. 1346/2000 of May 29, 2000 on insolvency proceedings (the "EU Insolvency Regulation"), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company concerned has its "center of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "center of main interests" is a question of fact on which the courts of the different Member States may have differing and conflicting views. The term "center of main interests" is not a static concept. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that any such company has its "center of main interests" in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. In that respect, factors such as where board meetings are held, the location where the company conducts the majority of its business and the perception of the company's creditors as regards the center of the company's business operations may all be relevant in the determination of the place where the company has its "center of main interests".

If the "center of main interests" of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "center of main interests" of a debtor is in one Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" (in the meaning of the EU Insolvency Regulation) in the territory of such other Member State. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

In the event that any one or more of the Issuer, Bidco, the Parent, Auto Kelly CZ, Elit CZ, Rhiag, or any of their respective subsidiaries experience 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. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer, Bidco, the Parent, Auto Kelly CZ, Elit CZ and Rhiag.

England and Wales

The Parent, one of the Guarantors of the Notes, is a company incorporated under the laws of England and Wales (an "English company"). As a general rule, insolvency proceedings with respect to an English company should be commenced in England based on English insolvency laws; although insolvency proceedings in respect of English companies could also be based in other jurisdictions under certain circumstances (please see "—*European Union*" above).

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by (i) the company, its directors, or one or more of its creditors making an application for administration, (ii) the company, its directors, or certain creditors (discussed below) appointing administrators out of court, or (iii) a creditor filing a petition to wind-up the English company or the company resolving to wind itself up (in the case of liquidation). A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely to become, unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes (as described below).

A company is unable to pay its debts if it is insolvent either on a "cash-flow" or "balance-sheet" basis. A company is cash-flow insolvent if it is unable to pay its debts as they fall due. A company is balance-sheet insolvent if the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities.

Administration

The Insolvency Act 1986, as amended (the "UK Insolvency Act") empowers English courts to make an administration order in respect of an English company in certain circumstances. An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge, and different procedures apply according to the identity of the person making the appointment. During the administration, in general, no resolution may be passed, and no order may be made, for the winding up of the debtor and no proceedings or other legal process may be commenced or continued against the debtor, or security enforced over the company's property, except with permission of the court or the consent of the administrator.

Certain creditors of a company in administration may be able to realize their security over that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the administration moratorium in relation to a "security financial collateral agreement" under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended) (the "FCARs").

It is likely, to the extent that it is not a financial collateral arrangement, that the security granted by an English company may not be enforced while it is in administration.

Where a company is in administrative receivership (as described below), an administrator can only be appointed by court order (and only in the limited circumstances set out in the UK Insolvency Act). The appointment of an administrator automatically dismisses any administrative receiver already appointed to the debtor, and any already appointed fixed charge receiver must resign if requested to do so by the administrator, subject to the application of the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended). Where the company is already in administration, no receiver may be appointed.

The administration of a company must achieve one of the following statutory objectives: (1) the rescue of the company (as distinct from the business carried on by the company) as a going concern (the primary objective); (2) the achievement of a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration) (the secondary objective); or (3) the realization of some or all of the company's property to make a distribution to one or more secured or preferential creditors (the tertiary objective). An administrator must attempt to achieve the objectives of administration in order, unless he thinks either that it is not reasonably practicable to achieve the primary objective, or that the secondary objective would achieve a better result for the company's creditors as a whole. Therefore, the administrator cannot pursue the tertiary objective unless he thinks that it is not reasonably practicable to achieve either the primary objective or the secondary objective and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the tertiary objective.

Administrative Receivership

In order to empower the Security Agent to appoint an administrative receiver to an English company, the floating charge granted by the relevant English company must constitute a qualifying floating charge for the purposes of English insolvency law and the qualifying floating charge must, unless the relevant security document pre-dates September 15, 2003, fall within one of the exceptions of the UK Insolvency Act to the prohibition on the appointment of administrative receivers.

In order to constitute a qualifying floating charge in England, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it, (b) purports to empower the holder to appoint an administrator of the company or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the UK Insolvency Act.

The Security Agent will be the holder of a qualifying floating charge if it holds one or more debentures secured by (a) a qualifying floating charge which relates to the whole or substantially the whole of the relevant English company's property, (b) a number of qualifying floating charges which, together, relate to the whole or substantially the whole of the relevant English company's property, or (c) charges and other forms of security which, together, relate to the whole or substantially the whole of the relevant English company's property and one of the charges is a qualifying floating charge.

Liquidation/Winding-Up

Liquidation is an asset realization and distribution procedure under which the assets of the company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the UK Insolvency Act. At the end of the liquidation process the company will normally be dissolved.

Under English insolvency law, a liquidator has the power to disclaim any onerous property by serving the prescribed notice on the relevant party. Onerous property, for these purposes, is any unprofitable contract and any other property of the company which is unsaleable or not readily saleable or is such that it may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company which may be regarded as detrimental to creditors. A contract will not be unprofitable merely because it is financially disadvantageous, or because the company could have made, or could make, a better bargain.

Challenges to Guarantees and Security

There are circumstances under English insolvency law in which the granting by an English company of security and guarantees can be challenged. In most cases, this will only arise if the onset of the English company's insolvency (as described below) is within a specified period of the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, the administrator or liquidator may challenge the validity of the security or guarantee given by such company. The Issuer cannot be certain that, in the event that the onset of the Parent's insolvency is within any of the requisite time periods set out below, the grant of a security interest or guarantee by the Parent in respect of the Notes would not be challenged or that a court would uphold the transaction as valid.

Onset of Insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges (all discussed below), depends on the insolvency procedure in question.

In administration, the onset of insolvency is the date on which (a) the court application for an administration order is issued or (b) the notice of intention to appoint an administrator is filed at court, or (c) otherwise, the date on which the appointment of an administrator takes effect.

In a compulsory liquidation the onset of insolvency is the date the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency will be as for the initial administration.

Connected Persons

A "connected person" of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences and invalid floating charges is a party who is (i) a director of the company, (ii) a shadow director, (iii) an associate of such director or shadow director, or (iv) an associate of the relevant company.

A party is associated with an individual if they are (i) a relative of the individual, (ii) the individual's husband, wife or civil partner, (iii) a relative of the individual's husband, wife or civil partner, or (iv) the husband, wife or civil partner of a relative of the individual.

A party is associated with a company if they are employed by that company.

A company is associated with another company if (i) the same person has control of both companies, or (ii) it is controlled by a person, that person's associates have control of the other company, or (iii) it is controlled by a group of two or more persons who also control the other company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

The potential grounds for challenge available under the English insolvency legislation that may apply to any security interest or guarantee granted by an English company include, without limitation:

Transaction at an Undervalue

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or guarantee constituted a transaction at an undervalue. It will only be a transaction at an undervalue if at the time of the transaction or in consequence of the transaction, the English company is unable to pay its debts or becomes unable to pay its debts (as defined in Section 123 of the UK Insolvency Act). The transaction can be challenged if the onset of the English company's insolvency is within a period of two years from the date the English company grants the security interest or the guarantee. A transaction might be subject to being set aside as a transaction at an undervalue if the company made a gift to a person, if the company received no consideration or if the company received consideration of significantly less value, in money or money's worth, than the consideration given by such company. However, a court will generally not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the company to the position it would have been in had it not entered into the transaction. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent unless a beneficiary of the transaction was a connected person (as set out above), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings.

Preference

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believed that the creation of such security interest or such guarantee constituted a preference. It will only be a preference if at the time of the transaction or in consequence of the transaction the English company is unable to pay its debts or becomes unable to pay its debts (as defined in Section 123 of the UK Insolvency Act). The transaction can be challenged if the onset of the English company's insolvency is within a period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company takes the decision to grant the security interest or the guarantee. A transaction may constitute a preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction was a preference, the court can make such order as it thinks fit to restore the company to the position it would have been in had it not entered into the transaction. However, for the court to determine a preference, it must be shown that the

English company was influenced by a desire to produce that result. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent and that there was such desire to prefer the relevant creditor, unless the beneficiary of the transaction was a connected person, in which case the connected person must demonstrate in such proceedings that there was no such desire, on the part of the company, to prefer them.

Transaction Defrauding Creditors

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purpose of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction and is not therefore limited to liquidators or administrators and, subject to certain conditions, the UK Financial Conduct Authority and the UK Pensions Regulator. There is no statutory time limit in the English insolvency legislation within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a person other than the debtor company in good faith, for value and without notice of the relevant circumstances, and will not require a person who received a benefit from such transaction to pay any sum unless such person was a party to the transaction.

Avoidance of Floating Charges

Under English insolvency law, floating charges created by an English company within a period of one year prior to the onset of the English company's insolvency (or two years in the case of a floating charge in favour of a connected person) at a time when the English company was unable to pay its debts or became unable to do so as a consequence of the transaction, will be invalid, except to the extent of the value of (i) the money paid to, or (ii) the goods or services supplied to, or (iii) any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge (plus certain interest) (the "Consideration"). The requirement for an English company to be insolvent at the time of granting the floating charge or becoming insolvent as a consequence of doing so does not apply where the floating charge is granted to a connected person.

If the floating charge qualifies as a "security financial collateral agreement" under the FCARs then the floating charge will not be subject to challenge as described in the paragraph above.

An administrator or liquidator (as applicable) does not need to apply to court for an order declaring that a floating charge is invalid. Any floating charge created during the relevant time period is automatically invalid, except to the extent of the value of the Consideration, whether the relevant English company is solvent or insolvent at the time of grant.

Priority of Claims

One of the primary functions of administration and liquidation under English law is to realize the assets of the insolvent company and to distribute realisations made from those assets to its creditors. Under the UK Insolvency Act and the Insolvency Rules 1986, creditors are placed into different classes, with the proceeds from the realization of the insolvent company's property applied in descending order of priority, as set out below. With the exception of the "Prescribed Part" (please see "—*Prescribed Part*" below), distributions cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been paid in full. Unless creditors have agreed otherwise, distributions are made on a *pari passu* basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

The general priority of claims on insolvency is as follows (in descending order of priority):

First ranking claims: holders of fixed charge security and creditors with a proprietary interest in assets of the debtor;

Second ranking claims: expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);

Third ranking claims: preferential creditors. Preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to occupational and state pension schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; and (iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date. As between one another, preferential debts rank equally;

Fourth ranking claims: holders of floating charge security, according to the priority of their security. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must be set aside for distribution to unsecured creditors (please see "—*Prescribed Part*");

Fifth ranking claims: unsecured creditors. However, any secured creditor not repaid in full from the realization of assets subject to its security can also claim the remaining debt due to it (a shortfall) from the insolvent estate as an unsecured claim. To pay a shortfall, the officeholder can only use realization from unsecured assets, as secured creditors are not entitled to any distribution from the Prescribed Part in respect of a shortfall;

Sixth ranking claims: shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Prescribed Part

An administrator, receiver (including administrative receiver) or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (the "Prescribed Part"). Under current law, this applies to 50% of the first £10,000 of floating charge realisations and 20% of the remainder over £10,000, and the Prescribed Part is subject to a maximum aggregate cap of £600,000. The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors. As noted above, the Prescribed Part will not be available for any shortfall claims of secured creditors.

Foreign Currency

Under English insolvency law any debt of a company payable in a currency other than pound sterling (such as Euro in the case of the Notes) must be converted into pound sterling at the "official exchange rate" prevailing at the date when the company went into liquidation or administration (if the administration was immediately preceded by a winding up, on the date the company went into liquidation). This provision overrides any agreement between the parties. The "official exchange rate" for these purposes is the middle exchange rate on the London Foreign Exchange Market at close of business, as published for the date in question or, if no such rate is published, such rate as the court determines.

Republic of Italy

Certain Italian Insolvency Laws

The Issuer, one of the Guarantors (Bidco), Bertolotti and Rhiag, are incorporated in the Republic of Italy and, in the event of an insolvency event affecting any of these entities, insolvency proceedings may be initiated in Italy. In Italy, the courts play a central role in the insolvency process and in-court procedures may be materially more complex and time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy. Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts.

The two primary aims of Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "Italian Bankruptcy Law"), are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claims as well as, in case of the "*Prodi-bis*" procedure or "*Marzano*" procedure, to maintain employment. These competing aims have often been balanced by selling businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, and a focus on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as they become due. This must be a permanent, and not a temporary, status in order for a court to hold that a company is insolvent.

In cases where a company is in distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

In addition, the following forms of debt restructuring and bankruptcy are available under Italian law for companies in a state of crisis and for insolvent companies.

Out-of-Court Reorganization Plans (piani di risanamento) Pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed by the debtor has to verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company.

The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions (i) are not subject to clawback action and (ii) are exempted from certain potentially applicable criminal sanctions. Neither ratification by the court nor publication in the companies' register are needed (although publication in the companies' register is possible upon a debtor's request and would allow for certain tax benefits) and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

Debt Restructuring Agreements with Creditors (accordi di ristrutturazione dei debiti) Pursuant to Article 182-bis of the Italian Bankruptcy Law

Out-of-court agreements for the restructuring of indebtedness entered into with creditors representing at least 60% of the outstanding company's debts can be ratified by the court. An expert appointed by the debtor must assess the truthfulness of the business data provided by the company and declare that the agreement is feasible and, particularly, that it ensures that the debts of the nonparticipating creditors can be fully satisfied within the following time frames: (i) 120 days from the date of ratification of the agreement by the court, in the case of debts which are due and payable to the nonparticipating creditors as at the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court; and (ii) 120 days from the date on which the relevant debts fall due, in case of receivables which are not yet due and payable to the nonparticipating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a state of crisis (*i.e.*, facing distress which does not yet amount to insolvency) can initiate this process and request the court's sanctioning (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor and cannot obtain any security interest (unless agreed) in relation to pre-existing debts. Such moratorium can be requested, pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law, by the debtor from the court pending negotiations with creditors (prior to the above-mentioned publication of the agreement), subject to the fulfillment of certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. In such hearing, the court assesses whether the conditions for granting the moratorium are in place and, if they are, orders that no interim relief or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which the restructuring agreement has to be filed. The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium.

The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, *inter alia*, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party and may contain, refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. The court will, after having settled the oppositions (if any), validate the agreement by issuing a decree, which may be appealed within 15 days of its publication.

Pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the court, pending the sanctioning (*omologazione*) of the agreement pursuant to Article 182-*bis*, paragraph 1, or after the filing of the instance pursuant to Article 182-*bis*, paragraph 6, or a petition for a *concordato preventivo*, also pursuant to Article 161, paragraph 6, may authorize the debtor (i) to incur in new indebtedness pre-deductible, provided that the expert appointed by the debtor declares the aim of the new financial indebtedness results in a better satisfaction of the creditors, and (ii) to pay debts deriving from the supply of services or goods, already payable and due, provided that the expert declares that such payment is essential for the keeping of company's activities and to ensure the best satisfaction for all creditors.

Court-Supervised Pre-Bankruptcy Composition with Creditors (concordato preventivo)

A company which is insolvent or in a situation of crisis, but has not been declared insolvent by the court, has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenues (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can file a petition with the court for a *concordato preventivo* (together with, *inter alia*, the proposed agreement and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business data provided by the company). The petition for *concordato preventivo* is then published by the debtor in the companies' register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Pre-existing creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the companies' register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring of debts and the satisfaction of creditors' claims (including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law). The debtor company may file such petition along with (i) its financial statements from the latest three financial years and, pursuant to the recent Italian Law Decree No. 69/2013 as converted into law No. 98/2013 ("Law Decree 69/2013"), (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension. In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-*bis* of the Italian Bankruptcy Law). Pursuant to Law Decree 69/2013, the court, if it accepts such preliminary petition, may (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (*e.g.* concealment of part of assets, omission to report one or more claims, declaration of non-existent liabilities or commission of other fraudulent acts), shall report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo* and (ii) set forth reporting and information duties of the company during the above mentioned period.

The debtor company may not file such pre application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (relating also to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company shall file, on a monthly basis, the company's financial position, which is published, the following day, in the companies' register. Non-compliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, *ex officio*, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may (i) carry out acts pertaining to its ordinary activity and (ii) seek the court's authorization to carry out acts pertaining to its extraordinary activity, to the extent they are urgent. Claims arising from acts lawfully carried out by the distressed company are treated as super senior (so called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the clawback action provided under Article 67 of the Italian Bankruptcy Law. Law No. 9/2014 specified that the super- seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that (i) the debtor's company's business continues to be run by the debtor's company as a going concern, or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenues which are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert shall also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented.

Furthermore, the going concern-based arrangements with creditors can provide for, *inter alia*, the winding-up of those assets which are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge (who shall authorize all transactions that exceed the ordinary course of business).

The *concordato preventivo* is voted on at a creditors' meeting and must be approved by the majority (by value of claims) of the creditors entitled to vote and, where there are different classes of creditors also, by the majority of classes. Creditors who have not voted will be deemed to approve the *concordato preventivo* proposal if they fail to notify their objection via telegraph, fax, mail or e-mail to such proposal within 20 days from the closure of the minutes of that creditors' meeting. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if (i) the majority of classes has approved it, and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Bankruptcy (fallimento)

A request to declare a debtor company bankrupt and to commence bankruptcy proceedings (*fallimento*) and the judicial liquidation of the debtor company's assets can be filed by the debtor company itself, any of its creditors and, in certain cases, by the public prosecutor. The bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met (*i.e.*, the company has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, gross revenues (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years and has total indebtedness in excess of €0.5 million). On the commencement of bankruptcy proceedings:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances secured creditors may enforce against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (*giudice delegato*). After hearing the bankruptcy receiver and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in its decision;
- the administration of the debtor company and the management of its assets pass from the debtor company to the bankruptcy receiver (*curatore fallimentare*);
- any act of the debtor company done after a declaration of bankruptcy (including payments made) is ineffective against the creditors;
- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors; and
- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over. Although the general rule is that the bankruptcy receiver is allowed to either continue or terminate contracts where some or all of the obligations have not been performed by both parties, certain contracts are subject to specific rules expressly provided for by the Italian Bankruptcy Law.

The bankruptcy proceedings are carried out and supervised by a court- appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of any one of the creditors, but is responsible for the liquidation of the assets of the debtor for the satisfaction of the creditors as a whole. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. The Italian Bankruptcy Law provides for a priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of Italian law (and, as a consequence, it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by applicable law).

Bankruptcy Composition with Creditors (concordato fallimentare)

A bankruptcy proceeding can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The proposal can be filed, by one or more creditors or third parties, from the declaration of bankruptcy. By contrast, the debtor or its subsidiaries are only permitted to file such proposal after one year following such declaration, but within two years following the decree giving effectiveness to the liabilities account (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal.

The proposal may provide for the division of creditors into classes (thereby proposing different treatment among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court ratification is also required.

Statutory Priorities

The statutory priority given to creditors under the Italian Bankruptcy Law may be different from that established in the United States, the United Kingdom and certain other EU jurisdictions. Neither the debtor nor the court can deviate from the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). The rules of statutory priority apply irrespective of whether the proceeds are derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "pre-deductible" claims (*i.e.*, claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors including, *inter alia*, a claim whose priority is legally acquired (*i.e.*, repayment of rescue or interim financing, mentioned above), the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priority claims are those of "privileged" creditors (*creditori privilegiati*; a priority in payment in most circumstances, but not exclusively, provided for by law), mortgagees (*creditori ipotecari*), pledgees (*creditori prignoratizi*) and unsecured creditors (*crediti chirografari*).

Avoidance Powers in Insolvency

Under Italian law, there are "clawback" or avoidance provisions that may lead to, *inter alia*, the revocation of payments made or security interests granted by the debtor prior to the declaration of bankruptcy. The key avoidance provisions include, but are not limited to, transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Clawback rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy, compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, depending on the circumstances, the Italian Bankruptcy Law provides for a clawback period of up to either one year or six months in certain circumstances (please note that in the context of extraordinary administration procedures—see below—in relation to certain transactions the clawback period can be extended to five and three years, respectively) and a two-year ineffectiveness period for certain other transactions.

The Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner, as detailed below.

(a) *Acts ineffective by operation of law*

(i) Under Article 64 of the Italian Bankruptcy Law, all transactions entered into for no consideration are ineffective *vis- à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration; and

(ii) under Article 65 of the Italian Bankruptcy Law, payments of debts falling due on the day of the declaration of insolvency or thereafter are deemed ineffective *vis-à-vis* creditors if made by the debtor in the two-year period prior to the insolvency declaration.

(b) *Acts which could be declared ineffective at the request of the bankruptcy receiver/court commissioner*

(i) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) *vis-à-vis* the bankruptcy as provided for by article 67 of the above referenced Royal Decree and be declared ineffective unless the other party proves that it had no actual or constructive knowledge of the debtor's insolvency:

  (I) the onerous transactions entered into in the year preceding the insolvency declaration, where the value of the debt or of the obligations undertaken by the debtor exceeds by 25% the value of the consideration received by and/or promised to the debtor;

  (II) payments of debts, due and payable, made by the debtor, which were not paid in cash or by other customary means of payment in the year preceding the insolvency declaration;

  (III) pledges and mortgages granted by the bankrupt entity in the year preceding the insolvency declaration in order to secure pre-existing debts which have not yet fallen due; and

  (IV) pledges and mortgages, granted by the bankrupt entity in the six months preceding the insolvency declaration, in order to secure debts which had fallen due.

(ii) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) and declared ineffective if the bankruptcy receiver proves that the other party knew that the bankrupt entity was insolvent at the time of the act or transaction:

(I) the payments of debts that are immediately due and payable and any onerous transactions entered into or made in the six months preceding the insolvency declaration; and

(II) the granting of security interests securing debts (even those of third parties) and made in the six months preceding the insolvency declaration.

(iii) The following transactions are exempt from clawback actions:

(I) a payment for goods or services made in the ordinary course of business and in accordance with market practice;

(II) a remittance on a bank account, provided that it does not reduce the bankrupt entity's debt towards the bank in a material and lasting manner;

(III) a sale, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a nonresidential property that is intended as the main seat of the enterprise of the purchaser, on the condition that, as at the date of the insolvency declaration, such activity is actually exercised or the investments for the start of such activity have been carried out;

(IV) transactions entered into, payments made and security interests granted with respect to the bankrupt entity's goods, provided that they concern the implementation of a *piano di risanamento attestato* (see "*—Out-Of-Court Reorganization Plans (Piani di risanamento) Pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law*" above);

(V) a transaction entered into, payment made or security interest granted to implement a *concordato preventivo* (see Court-Supervised Pre-bankruptcy Composition with Creditors (*concordato preventivo*)) or an *accordo di ristrutturazione dei debiti* under Article 182-*bis* of the Italian Bankruptcy Law (see Debt Restructuring Agreements with Creditors (*accordi di ristrutturazione dei debiti*) Pursuant to Article 182-bis of the Italian Bankruptcy Law) and transactions entered into, payments made and security interests granted after the filing of the application for a *concordato preventivo* (see above);

(VI) remuneration payments to the bankrupt entity's employees and consultants; and

(VII) a payment of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared without effect *vis-à-vis* the acting creditors within the Italian Civil Code ordinary clawback period of five years (*revocatoria ordinaria*). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions through which the bankrupt entity disposed of its assets to the detriment of such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, that such transaction was fraudulently entered into by the debtor in order to cause detriment of such creditor's rights) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, such third party participated in the fraudulent scheme).

Extraordinary Administration for Large Insolvent Companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)

An extraordinary administration procedure applies under Italian law for large industrial and commercial enterprises (the *Prodi-bis* procedure). The relevant company must be insolvent, but demonstrating serious recovery prospects. To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. Either of the creditors, the debtor, a court or the public prosecutor may make a petition to commence an extraordinary administration procedure. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

There are two main phases—a "judicial phase" and an "administrative phase".

Judicial Phase

In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissiario giudiziale*) to investigate whether the company has serious prospects for recovery via a business sale or reorganization. The judicial receiver files a report with the court within 30 days, and within 10 days from such filing, the Italian Productive Activities Minister (the "Ministry") may make an opinion on the admission of the company to the extraordinary administration procedure. The court then decides (within 30 days from the filing of the report) whether to admit the company to the procedure or to place it into bankruptcy.

Administrative Phase

Assuming that the company is admitted to the extraordinary administration procedure, the administrative phase begins and an extraordinary commissioner (or commissioners) is appointed by the Ministry. The extraordinary commissioner(s), prepares a plan which can provide for either the sale of the business as a going concern within one year (unless extended by the Ministry) (the "Disposal Plan") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "Recovery Plan"). The plan may also include an arrangement with creditors (*e.g.*, a debt for equity swap, an issue of shares in a new company to whom the assets of the company have been transferred, *etc*.) (*concordato*). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner.

In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry.

The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan, failing which the company is declared bankrupt.

Industrial Restructuring of Large Insolvent Companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

Introduced in 2003, the industrial restructuring of large insolvent companies is also known as the "Marzano" procedure. It is complementary to the *Prodi-bis* procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to be faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry is made together with the filing to the court for the declaration of the insolvency of the debtor.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt. The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Compulsory Administrative Winding-Up (liquidazione coatta amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for certain companies, including, *inter alia*, public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be made subject to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is a special sort of insolvency proceeding in which the entity is liquidated not by the bankruptcy court, but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also on other grounds expressly provided for by the relevant legal provisions (*e.g.*, in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions). The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect on creditors of the forced administrative winding-up is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

Certain Italian Law Considerations in Relation to Guarantees and Security Interests and Certain Other Additional Italian Legal Considerations

Corporate Benefit and Financial Assistance Issues under Italian Law

Under Italian law, the entry into of a transaction (including the creation of a security interest or the granting of a guarantee) by a company must be permitted by the applicable laws and by its by-laws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit and corporate authorization. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization, refinancing or restructuring, financial assistance issues may also be triggered.

Corporate Benefit

An Italian company entering into a transaction (including granting a security interest or a guarantee) must receive a real and adequate benefit in exchange for it. The concept of a real and adequate benefit is not specifically defined in the applicable legislation and is determined by a factual analysis on a case-by-case basis. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration.

As a general rule, absence of a real and adequate corporate benefit could render the transaction (including granting a security interest or a guarantee) *ultra vires* and potentially affected by conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be the subject matter of challenges and annulment. Civil liabilities also may be imposed on the directors of the company if it is assessed that they did not act in the interest of it and that the acts they carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also lead to civil liabilities on those companies or persons ultimately exercising control over the Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the transaction (including the security interest or guarantee granted by an Italian company) could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the company.

The above principles on corporate benefit apply equally to upstream/crossstream/downstream security interest or guarantees granted by Italian companies.

In relation to security interests or guarantees, while corporate benefit for a downstream security or guarantee (*i.e.*, a security or a guarantee granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) can usually be easily proved, the validity and effectiveness of an upstream or cross-stream security or guarantee (*i.e.*, a security interest or a guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it. In particular, in case of upstream and cross-stream security interests or guarantees for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of that group.

Financial Assistance

Save for specific exceptions, it is unlawful under Italian laws for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company, and any loan, guarantee or security given or granted in breach of these provisions is null and void. Financial assistance to refinance indebtedness incurred by a company to purchase or subscribe for its own shares or quotes or those of its direct or indirect parent company might also be considered as falling within the scope of Italian financial assistance provisions.

Certain Limitations on Enforcement

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the "suspect period"). For a more detailed explanation of the terms, conditions and consequences of clawback actions in an insolvency scenario, see "*—Certain Italian Insolvency Laws*" above.

If challenged successfully, the guarantee or the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest or guarantee is voided, holders of the Notes could lose the benefit of the security interest or guarantee and may not be able to recover any amounts under the related security documents.

In addition, under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, security, agreement and any other act by which it disposes of any of its assets, in order to seek a clawback action (*azione revocatoria ordinaria*) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, security, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke the said guarantee, security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit;
- that, in the case of non-gratuitous act, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

Furthermore, under fraudulent conveyance and other provisions of Italian law, a court could void or invalidate all or a portion of the obligations of a guarantor under the relevant guarantee and, if payment had already been made under that guarantee, require the recipients of that payment to return the payment to the relevant guarantor, if the court found that, *inter alia*:

(i) the relevant guarantor gave such guarantee with actual intent to hinder, delay or defraud its current or future creditors or with a desire to prefer some creditors over others, or when the beneficiary of the guarantee was aware that the relevant guarantor was insolvent when it gave the relevant guarantee;

(ii) the relevant guarantor did not receive fair consideration or reasonably equivalent value for its guarantee or the relevant guarantor was insolvent at the time the guarantee was given;

(iii) the relevant guarantee was held to exceed the corporate objects of the relevant guarantor or not to be in the best interest or for the corporate benefit of the relevant guarantor; or

(iv) the guarantor giving such guarantee was aware, or should have been aware, that the transaction was to the detriment of the creditors.

If a court decided either that a guarantee was a fraudulent conveyance and voided such guarantee, or held it unenforceable for any other reason, the beneficiary of the guarantee may cease to have any claim with respect to the relevant guarantor. The same would also apply to any security interest.

Certain Considerations in Relation to Security Interests

Parallel Debt

It is uncertain and untested in the Italian courts whether, under Italian law, a security interest can be created and perfected: (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of a "trustee", since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as agent or trustee under security interests granted over Italian assets is uncertain under Italian law.

Given the above and considering that the holders of the Notes are not party to the Italian law governed security documents, there is a risk that an Italian court may determine that the holders of the Notes (in relation to which the relevant perfection formalities acknowledging their status as a secured creditor are not perfected at the time of enforcement) are not secured by the security interests created under the Italian law governed security documents and/or cannot enforce that security interest.

To address the above potential issue, the Intercreditor Agreement provides for the creation of a "parallel debt".

Pursuant to the parallel debt claim and subject to the terms of the Intercreditor Agreement and to applicable law, the Security Agent, in its individual capacity acting in its own name and not as agent or representative of the holders of the Notes, shall become the holder of a claim equal to each amount payable by an obligor under the Notes. The security interests in the Notes Collateral governed by Italian law will then secure the parallel debt. However, investors should note that the enforceability of Italian law governed security interests granted in favor of the creditor of a parallel debt has not been tested before the Italian courts and, therefore, it cannot be excluded that the parallel debt will not per se eliminate or mitigate the risk of unenforceability by the holders of the Notes of the Notes Collateral securing the Notes governed by Italian law.

Rappresentante Comune

The enforceability of Italian law security interests granted in favor of a trustee acting as trustee and common representative (*rappresentante comune*) of the relevant creditors pursuant to Articles 2417 and 2418 of the Italian Civil Code has not been tested before the Italian courts and, therefore, the risk of the relevant creditors being unable to enforce Italian law security interests cannot be eliminated or mitigated. Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) of creditors may be validly appointed by means of a contractual arrangement, including in the form of an indenture (establishing the terms of an issuance of notes or bonds) or other similar contractual arrangements.

Whitewash Procedure

In order to provide a Note Guarantee and to grant the security interests described in this offering memorandum to secure the Notes (collectively, the "Bidco Credit Support"), Bidco carried out a "whitewash procedure" under Article 2358 of the Italian Civil Code (the "Whitewash Procedure"). As of the date on the front cover page of this offering memorandum, the validity of the Whitewash Procedure has not been tested before the Italian Courts.

Pursuant to the Italian Civil Code, the Whitewash Procedure requires the following: (i) the Bidco Credit Support must be authorized by the Issuer at an extraordinary shareholders meeting; and (ii) the board of directors of Bidco must prepare a written report (to be deposited at Bidco's registered office 30 days prior to the extraordinary shareholders meeting (unless such requirement is waived with the consent of the Issuer and Bidco's statutory auditors)) indicating the reasons for providing the Bidco Credit Support, the impact of providing the Bidco Credit Support on Bidco's solvency, the specific purpose for providing the Bidco Credit Support, the risk factors associated with providing the Bidco Credit Support with reference to the liquidity, the solvency and the price of purchase and/or subscription of the shares in Bidco. The board of directors of Bidco also needs to verify that the provision of the Bidco Credit Support is provided on "market conditions", including with specific reference to the Notes, the interest rate of the Notes and the creditworthiness of the Issuer.

Notwithstanding the foregoing, in any event, under Article 2358, paragraph 6, of the Italian Civil Code, the ability of holders of the Notes to recover on the Bidco Credit Support will be limited to an amount not greater than that of the distributable profits and the available reserves as set out in the most recent "duly approved financial statements" of Bidco before completion of the Whitewash Procedure. In this respect, it is anticipated that the Indenture (including the form of the Note Guarantee to be provided by Bidco) and the relevant confirmation and extension agreements to the Security Documents to be entered into by Bidco will reflect the foregoing limitations as to the amount of the obligations that will be guaranteed and secured in respect of the Notes, as the case may be, by Bidco, upon completion of the Whitewash Procedure. However, the maximum size of the Bidco Credit Support may be increased or decreased from time to time based on the most recently available financial statements of Bidco in line with the procedures outlined in the Indenture and in accordance with Italian law (including the requirement of completing further whitewash procedures). See "*Description of the Senior Secured Notes—Note Guarantees*".

In addition, under Article 2358, paragraph 6, of the Italian Civil Code, reserves which are not distributable in an amount equal to the guarantees issued or security granted in respect of a principal debt obligation must be accounted for as liability in the financial statements of the relevant Italian security provider/guarantor. Accordingly, a corresponding amount of reserves will not be available for distribution by Bidco until the Bidco Credit Support has been released or discharged, as applicable.

General

The procedures for the enforcement of Italian law security and the timing for obtaining judicial decisions (including in relation to security enforcement) in the Republic of Italy are materially complex and time-consuming, especially given that the Italian courts maintain a significant role in the enforcement process, in comparison to other jurisdictions with which investors may be familiar.

Switzerland

Limitations on Enforcement of Guarantees and Security Interests

Any guarantee, indemnity, security or other benefit, as well as any other undertaking contained in any agreement having the same or a similar effect, such as, but not limited to, the waiver of set-off or subrogation rights or the subordination of intra-group claims, granted by RGL or Elit (each a "Swiss Obligor"), which are each organized under the laws of Switzerland, for the benefit of the Swiss Obligor's direct and indirect shareholders (so-called "Up-stream Obligations") are subject to certain restrictions and risk being held invalid or partially invalid under Swiss corporate law. Therefore, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain "limitation language" in relation to Up-stream Obligations of a Swiss Obligor. Similar limitations apply in instances where any guarantee, indemnity, security or other benefit is granted for the benefit of a direct or indirect subsidiary of a direct or indirect shareholder of a Swiss Obligor (so-called "Cross-stream Obligations").

Limitations on the enforcement of any guarantee and/or security interest granted by a Swiss Obligor apply in relation to Up-stream Obligations and Cross-stream Obligations. The ability of a Swiss Obligor to assume Up-stream/Cross-stream Obligations is restricted under Swiss law insofar as such Up-stream/Cross-stream Obligations must be within the corporate purposes and interests of the Swiss Obligor and must not result in a repayment of the legally protected reserves (*gesetzlich geschützte Reserven*) or other non-permitted distribution of assets to shareholders, board members or other persons close (*nahestehend*) to the Swiss Obligor. In light of the foregoing, it is standard market practice to limit the value of any Up-stream/Cross-stream Obligations assumed by a Swiss collateral guarantor to its freely distributable equity at the time of enforcement. Freely distributable equity is equal to the maximum amount that the Swiss Obligor can distribute to its shareholders as a dividend payment under Swiss law at such time, which is currently the total shareholder equity less the total of (i) the aggregate share capital and (ii) the statutory reserves (to the extent such reserves cannot be transferred into unrestricted, distributable reserves). In addition, the performance of Up-stream/Cross-stream Obligations may require further corporate action by the Swiss Obligor.

In addition, the enforcement of a Swiss Obligor's Up-stream/Cross-stream Obligations may give rise to Swiss withholding taxes (of up to 35% at current rates, subject to applicable double-taxation treaties) to the extent that the payment or enforcement of such Up-stream/Cross-stream Obligations are regarded as a deemed dividend distribution. Under Swiss law, the obligation of the Swiss Obligor to gross-up, indemnify or otherwise hold harmless the secured parties for the deduction of Swiss withholding tax may not be valid and, thus, may prejudice the enforceability of anything to the contrary contained in the Indenture or any other Notes documentation. In addition, the obligation to gross-up, indemnify or otherwise hold harmless the secured parties for the deduction of Swiss withholding tax in connection with Up-stream/Cross-stream Obligations granted by a Swiss Obligor would in any case be limited by the amount of the freely distributable equity of that Swiss Obligor. However, this restriction should not in any way limit any obligations of the Issuer to indemnify the secured parties in respect of the deduction of Swiss withholding tax, including, without limitation, any tax indemnity undertaking under the Indenture or any other Notes documentation.

Insolvency

The Swiss Obligors are incorporated under the laws of Switzerland and, in the event of an insolvency of any of the Swiss Obligors, insolvency proceedings may be initiated in Switzerland. The insolvency laws of Switzerland may not be as favorable to the interests of the holders of the Notes as creditors as the laws of other jurisdictions with which such holders may be familiar. In addition, on January 1, 2014, a revision of Swiss insolvency law introducing certain measures aimed at facilitating successful restructurings entered into force. Generally, the revision is perceived to have made restructurings more attractive for Swiss debtors.

The following is a brief description of certain aspects of insolvency law in Switzerland. In the event that any of the Swiss Obligors experienced financial difficulty, it is not possible to predict with certainty the outcome of such proceedings.

Pursuant to Swiss insolvency laws, a creditor's ability to receive payment under the Notes may be more limited than would be the case under U.S. or any other non-Swiss bankruptcy laws. Under Swiss law, the following types of proceedings (altogether referred to as "insolvency proceedings") may be opened against an entity having its registered office or assets in Switzerland.

Under Swiss insolvency laws, there is no group insolvency concept, which means there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity has, from an insolvency law point of view, to be dealt with separately. As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather, claims of, and vis-à-vis, each entity have to be dealt with separately.

In the event of a Swiss entity's insolvency, the respective insolvency proceedings would be governed by Swiss law as a result of such Swiss entity's offices being registered in the competent commercial register in Switzerland. In addition, Swiss debt enforcement and insolvency laws may be applicable in the event of an enforcement of security interests over assets of a foreign entity located in Switzerland. The enforcement of claims and questions relating to insolvency and bankruptcy in general are dealt with by the "Swiss Federal Act on Debt Enforcement and Bankruptcy", as amended from time to time. Under the present rules, claims that are pursued against a Swiss entity can lead to the opening of bankruptcy (*Konkurs*) and, hence, a general liquidation of all assets, even if located outside Switzerland. However, with regard to assets located outside Switzerland, a Swiss bankruptcy decree is enforceable only if it is recognized at the place where such assets are located. If bankruptcy has not been declared, creditors secured by a pledge must follow a special enforcement proceeding limited to the liquidation of the collateral (*Betreibung auf Pfandverwertung)* unless the parties have validly agreed on the possibility of a private liquidation. However, if bankruptcy is declared while such a special enforcement proceeding is pending, the proceeding ceases and the creditor participates in the bankruptcy proceedings with the other creditors and a private liquidation may no longer be permitted.

As a rule, the opening of bankruptcy by the competent court needs to be preceded by a prior debt enforcement procedure which involves, *inter alia,* the issuance of a payment summons by local debt enforcement authorities (*Betreibungsamt*). However, the competent court may also declare a debtor bankrupt without such prior proceedings if the following requirements are met: (i) at the request of the debtor, if the debtor's board of directors or the auditors of the company (in case of failure of the board of directors to request) declare that the debtor is *overindebted (überschuldet*) within the meaning of art. 725 (2) of the "Swiss Code of Obligations" (or the corresponding provision of the Swiss Code of Obligations in case of a limited liability company ("GmbH")) or if it declares to be insolvent (*zahlungsunfähig*); and (ii) at the request of a creditor, if the debtor commits certain acts to the detriment of its creditors or ceases to make payments (*Zahlungseinstellung*) or if certain events happen during composition proceedings. The bankruptcy proceedings are carried out and the bankrupt estate is managed by the receiver in bankruptcy (*Konkursverwaltung*). Generally, pursuant to the Swiss corporate law, a debtor is over-indebted when its liabilities exceed the value of its assets, which must be assessed on the basis of a balance sheet to be drawn up on the basis of (i) the liquidation value of the debtor's assets and (ii) the going concern value. If the interim balance sheet shows that the creditors' claims are neither covered by assets valued at liquidation values nor at going concern values, the debtor's board of directors has to notify the competent court, provided that creditors of the debtor do not agree to subordinate their claims in the amount necessary to cover the over-indebtedness (as per art. 725 of the Swiss Code of Obligations). The debtor's board of directors is generally obliged to notify the competent court without delay and non-compliance with this obligation exposes the board of directors to damages claims and, in certain cases, to sanctions under criminal law. The competent judge, upon being notified of the over-indebtedness, opens formal bankruptcy proceedings (*Konkurseröffnung*) against the debtor unless there are prospects of recovery, in which case, he/she orders measures to preserve the assets of the debtor.

All assets at the time of the declaration of bankruptcy and all assets acquired or received subsequently form the bankrupt estate (*Konkursmasse*) and after deduction of costs and certain other expenses, are used to satisfy the creditors. Assets over which a pledge was created in favor of a creditor before the declaration of bankruptcy are included in the bankrupt estate. The pledgee is under an obligation to remit the pledged assets to the bankrupt estate. The assets are liquidated by the receiver in bankruptcy in the same manner as the other assets of the bankrupt estate. The right to administer the debtor's business and dispose of the debtor's assets passes to the insolvency office (*Konkursamt*); provided, however, that certain acts require the approval of the competent court. The creditors' meeting may appoint a private insolvency administration (*private Konkursverwaltung*) and, in addition, a creditors' committee (*Gläubigerausschuss*). In such case, inter alia, the private insolvency administration will be competent to maintain and liquidate the bankrupt estate.

Bankruptcy results in the acceleration of all claims against the debtor (secured or unsecured), except for those secured by a mortgage on the debtor's real property, and the relevant claims become due upon the opening of formal bankruptcy proceedings (*Konkurseröffnung*). As a result of such acceleration, a creditor's bankruptcy claim consists of the principal amount of the debt (discounted at 5% if not interest bearing), interest accrued thereon until the date of bankruptcy, and (limited) costs of enforcement. Upon bankruptcy, interest on debt ceases to accrue. Only claims secured by a pledge enjoy preferential treatment insofar as interest on debt that would have accrued until the collateral is realized will be honored if, and to such extent as, the proceeds of the pledged collateral are sufficient to cover such interest.

All creditors, whether secured or unsecured (unless they have a segregation right (*Aussonderungsrecht*)), wishing to assert claims against the debtor need to participate in the bankruptcy proceedings in Switzerland. Swiss bankruptcy proceedings are collective proceedings and creditors may generally no longer pursue their individual claims separately, but can only enforce them in compliance with, and subject to, the restrictions of Swiss bankruptcy laws. Therefore, secured creditors are generally not entitled to enforce any security interest outside the bankruptcy proceedings. In the bankruptcy proceedings, however, secured creditors have certain preferential rights (*Vorzugsrechte*). Generally, entitlement to realize such security is vested with the bankruptcy administration. Realization proceedings are governed by Swiss bankruptcy laws which provide for a public auction, or, subject to certain conditions, a private sale. Proceeds from enforcement are used to cover enforcement costs and thereafter the claims of the secured creditors and any excess proceeds will be used to satisfy unsecured creditors.

Typically, liabilities resulting from acts of the bankruptcy administrator after commencement of formal bankruptcy proceedings constitute liabilities of the bankrupt estate. Thereafter, all other claims (bankruptcy claims—*Konkursforderungen*), in particular claims of unsecured creditors, will be satisfied pursuant to the distribution provisions of Swiss bankruptcy laws, subject to claims by certain privileged classes of creditors, such as a debtor's employees, and certain other privileges for the Swiss government and its subdivisions based on specific provisions of Swiss federal law. All other creditors will be satisfied on a *pro rata* basis if and to the extent there are funds remaining in the bankrupt estate after the security interests and privileged claims have been settled and paid in full.

The Note Guarantee to be provided by RGL and Elit will be, based on a choice of law, subject to the laws of the State of New York. Should a Swiss court accept jurisdiction in proceedings on the merits, a Swiss court will generally recognize this choice of law. The scope of such choice of law is, usually, limited to the rules of the substantive law chosen by the parties; as to procedural matters, a Swiss court will apply Swiss procedural law. Due to the different nature of Swiss procedural law and the procedural law in common law jurisdictions (such as the United States of America and the United Kingdom), classification and delimitation issues between substantive and procedural law could occur. To establish the non-Swiss substantive law applicable to the merits, a Swiss court may, in pecuniary matters, request the parties to establish the non-Swiss substantive law; Swiss law will be applied, if the content of the foreign substantive law cannot be established. While a Swiss court will generally accept a choice of law, restrictively applied exceptions exist: (i) Swiss courts may diverge from the chosen substantive law if such chosen law would lead to a result contrary to Swiss public policy; (ii) if the purpose of mandatory rules of Swiss law require, by their special aim, immediate application (such as, for instance, corporate benefit considerations); or (iii) if the purpose of mandatory rules of another jurisdiction's law, to which the dispute is closely connected, are considered legitimate under Swiss legal concepts and, upon weighing the interests of the parties involved, the clearly predominant interest(s) of one party so require.

Swiss insolvency laws also provide for reorganization procedures by composition with the debtor's creditors. Reorganization is initiated by a request with the competent court for a temporary moratorium (*provisorische Nachlassstundung*) of a maximum duration of four months. During the moratorium, the debtor can seek to restructure and, if successful, ask the court to lift the moratorium without entering into a composition agreement. The moratorium can also result in a composition agreement which takes the form of (i) either an ordinary composition agreement (*ordentlicher Nachlassvertrag*) where the debtor's business continues and the contractual terms of its payment obligations are modified (*Stundungsvergleich*) or creditors receive a dividend (*Dividendenvergleich*) or (ii) a composition agreement providing for the assignment of assets (*Nachlassvertrag mit Vermögensabtretung*) where the debtor's assets are assigned to creditors in order to sell the debtor's (or part of it) or to liquidate the assets. The moratorium could also result in a composition agreement that may comprise the formation of a new company (*Auffanggesellschaft*) to receive part of the business of the debtor. During a moratorium, the debtor's power to dispose of its assets and to manage its affairs is restricted. Furthermore, debt collection proceedings cannot be initiated and pending debt collection proceedings are stayed. In principle, interest ceases to accrue against the debtor for all unsecured claims. The debtor has the right to terminate long-term contracts at any time if without such termination the restructuring cannot be achieved. The moratorium does however not per se affect the agreed due dates of debts (contrary to bankruptcy, in which case all debts become immediately due upon adjudication). Any composition agreement needs to be approved by the creditors and confirmed by the competent court. With the judicial confirmation, the composition agreement becomes binding on all creditors, whereby secured claims are only subject to the composition agreement to the extent that the collateral proves to be insufficient to cover the secured claims.

Foreign bankruptcy decrees issued in the country of a debtor's domicile may be recognized in Switzerland only, provided that (i) the bankruptcy decree is enforceable in the country where it was issued, (ii) its recognition is, *inter alia*, not against Swiss public policy, and (iii) the country which issued the bankruptcy decree grants reciprocity to Switzerland. In such proceedings, creditors of secured claims and creditors of claims privileged by operation of law that are resident in Switzerland have priority over any other creditors of such debtor.

Hardening Periods and Fraudulent Transfer

Certain arrangements or dispositions that are made during a certain period (the "suspect period") preceding the declaration of bankruptcy or the grant of a moratorium in connection with a composition proceeding may be challenged by the receiver in bankruptcy (*Konkursverwaltung*) and certain creditors under the applicable rules of avoidance. In particular, a transaction (whose terms include the granting of a guarantee, the provision of security or the payment of debt) that is detrimental to the debtor's other creditors may be avoided under Swiss insolvency laws in the following instances: (i) gifts and gratuitous transactions made in the suspect period of 12 months prior to the seizure of assets (*Pfändung*) or the opening of formal bankruptcy proceedings (*Konkurseröffnung*); (ii) certain acts of a debtor in the suspect period of 12 months prior to the seizure of assets (*Pfändung*) or the opening of formal bankruptcy proceedings (*Konkurseröffnung*) if the debtor at that time was over-indebted; and (iii) dispositions made by the debtor within a suspect period of five years prior to the seizure of assets (*Pfändung*) or the opening of formal bankruptcy proceedings (*Konkurseröffnung*) made with the intent to disadvantage its creditors or to prefer certain of its creditors to the detriment of other creditors. The revision of Swiss insolvency law that entered into force on January 1, 2014, in certain instances shifted the burden of proof from the claimant to the counter-party of the insolvent part with respect to related party transactions such as inter-company transactions, which basically means that the risk of inter-company transactions being declared void for insolvency law purposes has increased. The transactions potentially subject to avoidance also include those contemplated by RGL's Note Guarantee and Elit's Note Guarantee; and the granting of security interests under the Security Documents by Elit.

If they are challenged successfully, the rights granted under the RGL Note Guarantee and/or Elit's Note Guarantee, or in connection with security interests granted by Elit under the Security Documents may become unenforceable and any amounts received must be refunded to the insolvent estate. If any guarantee and/or security is avoided as summarized above or held unenforceable for any other reason, the claimant would cease to have any claim in respect of RGL's Note Guarantee, Elit's Note Guarantee, and/or the security interest to be granted by Elit and would have a claim solely under the Notes and the remaining Note Guarantees and security, if any.

The Czech Republic

Auto Kelly CZ and Elit CZ (together, the "Czech Guarantors" and each a "Czech Guarantor") are incorporated under the laws of the Czech Republic and, in the event of an insolvency event affecting these entities, insolvency proceedings may be initiated in the Czech Republic in respect of the respective Czech Guarantors or their assets. If a Czech Guarantor become insolvent, there is a risk that holders of Notes may not be able to fully enforce their rights under the Notes and the Note Guarantee provided by such Czech Guarantor in the Czech Republic and that the enforcement of such rights may be considerably delayed. Czech insolvency laws are set out in the Czech Act No. 182/2006 Coll. on insolvency and methods of its resolution (as amended, the "Insolvency Act"). Additionally, despite recent legislative developments, the interpretation of certain provisions of Czech law, in particular, the Insolvency Act, are not well established due to the limited amount of precedents involving sophisticated commercial and financial transactions between private parties. Finally, obtaining judicial enforcement of creditors' rights under Czech law involves a process that could take several years to complete.

Information relating to the insolvency proceedings initiated in respect of debtors in the Czech Republic is publicly accessible in the insolvency register maintained in electronic form by the Czech Ministry of Justice. Furthermore, EU insolvency law may be applicable as set out above.

With effect from January 1, 2014, new Civil Code (Czech Act No. 89/2012 Coll., hereinafter the "Civil Code") and Act on Corporations (Czech Act No. 90/2012 Coll., hereinafter the "Act on Corporations") (as well as amendments to the Insolvency Act) became effective in the Czech Republic and replaced the original Czech Civil Code and Czech Commercial Code and substantially changed Czech civil law (and some of the insolvency rules as well as financial assistance regulations). Such legislation is based on the principle of discontinuity from the previous legal regime, introduces new legal concepts and phraseology and it is currently uncertain how this new legislation will be applied and interpreted by the Czech Courts.

Definition of Insolvency

Insolvency in the Czech Republic is regulated by the Insolvency Act and insolvency proceedings are held before the insolvency courts. Insolvency proceedings are generally applicable to all persons, including legal entities. Under the Insolvency Act, a debtor is insolvent (*úpadek*) in two situations: (i) if it is unable to meet its monetary obligations (*platební neschopnost*), or (ii) if it is over-indebted (*předlužení*).

A debtor is unable to meet its monetary obligations (*platební neschopnost*) if it (a) has at least two creditors, (b) has monetary obligations overdue for more than 30 days and (c) is unable to satisfy such obligations. A debtor is deemed unable to satisfy its monetary obligations in the event that (i) the debtor has failed to make payments on a substantial part of its monetary obligations, or (ii) the debtor is in default of payment of its monetary obligations for more than three months, or (iii) satisfaction of some of the claims against the debtor by means of a court enforcement or execution by a court appointed executor is impossible or (iv) the debtor fails to submit lists of its property, obligations and employees to the insolvency court following a request from such court.

Over-indebtedness (*předlužení*) means that the debtor has at least two creditors and the sum of its liabilities exceeds the value of its assets. For the purposes of the debtor's asset valuation, the manner in which a debtor conducts its business and manages its assets on an ongoing basis and anticipated cash flow are taken into consideration, if it can be reasonably expected that the debtor will be able to continue to manage its assets or operate its business. As there is no exact guidance as to calculation of the value of a debtor's assets, it may be, in certain instances, difficult to determine whether the debtor meets the over-indebtedness criterion and the views of the debtor and its creditors may vary in this regard. Moreover, in the Czech insolvency practice, it is unclear whether over-indebtedness (*předlužení*) of a debtor should be determined on the basis of the debtor's financial statements, the real market value of the debtor's assets or other criteria. Over-indebtedness (*předlužení*) as a situation constituting insolvency applies only to individuals carrying on business activities for profit (an "entrepreneur") or legal entities (whether or not such legal entities are entrepreneurs).

The Insolvency Act also governs an impending insolvency (*hrozící úpadek*), which applies when it is reasonable to expect, in light of all relevant circumstances, that the debtor will be unable to satisfy a substantial part of its monetary obligations in a due and timely manner.

Commencement of the Insolvency Proceedings

Insolvency proceedings are commenced upon an insolvency petition being filed by either the debtor or a creditor. A debtor who is an entrepreneur or a legal entity is required under the Insolvency Act to file an insolvency petition after it learns, or should have learned, while acting with due care, of its insolvency. Such obligation also applies to the statutory representatives of the debtor, its statutory bodies and liquidators. In the event that the insolvency petition is not duly filed, the debtor, its statutory representatives, its statutory body or the liquidator shall be liable for damages suffered by the creditors as a result of such failure. Only the debtor may file the insolvency petition for an impending insolvency (*hrozící úpadek*).

Upon the commencement of insolvency proceedings, the debtor’s right to dispose of its property and the creditor’s right to enforcement are both limited pursuant to the Insolvency Act. The insolvency court shall decide on the insolvency petition without undue delay following its delivery to the insolvency court and, in the case of an insolvency petition filed by the debtor, within 15 days following its delivery to the insolvency court. Together with the decision on insolvency, the insolvency court may (when applicable) decide on the method of its resolution or issue a separate decision on the method of insolvency resolution no later than three months following the decision on insolvency but not, in any event, prior to the creditors’ meeting summoned by the resolution on insolvency.

Insolvency Resolution

The Insolvency Act provides for the following types of insolvency resolution: (i) bankruptcy (*konkurz*), (ii) reorganization (*reorganizace*) and (iii) the debt discharge (*oddlužení*).

Bankruptcy is the most frequent method of dealing with a debtor’s insolvency. The general purpose of bankruptcy is liquidation of the debtor’s business (although it should be noted that the debtor’s business may, subject to the conditions set out in the Insolvency Act, be continued by the insolvency trustee during bankruptcy and sold as a going concern) and satisfaction of creditors from the debtor’s assets forming the estate property (*majetková podstata*) (the “Estate Property”). Upon declaration of the bankruptcy, unmatured claims become due and payable and court or arbitration, administrative or other proceedings concerning the Estate Property involving the debtor are suspended, unless the Insolvency Act stipulates otherwise. The Insolvency Act further provides for specific provisions concerning the termination of particular types of agreements as a result of the declaration of bankruptcy. With respect to executory contracts (*i.e.*, agreements containing unperformed acts of both the debtor and the contracting party at the time of the declaration of bankruptcy), the insolvency trustee shall be entitled to perform such agreement on behalf of the debtor or it may refuse to perform such agreements. In a bankruptcy, the debtor’s assets are realized (sold) at a (public or judicial) auction or outside an auction (*i.e.*, direct sale) and the proceeds of such realization are distributed among debtor’s creditors in accordance with the Insolvency Act.

Creditors with secured claims, whether a pledge or right of retention or other security recognized by the Insolvency Act, shall generally be satisfied within the bankruptcy from the proceeds of the sale of the relevant secured assets (after deduction of costs and fees as described below) with priority over creditors with unsecured claims. In determining the rank of the satisfaction between two or more secured creditors with security over the same asset, the Insolvency Act sets forth an order of priority determined by the order in which the relevant security has been perfected, whereas the Czech Civil Code sets forth the following priority classes (within each class, the order of creation of the relevant security is relevant for determining its ranking): (i) right of retention, (ii) security created as a right in rem and registered in a public register (e.g. the Czech Cadastral Register, the Czech Commercial Register, or the Czech Register of Pledges), and (iii) security created as a right in rem not registered in a public register. It is currently unclear whether the rules on ranking of security set out in the Insolvency Act or whether the rules set out in the Czech Civil Code will prevail in case of insolvency proceedings. In the event that the value of the secured claim exceeds the proceeds from the sale of the secured assets (after deduction of costs and fees as described below) applied towards the satisfaction of such secured claims, the secured creditor shall retain an unsecured claim in the amount of the deficiency. The Insolvency Act grants certain rights to secured creditors, including the right to instruct the insolvency trustee (or the person entitled to dispose with the Estate Property respectively) in the administration and sale of the secured assets subject to the terms of the Insolvency Act. Any proceeds received from the sale of the secured asset are reduced by the costs and fees associated with enforcement and administration, which are, in principle, capped at 5.0% and 4.0% (unless the insolvency court rules otherwise), respectively, of the proceeds of such enforcement, and by remuneration of the insolvency trustee set forth in the regulation of the Czech Ministry of Justice No. 313/2007 Coll. (*i.e.*, currently between 1.0% and 9.0% of the net proceeds of such enforcement, depending on the value of the security in question).

The general purpose of reorganization is the preservation of the debtor’s business as a going concern and the restructuring of its debt. A reorganization is only available to an entrepreneur debtor and, with certain exceptions, solely with respect to debtors with at least 50 employees or a total annual net turnover of at least CZK 50 million for the accounting period immediately preceding the filing of the insolvency petition. The reorganization may be proposed by either the debtor or a creditor within prescribed statutory periods. All details of the reorganization, including restructuring of the debtor’s indebtedness and any corporate restructuring, divestment of assets or other steps required to effect the reorganization, are included in a restructuring plan. The restructuring plan is subject to general approval of creditors formed in classes for the purposes of plan approval. The plan needs to comply with statutory requirements, including the fairness of the plan and its approval by all classes of creditors. Final approval on the restructuring plan lies with the insolvency court, which can approve the plan not approved by all classes, provided that certain statutory requirements are met. The resolution of the insolvency court may be contested by the dissenting creditors (i.e., those which voted against the plan) if it fails to comply with the statutory requirements.

Debt discharge is not available to legal entities that are entrepreneurs and is therefore not described further.

Claim Registration in Insolvency

After an insolvency petition has been filed and the insolvency court declares a debtor insolvent, its creditors must register their claims within two months. Claims in a foreign currency shall be converted into CZK at the official exchange rate issued by the Czech National Bank as of the date of the commencement of insolvency proceedings or, if earlier, as of the due date of the relevant claim. Claims registered after the deadline has expired will not be satisfied in the insolvency proceedings. Specific regime applies to known creditors from the EU (apart from Denmark). Registered claims are subject to review and challenge by the insolvency trustee and by the debtor's other creditors (effective only in bankruptcy) and the debtor itself (fully effective only in reorganization). Challenged claims are to be determined in separate court proceedings (so called incidental disputes).

If the insolvency court determines that a creditor's legitimate claim is less than 50% of the amount registered by such creditor, such claim is disallowed in its entirety in the insolvency proceeding, unless the amount of the claim was dependent on the expert valuation or the court's consideration. Upon the proposal of the insolvency trustee, a creditor may be ordered by the insolvency court to pay to the Estate Property a sum not exceeding the difference between the amount registered by such creditor and the amount determined by the insolvency court to be such creditor's legitimate claim. Under the Insolvency Act, the person who signed the application to the insolvency court on behalf of such creditor is jointly liable for such obligation. Similar sanctions are applicable for secured creditors if the insolvency court determines that the secured creditor has the right for compensation in the extent lower than 50% of the amount of the registered secured claim or that the security is of worse priority than registered.

Limitations of and Challenges to Security and Note Guarantees

Under Czech law, a transaction (including granting of security or provision of a guarantee) may be voidable (ineffective *vis-a-vis* creditors) or may be otherwise set aside under certain circumstances including under the Insolvency Act or the Czech Civil Code (as defined above).

Insolvency

Certain acts or omissions of a debtor can be voided under the Insolvency Act if (i) the debtor disposes of Estate Property following the commencement of an insolvency proceeding in breach of the limitations stipulated by the Insolvency Act: or (ii) the debtor acts in a manner (a "legal act") which decreases the possibility that its creditors will be satisfied or by which the debtor favors certain creditors over others, namely if:

- the debtor provides performance to a counterparty without consideration or for consideration which is substantially lower than usual price for the performance provided by the debtor (a transaction at undervalue);
- as a result of the debtor's legal act a particular creditor receives, to the detriment of the other creditors, more favorable recovery than it would have been entitled to in bankruptcy (a preference); and
- the debtor knowingly acts in a manner which is detrimental to the interests of a particular creditor if such intention was known to the other party or must have been known with reference to all the circumstances (a fraudulent transfer).

In relation to the above legal acts, the insolvency trustee may make an application to the insolvency court challenging the effectiveness of such legal acts within one year following the day on which the resolution on insolvency (*úpadek*) took effect. The standard claw-back period is one year for preferences and undervalues and five years for transactions with actual fraudulent intent. For preferences and undervalues, the insolvency trustee must prove that the debtor was either insolvent or became insolvent as the result of the transaction. For transactions with affiliated parties, the claw-back period for preferences and undervalues is extended to three years and the debtor's insolvency will be presumed.

It should be noted that there is no consistent case law identifying specific legal acts deemed challengeable as described above. In each case, the insolvency court would weigh the facts and circumstances of the specific case. Some courts may not have adequate experience or sophistication with syndicated, parallel or other complex debt structures and may be inclined to interpret certain legal acts (including undertakings under facilities agreements) as legal acts potentially resulting in the decrease of satisfaction of creditors.

To the extent that a security interest or a guarantee is voided as a transaction at undervalue, a preference or fraudulent transfer, such secured party would lose the benefit of such collateral and may also be required to repay any amounts received with respect to the Notes Collateral prior to adjudication by the court.

Civil Code

Pursuant to the Czech Civil Code (as defined above), a creditor who has an enforceable claim against the debtor may challenge the debtor's transaction with a third party if such transaction occurred (i) within the last five years and the debtor intended to adversely prejudice another creditor and the third party had knowledge of this intent, (ii) within the last two years and the debtor intended to adversely prejudice another creditor and the third party must have had knowledge of this intent, (iii) within the last two years, the debtor prejudiced another creditor and such transaction was made between the debtor and an affiliated party (or in its benefit), as specified by the Czech Civil Code, unless such affiliated party did not know or could not have known about that debtor's intent to prejudice such creditor, or (iv) within the last two years in case of transaction without consideration. A Czech court has the power, among other things, to declare the relevant transaction ineffective *vis-à-vis* the prejudiced creditor and such creditor may request that its receivables are satisfied from the property which was subject to such challenged transaction or (if it is not possible to seek such satisfaction) request compensation against the beneficiary of the challenged transaction.

Financial Assistance Limitations

Under Czech financial assistance rules, a Czech limited liability company or a Czech joint stock company may not (i) provide any advance payment, loan and/or credit for the purpose of acquiring any ownership interest in that company and/or (ii) provide any security and/or guarantee in respect of any such loan and/or credit, unless certain procedures are complied with and certain conditions (so-called whitewash procedure) are fulfilled. The relevant conditions, unless the Founding Deed, the Memorandum of Association or the Articles of Association, respectively, of the respective company set forth further conditions, are that (i) the financial assistance is provided on fair terms, (ii) a written report is prepared by an executive or board of directors, respectively, of the company with summary of reasons (including reasons why the financial assistance is in the company's interests or is not in conflict with such interests), benefits and risks of the provision of the financial assistance and its conditions, (iii) such financial assistance is provided with prior consent of the company's general meeting, and (iv) such financial assistance will not result in the company becoming insolvent), and in case of a Czech joint stock company, also that (i) the board of directors duly investigates the financial standing of the entity to which the financial assistance should be provided, (ii) the financial assistance will not result in decrease of company's equity below certain specified level, (iii) a specified reserve fund is created in the amount of the financial assistance provided, and (iv) in case of financial assistance provided to a related entity, review of the report of the board of directors by an independent expert appointed by the supervisory board.

Czech law does not expressly extend the above limitations to the provision of an advance payment, loan, credit or security or guarantee for the purpose of acquisition of an ownership interest in a person directly or indirectly controlling the relevant company. However, the prevailing part of the market is of the view that the relevant limitations should nevertheless apply even in such situation and that not complying with those limitations would amount to circumvention of law.

The financial assistance rules would therefore apply to the Note Guarantees provided by the Czech Guarantors if any of the Note Guarantees is provided with respect to debt used for the purposes of acquisition of any ownership interests or shares, respectively, in the respective Czech Guarantor and/or any person directly or indirectly controlling the respective Czech Guarantor. A breach of the financial assistance rules would cause the respective Note Guarantee provided by the respective Czech Guarantor to be invalid.

The Note Guarantees provided by the Czech Guarantors with respect to Original Notes are limited by a total amount of the net proceeds of the issuance of the Original Notes that can be used to finance the Auto Kelly Funding Loans and any payment undertaking, obligations and/or liabilities relating to the proceeds of the Original Notes used to finance the purchase price for the Acquisition and related payment obligations are specifically excluded from the Note Guarantees of the Czech Guarantors. However, part of the proceeds from the Original Notes was used to finance the acquisition of the Czech Guarantors' holding company and the nature of the Original Notes did not enable to differentiate between (i) payment obligations under the Original Notes related to payment of the purchase price in connection with such acquisition (which must not be guaranteed by a Czech joint stock or limited liability company unless a whitewash procedure is performed), and (ii) payment obligations under the Original Notes unrelated to such payment of the purchase price (which may be guaranteed by a Czech joint stock or limited liability company without a whitewash procedure). Accordingly, the Czech Guarantors undertook a whitewash procedure in respect of the Note Guarantees with respect to the Original Notes, prior to granting such Note Guarantees. The Note Guarantees with respect to the Original Notes are limited by the amount that was whitewashed as determined by the respective Czech Guarantor's management, and in respect of Auto Kelly CZ only in any case not exceeding Auto Kelly CZ's reserves. The limitations applicable to the Note Guarantees granted by the Czech Guarantors in respect of the Original Notes will apply also in respect of the Notes offered hereby.

To date, the Czech courts have not considered similar guarantee limitations or the granting of guarantees as the Note Guarantees of the Czech Guarantors and, as a result, considering the contemplated use of proceeds from the Notes offered hereby, a risk may exist that a Czech court, when considering the case, would decide that extension of the Note Guarantees by the Czech Guarantors in relation to the Notes constitutes financial assistance and that the Note Guarantees are invalid and thus unenforceable.

Enforcement of Security and Note Guarantees

Under Czech law, a security interest or the guarantee is not enforceable for the benefit of a beneficiary who is not a party to the relevant security agreement creating such security interest. As a result, the Intercreditor Agreement provides for the creation of "parallel debt" obligations for the purpose of Czech security interests which will secure the Notes and the Note Guarantees, comprising the shares in Auto Kelly CZ and Elit CZ. Pursuant to these parallel debt obligations, such security interests or the guarantee will be structured such that the Security Agent will become an independent and separate creditor, acting on behalf of itself and the holders of the Notes in respect of each and every obligation owing and incurred by the Issuer under the Indenture, the Notes and the relevant Czech security documents. The parallel debt obligations procedure is, however, relatively untested before the Czech courts, and we cannot assure you that it will be recognized in accordance with its terms by the Czech courts.

There are also risks related to the provision by the Czech Guarantors of their Note Guarantees. The directors of the respective Czech Guarantor may, upon issuance of the respective Note Guarantee in respect of the Notes, incur personal liability in the Czech Republic for breaching their statutory obligations of due care. Furthermore, pursuant to Czech civil and insolvency law, it is also possible to challenge, under certain circumstances, the particular transactions entered into or payments made by a debtor, including under a guarantee of a debtor's obligation.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "Purchase Agreement"), the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Notes. The Initial Purchasers are Credit Suisse Securities (Europe) Limited, BNP Paribas and Goldman Sachs International.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase Notes from the Issuer, are several and not joint. The Purchase Agreement provides that the Initial Purchasers will purchase all the Notes if they purchase any of them.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the front cover of this offering memorandum. The Initial Purchasers may change the price at which the Notes are offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates, including in respect of sales into the United States.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and our counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or, in some cases, the Offering of the Notes may be terminated.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed, subject to certain limited exceptions, that during the period from the date the Purchase Agreement is executed through and including the date that is 90 days after the date the Purchase Agreement is executed, to not, and to cause 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 debt securities issued or guaranteed by us or any of our subsidiaries.

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 issue price of the Notes set forth on the cover page of this offering memorandum.

The Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with the Offering of the Notes and to reimburse them for certain out-of-pocket expenses.

The Notes and the Note Guarantees have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States except to "qualified institutional buyers" in reliance on Rule 144A under the U.S. Securities Act and outside the United States in reliance on Regulation S under the U.S. Securities Act. Resales of the Notes are restricted as described under "*Transfer Restrictions*". Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "*Transfer Restrictions*".

In the Purchase Agreement, each of the Initial Purchasers, severally and not jointly, has also represented and agreed to the Issuer 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 Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- it 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 Republic of Italy, by any of the Issuer, the Guarantors or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer, the Guarantors or the Notes in any jurisdiction where action for this purpose is required. 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, the distribution of this offering memorandum and resale of Notes. See "*Transfer Restrictions*".

Each of the Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, contract, pledge or disposition would cause the exemption afforded by Section 4(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. We will make an application to list the Notes on the Official List of the Irish Stock Exchange and to admit the Notes for trading on the Irish Stock Exchange's Global Exchange Market and we will make an application to list the Notes on the ExtraMOT, Professional Segment of Borsa Italiana S.p.A.. However, we cannot assure you that the Notes will be approved for listing or that any of such listings 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 obliged, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at their sole discretion without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

We expect that delivery of the Notes will be made against payment therefore on or about the date specified on the front cover of this offering memorandum, which will be the fifth business day following the date of pricing of the Notes (such settlement cycle being referred to herein as “T+5”). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next two successive business days will be required, by virtue of the fact that the Notes initially will settle T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade Notes on the date of pricing or the next two succeeding business days should consult their advisors.

The Initial Purchasers or persons acting on their behalf may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with applicable laws and regulations. Over-allotment involves sales in excess of the relevant Offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions. These stabilizing transactions, covering transactions and penalty bids, may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. 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 the Issuer and its affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. In addition, the Initial Purchasers or certain of their affiliates are arrangers and/or lenders and/or agents under our Revolving Credit Facility Agreement, a portion of which will be repaid with certain of the proceeds of the Notes. Certain of the Initial Purchasers may allocate all or a portion of its purchase commitment under the Purchase Agreement to affiliates, including but not limited to affiliates which are arrangers and/or lenders under the Revolving Credit Facility Agreement. See “*Description of Certain Financing Arrangements—Revolving Credit Facility*” for more information.

TRANSFER RESTRICTIONS

General

The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act, or the securities laws of any other jurisdiction, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the securities laws of any other applicable jurisdiction.

Accordingly, the Notes and the Note Guarantees offered hereby are being offered and sold to the Initial Purchasers for re-offer and resale only:

- in the United States, to "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act ("QIBs") in reliance on Rule 144A; and
- outside the United States, to non-U.S. persons in an offshore transaction in accordance with Regulation S.

In the following description, we use the terms "offshore transaction", "U.S. persons" and "United States", respectively, with the meanings given to them in Regulation S.

Important Information about the Offering

If you purchase Notes, you will be deemed to have represented and agreed as follows:

(1) You understand and acknowledge that the Notes and the Note Guarantees have not been and will not be 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 a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You are not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer, you are not acting on the behalf of the Issuer and you are either:

  (a) a QIB and are aware that any sale of the Notes to you will be made in reliance on Rule 144A, and such acquisition will be for your own account or for the account of another QIB; or

  (b) not a "U.S. person" or purchasing the Notes for the account or benefit of a U.S. person (other than a distributor), and you are purchasing Notes outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

(3) You acknowledge that none of the Issuer, the Guarantors nor the Initial Purchasers nor any other person 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 no person other than the Issuer makes 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, the Issuer, us and the Notes (and the Note Guarantees), including an opportunity to ask questions of, and request information from, us and any of the Initial Purchasers.

(4) You are purchasing 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 other applicable 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 your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the U.S. Securities Act. 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 Notes issued in reliance on Rule 144A ("Rule 144A Notes")) or 40 days (in the case of Notes issued in reliance on Regulation S ("Regulation S Notes")) after the later of the Issue Date and the last date on which the Issuer or any affiliate of the Issuer was the owner of such Notes (or any predecessor thereto) only:

  (a) to the Issuer, the Guarantors or any subsidiary thereof;

  (b) pursuant to a registration statement which has been declared effective under the U.S. Securities Act;

  (c) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of another QIB to whom you give notice that the transfer is being made in reliance on Rule 144A;

  (d) pursuant to offers and sales that occur outside the United States in compliance with Regulation S; or

  (e) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act;

subject, in each of the foregoing cases, to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within its or their control, and in compliance with any applicable foreign or state securities laws and any applicable local laws and regulations.

You acknowledge that the Issuer and the Trustee reserve the right prior to any offer, sale or other transfer of the Notes (i) pursuant to clause (d) or clause (e) above prior to the Resale Restriction Termination Date of such Notes to require the delivery of an opinion of counsel, certifications 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.

You acknowledge that each Global Note will contain a legend substantially in the following form:

"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 UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A")) OR (B) IT IS A NON-U.S. PERSON ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES THAT IT WILL NOT, ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS [IN THE CASE OF THE RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY [RULE 144] [REGULATION S] UNDER THE U.S. SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) 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) OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S 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 IN COMPLIANCE WITH ANY APPLICABLE FOREIGN OR STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D) AND (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS 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 you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to holders of the Notes.

(5) You acknowledge that the registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Issuer and such registrar that the restrictions set forth therein have been complied with.

(6) You acknowledge that:

(a) the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein, and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify the Issuer and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

   (i) you have sole investment discretion; and

   (ii) you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(7) You agree that you will, and each subsequent holder is required to, give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes.

(8) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, you acknowledge that until the expiration of the "distribution compliance period" (as defined below), you shall not make any offer or sale of the Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the U.S. Securities Act. The "distribution compliance period" means the 40-day period following the Issue Date of the Notes.

(9) You acknowledge that until 40 days after the commencement of the Offering of the Notes, 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.

(10) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer, the Guarantors or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth in this section of this offering memorandum and/or in the front of this offering memorandum under the captions "*Notice to Investors*", "*Notice to Certain European Economic Area Investors*" and "*Notice to New Hampshire Residents*".

(11) You represent and warrant that: (a) either (i) no portion of the assets used by you to acquire and hold the Notes constitutes assets of any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), any plan, individual retirement account or other arrangement subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "Similar Law"), or any entity whose underlying assets are considered to include "plan assets" of any such plan, or account, within the meaning of U.S. Department of Labor Regulations, 29 C.F.R. §2510.3-101, as modified by Section 3(42) of ERISA or otherwise, or (ii) the purchase and holding of the Notes will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law; and (b) you will not transfer the Notes to any person or entity, unless such person or entity could itself truthfully make the foregoing representation and warranty.

Republic of Italy

The Offering of the Notes have not been cleared by the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the offering memorandum or of any other documents relating to the Notes be distributed in the Republic of Italy ("Italy"), except:

(a) to qualified investors (*investitori qualificati*) as defined in Article 26, first paragraph, letter (d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended ("Regulation No. 16190"), pursuant to Article 34-*ter*, first paragraph letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "Issuer Regulation"), implementing Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "Financial Services Act"); and

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and the Issuer Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of the offering memorandum or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993, as amended and Regulation No. 16190; and

(ii) in compliance with any other applicable laws and regulations, including any requirement or limitation which may be imposed, from time to time, by CONSOB or the Bank of Italy or other Italian competent authority.

AVAILABLE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to this offering memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on any of the Initial Purchasers or any person affiliated with any of 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 paragraph (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 any of 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, the Issuer will, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, make available to any holder or beneficial owner of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial owner, 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 in respect of the Notes, should be directed to the Issuer at its registered office, as set out under the caption "*Listing and General Information—Legal Information*".

The Issuer is not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture, and for so long as the Notes are outstanding, the Issuer will agree to furnish periodic information to holders of the Notes. See "*Description of the Senior Secured Notes—Reports*".

INDEPENDENT AUDITORS

The consolidated financial statements of the Parent as at and for the period ended December 31, 2013, which were prepared in accordance with IFRS as adopted by the EU, included in this offering memorandum, have been audited by Deloitte LLP, independent auditors, as stated in their report appearing herein. Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales. In respect of the audit reports relating to the financial statements of the Parent as at and for the period ended December 31, 2013, reproduced herein, Deloitte LLP, the Group's independent auditor provides: "This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed". Investors in the Notes should understand that these statements are intended to disclaim any liability to parties (such as purchasers of the Notes) other than to the Parent with respect to those reports. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act, or in a report filed under the U.S. Exchange Act. If a U.S. court (or any other court) were to give effect to the language quoted above, the recourse that investors in the Notes may have against the independent auditors based on their reports or the consolidated financial statements to which they relate could be limited. The extent to which auditors have responsibility or liability to third parties is unclear under the laws of many jurisdictions, including the United Kingdom, and the legal effect of these statements in the audit reports is untested in the context of an offering of securities. The inclusion of the language referred to above, however, may limit the ability of holders of the Notes to bring any action against the Group's auditors for damages arising out of an investment in the Notes.

The consolidated financial statements of Rhiag as at and for the years ended December 31, 2013, December 31, 2012 and December 31, 2011, which were prepared in accordance with IFRS as adopted by the EU, included in this offering memorandum, have been audited by Deloitte & Touche S.p.A., independent auditors, as stated in their reports appearing herein. Deloitte & Touche S.p.A. is registered under No. 132587 in The Register of Accountancy Auditors (*Registro dei Revisori Legali*) maintained by the Italian Ministry of the Economy and Finances in compliance with the provisions of Legislative Decree No. 39 of January 27, 2010. Its registered office is at Via Tortona, 25, 20144 Milan, Italy. Deloitte & Touche S.p.A is a member of ASSIREVI (*Associazione Nazionale Revisori Contabili*), the Italian association of auditing firms.

LEGAL MATTERS

The validity of the Notes, the Note Guarantees and certain other legal matters are being passed upon for us by Simpson Thacher & Bartlett LLP, with respect to matters of U.S. federal and New York state law and English law, by White & Case LLP, with respect to matters of Italian law, by White & Case (Europe) LLP, with respect to matters of Czech law, and by Bär & Karrer Ltd., with respect to matters of Swiss law.

Certain legal matters in connection with the Offerings will be passed upon for the Initial Purchasers by Linklaters LLP, with respect to matters of U.S. federal and New York state law and English law, by Studio Legale Associato in association with Linklaters LLP, with respect to matters of Italian law, by Kinstellar, s.r.o, with respect to matters of Czech law, and by Niederer Kraft & Frey AG, with respect to matters of Swiss law.

ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer was incorporated as a *società per azioni* under the laws of the Republic of Italy. The Guarantors are organized or incorporated (as applicable) under the laws of England and Wales, the Republic of Italy, Switzerland and the Czech Republic. Substantially all of the directors and executive officers of each of the Issuer and the Guarantors are non-residents of the United States. Substantially all of the assets of each of the Issuer and the Guarantors, and their respective directors and executive officers, are located outside the United States. As a result, any judgment obtained in the United States against an Issuer or a Guarantor or any such other person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although each of the Issuer and the Guarantors will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Notes, the Note Guarantees and the Indenture or under U.S. securities laws, it may not be possible for investors to effect service of process on the Issuer or on such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws. If a judgment is obtained in a U.S. court against the Issuer, any Guarantor, or any of their respective directors or executive officers, investors will need to enforce such judgment in jurisdictions where the relevant company or individual has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the Republic of Italy 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.

We have been advised by counsel in the Republic of Italy that the recognition and enforcement of a judgment rendered by a U.S. federal or New York state court in the Republic of Italy is governed by Article 64 of the Private International Law Act (*i.e.*, Law 218 of May 31, 1995) (the "PIL Act") (and certain other provisions of the PIL Act). Pursuant to the PIL Act, any judgment issued by a U.S. federal or New York state court should automatically be recognized in the Republic of Italy provided that the following requirements are met:

- the relevant U.S. federal or New York state court had appropriate jurisdiction to pass judgment upon the matter (in accordance with the Italian law rules on jurisdiction);
- the defendant had received the summons in accordance with the laws of the state in which the proceedings have taken place, and the defendant had not been deprived of his fundamental right to a defense;
- the parties had appeared in the proceedings in accordance with the local procedural law, or the proceedings were conducted in absentia (*in contumacia*) in accordance with such local procedural law;
- the judgment rendered by the U.S. federal or New York state court must be final and binding (*passato in giudicato*) according to the law of the state in which it was issued;
- the judgment rendered by the U.S. federal or New York state court is not in conflict with any earlier final and binding judgment issued by an Italian court;
- there is no pending proceeding before any Italian court in relation to the same subject matter and between the same parties which started prior to the commencement of the proceedings before the relevant U.S. federal or New York state court; and
- the judgment rendered by the U.S. federal or New York state court is not contrary to Italian public policy.

In addition, according to Article 67 of the PIL Act, if a judgment rendered by a U.S. federal or New York state court is not complied with, its recognition is challenged or it is necessary to enforce such judgment, a proceeding must be instituted in the competent Court of Appeal in the Republic of Italy to that end. The competent Court of Appeal does not consider the merits of the case but reviews exclusively the existence of all the requirements set out above (including requiring that the judgment rendered by the U.S. federal or New York state court is not contrary to public policy in Italy).

We have also been advised by our counsel in England and Wales, Switzerland and the Czech Republic that there are risks, including risks similar to those described above, in relation to enforcing judgments from a U.S. federal or state court in such jurisdictions. Accordingly, we cannot assure you that such risks do not and will not exist in other jurisdictions, including those in which the assets of some or all of our subsidiaries that may guarantee the Notes in the future are located.

LISTING AND GENERAL INFORMATION

Listing

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 the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. There can be no assurance that any such application will be successful or that any such listing will be granted or maintained. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.

The expenses in relation to the admission of the Notes to trading on the Irish Stock Exchange's Global Exchange Market and to listing on the Official List of the Irish Stock Exchange are expected to be approximately €3000.

In addition, application will be made to the Borsa Italiana S.p.A. for the listing of the Notes on the ExtraMOT, Professional Segment.

Irish Listing Information

So long as the Notes are listed on the Official List of the Irish Stock Exchange and are admitted to trading on the Global Exchange Market of that exchange and the rules and regulations of the Irish Stock Exchange so require, the Issuer will publish or make available any notices (including financial notices) to the public in written form at places indicated by announcements to be published in a leading newspaper having a general circulation in the Republic of Ireland (which is expected to be the *Irish Times*) or on the website of the Irish Stock Exchange (www.ise.ie) or by any other means considered equivalent by the Irish Stock Exchange.

For so long as the Notes are listed on the Official List of the Irish Stock Exchange and are admitted to trading on the Global Exchange Market of that exchange and the rules and regulations of the Irish Stock Exchange so require, electronic copies of the following documents may be inspected and obtained free of charge at the registered office of the Issuer and at the registered offices of each of the Guarantors, during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded):

- the organizational documents of the Issuer and each of the Guarantors;
- the financial statements included in this offering memorandum;
- the annual and interim financial statements required to be provided under the captions "*Description of the Senior Secured Notes—Reports*";
- the Indenture (which includes the Note Guarantees and the form of the Notes) and all supplements to the Indenture;
- the Intercreditor Agreement;
- the Security Documents, which create the security interests as contemplated by the Indenture; and
- other material agreements described in this offering memorandum as to which we specify that copies thereof will be made available.

The Issuer has appointed Arthur Cox Listing Services Limited as Irish listing agent, Deutsche Bank AG, London Branch as Principal Paying Agent, Deutsche Bank Luxembourg S.A. as Registrar and Deutsche Bank Luxembourg S.A. as Transfer Agent. 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. The Issuer reserves the right to change such appointments in accordance with the terms of the Indenture and the Issuer will publish a notice of any change of any paying agent, the Registrar or the Transfer Agent in a newspaper having a general circulation in the Republic of Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by the rules of the Irish Stock Exchange, post such notice on the official website of the Irish Stock Exchange (*www*.ise.ie).

The Issuer accepts responsibility for the information contained in this offering memorandum. To the Issuer's best 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. This offering memorandum may only be used for the purposes for which it has been published.

Clearing Information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream, Luxebmourg. The Original Fixed Rate Notes and the Notes offered hereby will initially have a different international securities identification number ("ISIN") and a different common code. Once the Notes become freely tradeable, the Notes offered hereby and the Original Fixed Rate Notes will share the same ISIN and common code.

The initial, temporary common code number and temporary ISIN for the Notes sold pursuant to Regulation S under the U.S. Securities Act are 113081414 and XS1130814145, respectively. After the expiration of the 40-day period following the Issue Date, the common code number and ISIN for the Notes sold pursuant to Regulation S under the U.S. Securities Act are 098607153 and XS 0986071537, respectively.

The initial, temporary common code number and temporary ISIN for the Notes sold pursuant to Rule 144A under the U.S. Securities Act are 113081457 and XS1130814574, respectively. After the expiration of the one year period following the Issue Date the common code number and ISIN for the Notes sold pursuant to Rule 144A of the U.S. Securities Act are 098607269 and XS 0986072691, respectively.

Legal Information

The Issuer

The Issuer is a company with limited liability (*società per azioni*) duly incorporated under the laws of the Republic of Italy. The Issuer was incorporated on October 21, 2013. The Issuer has a share capital of €30,894,105.00 comprised of 30,894,105.00 shares with a par value of €1.00 each, each being fully paid up. The telephone number of the Issuer is: +39 02 3078 226.

The Issuer's registered office is at Foro Buonaparte 70, 20121, Milan, Italy. The Issuer is registered with the companies register (*Registro delle imprese*) of Milan under registration number 08404810965.

The creation and issuance of the Notes will be authorized by the Issuer's board of directors prior to the closing of the Offering.

The Issuer's financial year begins on January 1 and ends on December 31 of each year.

Guarantors of the Notes

The Guarantors of the Notes have the following corporate information:

(a) Rhino Midco 2 Limited is a private limited company organized under the laws of England and Wales. Its registered office is at 33 Jermyn Street, London, SW1Y 6DN, United Kingdom, and it is registered with the Registrar of Companies for England and Wales under number 08721565;

(b) Rhiag Group Ltd is a company limited by shares (*Aktiengesellschaft*) organized under the laws of Switzerland. RGL has a share capital of CHF 4,000,000 comprised of 400,000 bearer shares with a par value of CHF 10 each. RGL's corporate seat and principal executive office is at Oberneuhofstrasse 6, 6340 Baar, Switzerland. RGL is registered with the Commercial Registry Office of the Canton of Zug with registered number CHE-104.707.228;

(c) Auto Kelly a.s. is a joint stock company (akciová společnost) organized under the laws of the Czech Republic, with the registration number 247 87 426, registered with the Commercial Register maintained by the Municipal Court in Prague, Section B 16801. Auto Kelly CZ was incorporated on December 31, 2010. Auto Kelly CZ has a share capital of CZK 2,000,000 comprised of 20 registered certificated shares with a par value of CZK 100,000 each, each being fully paid up. Auto Kelly CZ's registered office is at Prague 9—Vysočany, Ocelářská 891/16, Postal Code: 190 00, the Czech Republic. Auto Kelly CZ is registered with the Commercial Register maintained by the Municipal Court in Prague, File No. B 16801, Id. No. 247 87 426. Auto Kelly CZ accounted for €208,008 thousand and 24.4% of the Net Assets of the Parent and its consolidated subsidiaries as at December 31, 2013 and €16,372 thousand and 19.8% of the Adjusted EBITDA of the Parent and its consolidated subsidiaries for the year ended December 31, 2013. We believe that we are a leading distributor of spare parts in the IAM segment in the Czech Republic by gross sales. For further details relating to Auto Kelly's business, please see *"Business – Our Operations by Geographic Segment – Eastern Europe"*;

(d) Rhino Bidco S.p.A. is a company with limited liability (*societá per azioni*) duly incorporated under the laws of the Republic of Italy. It has a share capital of €83,863,504.00 comprised of 83,863,504.00 shares with a par value of €1.00 each, each being fully paid up. Its registered office is at Foro Buonaparte 70, 20121, Milan, Italy, and it is registered with the companies register (*Registro delle imprese*) of Milan under registration number 08408830969;

(e) ELIT CZ, spol. s r.o. is a limited liability company (*společnost s ručením omezeným*) organized under the laws of the Czech Republic. Elit CZ has a registered capital of CZK 18,750,000 which has been fully paid up. Elit CZ's registered office is at Prague 5, Jeremiášova 1283/18, Postal Code 15500, the Czech Republic. Elit CZ is registered with the Commercial Register maintained by the Municipal Court in Prague, File No. C 6638, Id. No. 45240337; and

(f) Elit Group Ltd is a company limited by shares *(Aktiengesellschaft)* organized under the laws of Switzerland. Elit has a share capital of CHF 13,315,000 comprised of 13,315 bearer shares with a par value of CHF 1,000 each. Elit's corporate seat and principal executive office is c/o Rhiag Group Ltd, Oberneuhofstrasse 6, 6340 Baar, Switzerland. Elit is registered with the Commercial Registry Office of the Canton of Zug with registered number CHE-100.741.025.

The Parent's financial year begins on January 1 and ends on December 31 of each year. The Parent prepares and publishes annual audited financial statements.

General Information

Except as otherwise disclosed in this offering memorandum:

- there has been no material adverse change in the Parent's consolidated financial position since June 30, 2014;
- neither the Issuer, the Parent, nor any of their direct or indirect subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts and, so far as the Issuer is aware, no such litigation, administrative proceeding or arbitration is pending or threatened; and

- there has been no significant change in the financial or trading position of the Issuer, the Parent or the Group since June 30, 2014.

For the avoidance of doubt, any website referred to in this offering memorandum and the information on the referenced website does not form part of this offering memorandum prepared in connection with the Offering.

GLOSSARY OF KEY TERMS

The following technical terms and abbreviations when used in this offering memorandum have the meanings ascribed to them below, unless the context requires otherwise:

2002 Notice	A Comco notice regarding the Competition Law Treatment of Vertical Agreements in the Vehicle Trade.
ATR	ATR International AG.
BER 2002	Regulation (EC) No. 1400/2002.
CAGR	Compound annual growth rate.
CHF	Swiss francs.
CMI	Cooperative Managed Inventory.
Comco	Swiss Competition Commission.
CZK	Czech koruna.
hubs	Italian branches operating as distribution centers between the central warehouses and other branches.
HUF	Hungarian forint.
IAM	Independent aftermarket segment for passenger cars and commercial vehicles spare parts.
New BER	Regulation (EU) No. 461/2010, which replaced BER 2002.
OES	Original equipment segment for passenger cars and commercial vehicles spare parts.
PVC	*Processo Verbale di Constatazione*.
Rhifim Settlement Agreement	An agreement made with Rhifim S.p.A.
RON	Romanian leu.
SIMs	*Societá di intermediazione mobiliare.*
SKU(s)	Stock keeping unit.
TFR	*Trattamento di fine rapporto*.
UAH	Ukrainian hryvnia.
VMI	Vendor managed inventory.

INDEX TO FINANCIAL STATEMENTS

RHINO MIDCO 2 LTD

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

Company registration number: 08721565

RHINO MIDCO 2 LTD

UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Notes	Six months ended 30 June 2014	Six months ended 30 June 2013
		(all amounts in Euro thousands)	
Sales gross	2	374,057	—
Direct selling costs	2	(19,329)	—
Sales net		354,728	—
Cost of sales	3	(285,150)	—
Gross profit		69,578	—
Distribution costs	4	(17,452)	—
Administrative expenses	5	(24,067)	—
Other operating expenses	6	(6,039)	—
Operating profit		22,020	—
Finance income	7	1,078	—
Finance expenses	7	(24,501)	—
Loss before tax		(1,403)	—
Tax		(5,245)	—
Loss for the period		**(6,648)**	**—**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2014	Six months ended 30 June 2013
	(all amounts in Euro thousands)	
Net loss	(6,648)	—
Items that will not be reclassified subsequently to profit and loss		
Total	(6,648)	—
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translation of operations in foreign currencies	(1,117)	—
Total	(1,117)	—
Total other comprehensive income, net of tax effect	(1,117)	—
Total comprehensive loss for the period	**(7,765)**	**—**

RHINO MIDCO 2 LTD

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2014	As at December 2013
		(all amounts in Euro thousands)	
ASSETS			
Non-current asset			
Property, plant and equipment	8	26,476	26,954
Intangible assets	9	254,731	269,081
Goodwill	9	211,319	211,604
Investments	10	10	10
Non-current receivables	11	1,523	1,265
Deferred tax assets	22	5,993	5,984
		500,052	514,898
Current assets			
Inventory	12	138,554	130,556
Trade receivables	13	154,295	140,703
Other current assets	14	17,250	21,997
Current tax assets	22	800	1,773
Cash and cash equivalents	15	23,138	41,427
		334,037	336,455
Total assets		**834,089**	**851,353**
Shareholders' equity			
Ordinary shares	27	135,917	135,917
Other reserves		33,979	33,979
Accumulated losses		(20,983)	—
Results of the period		(6,648)	(20,983)
Cumulative translation differences		417	1,534
		142,682	150,447
Non-controlling interest		142	141
Total shareholders' equity		**142,824**	**150,588**
LIABILITIES			
Non-current liabilities			
Notes liabilities	16	401,500	400,577
Other financial liabilities	18	5,483	5,782
Derivative financial instruments	25	4,146	8
Deferred tax liabilities	22	65,150	68,476
Deferred compensation	19	12,363	12,134
		488,642	486,976
Current liabilities			
Trade payables	20	107,583	109,742
Other current liabilities	21	47,039	61,945
Current tax liabilities	22	2,322	1,488
Bank borrowings	17	29,314	25,901
Notes liabilities	16	2,409	4,192
Other financial liabilities	23	2,486	2,239
Provisions	24	11,470	8,283
		202,623	213,789
Total liabilities		691,265	700,765
Total equity and liabilities		**834,089**	**851,353**

RHINO MIDCO 2 LTD

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2014	Six months ended 30 June 2013
	(all amounts in Euro thousands)	
Loss before tax	(1,403)	—
Adjustments for:		
Depreciation	3,462	—
Amortisation	15,013	—
Gain on sale of property, plant and equipment	(109)	—
Financial income	(47)	—
Fair value (gains) / losses on financial instruments	4,138	
Financial expenses	16,724	—
Unrealized exchange (gains)/losses	1,921	—
Changes in working capital:		
Increase in trade receivables	(13,592)	—
Decrease in other receivables	4,489	—
Increase in inventory	(7,998)	—
Decrease in trade payables	(2,159)	—
Decrease in other payables	(14,710)	—
Increase in provisions	3,187	—
Increase in deferred compensation	229	—
Cash generated from operations	9,145	—
Interest received	47	—
Interest paid	(17,138)	—
Tax paid	(6,773)	—
Cash flows from operating activities	(14,719)	—
Acquisition of business	719	—
Capital expenditures	(4,548)	—
Disposals of PPE and intangible assets	240	—
Net cash used from investing activities	(3,589)	—
Current loans received	3,022	—
Dividends paid	(287)	—
Cash flows from financing activities	2,735	—
Effects of exchange rate changes	(2,716)	—
Cash and cash equivalents at the beginning of period	**41,427**	—
Net decrease in cash and cash equivalents	(18,289)	—
Cash and cash equivalents at the end of the period	**23,138**	**—**

RHINO MIDCO 2 LTD

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Other Reserves	Retained earnings / (Accumulated losses)	Result for the period	Cumulative Translation Differences	Non-controlling interest	Total
				(all amounts in Euro thousands)			
At incorporation date	—	—	—	—	—	—	—
Share capital increase	135,917	33,979	—	—	—	—	169,896
Acquisition effect	—	—	—	—	—	141	141
Result for the period	—	—	—	(20,983)	—	—	—
Foreign currency translation differences	—	—	—	—	1,534	—	—
Total comprehensive income for the period	—	—	—	(20,983)	1,534	—	(19,448)
31 December 2013	**135,917**	**33,979**	**—**	**(20,983)**	**1,534**	**141**	**150,588**
Distribution of previous year results	—	—	(20,983)	20,983	—	—	—
Share capital increase	—	—	—	—	—	1	1
Result for the period	—	—	—	(6,648)	—	—	—
Foreign currency translation differences					(1,117)	—	—
Total comprehensive income for the period	—	—	—	(6,648)	(1,117)	—	(7,765)
30 June 2014	**135,917**	**33,979**	**(20,983)**	**(6,648)**	**417**	**142**	**142,824**

1. ACCOUNTING POLICIES

Rhino Midco 2 Limited (the "Company"), a private limited company organised under the laws of England and Wales, is the parent company of Rhino Bondco S.p.A. and, indirectly, of Rhiag Group. The Company (together with subsidiaries "the Group") was incorporated as Rhino Bidco Limited on 7 October 2013 and changed its name to Rhino Midco 2 Limited on 8 October 2013.

The Company is wholly owned (through one or more holding entities) by funds advised by Apax Partners LLP.

The principal accounting policies adopted in the preparation of these unaudited condensed consolidated financial statements are set out below. These policies have been consistently applied with those applied by the Group's trading entities.

Standards used to prepare the financial statements

The consolidated annual financial statements for the period ended 31 December 2013 were prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) which have been endorsed by the European Union. IFRS also include all revised International Accounting Standards ("IAS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC").

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014, prepared according to the International Accounting Standard 34—Interim Financial Reporting, are based on the same accounting principles used for the preparation of the consolidated financial statements for the period ended 31 December 2013.

The preparation of the unaudited condensed consolidated interim financial reporting requires management to use estimates and assumptions which might affect the values of revenues, costs, assets and liabilities of the unaudited condensed consolidated financial statements and the disclosure over contingent assets and liabilities reported in the unaudited condensed consolidated financial statements. Whether in the future those estimates and assumptions, based on the best evaluation provided by the management, might differ from the effective results, the effects of each change to them is reflected in the consolidated income statement for the period in which the change occurs.

Income taxes are determined on the basis of the best estimation of the tax rates that are expected to be applicable in the year.

Structure of the financial statements and basis of preparation

The unaudited condensed consolidated interim financial statements consist of the unaudited condensed consolidated statement of financial position, the unaudited condensed consolidated income statement for the period, the unaudited condensed consolidated statement of comprehensive income, the unaudited condensed consolidated cash flow statement and the unaudited condensed consolidated statement of changes in shareholders' equity.

The statement of financial position as prepared with current and non-current assets and liabilities shown separately.

The income statement is classed by function (otherwise known as "the cost of goods sold" method), as this is considered to be more representative than the "nature of expense" method. The chosen form reflects internal reporting and how the business is managed, and is in line with international practice in the automobile and automotive sector.

The Statement of Comprehensive Income includes all changes in shareholders' equity that took place during the period, as a result of transactions other than those with the shareholders. The Group has elected to represent such changes in a statement separate from the income statement.

The changes to shareholders' equity are presented before the related tax effects showing in a single item the comprehensive amount of income tax relating to those changes.

The statement of cash flows was prepared using the indirect method.

The statement of changes to shareholders' equity shows separately the results for the period and any other changes that did not pass through the Income Statement but were allocated directly to Consolidated shareholders' equity based on specific IFRS standards and transactions with shareholders.

All amounts shown in the unaudited condensed consolidated financial statements are in thousands of Euro, unless otherwise specified.

Scope and principles of consolidation

The scope of consolidation of the interim financial statements as at 30 June 2014 includes the results of Rhino Midco 2 Ltd and its subsidiaries. There are no changes in the scope compared to last year.

The exchange rates used to translate results of foreign companies were as follows:

	Six months ended 30 June 2014	Average of the period
	(all amounts in Euro thousands)	
Switzerland—CHF	0,823	0,819
Czech Republic—CZK	0,036	0,036
Hungary—HUF	0,003	0,003
Poland—Zloty	0,241	0,240
Romania—Leu	0,228	0,224
Ukraine—Hryvnia	0,062	0,070

2. NET SALES

The following items have been included in net sales:

	Six months ended 30 June 2014	Six months ended 30 June 2013
	(all amounts in Euro thousands)	
Invoiced sales	382,658	—
Commission	774	—
Rebates	(9,375)	—
Sales gross	374,057	—
Direct selling costs		
Agents' commissions	(7,643)	—
Freight to customers	(10,131)	—
Write-offs of receivables and bad debts	(1,389)	—
Cash discounts	(136)	—
Non recurring items	(31)	—
Direct selling costs	(19,329)	—
Sales net	**354,728**	**—**

The Group recorded gross sales of Euro 374.1 million in the first six months of 2014.

"Commission" mainly refers to commissions on sales of Original Equipment products by Rhiag Engineering S.p.A. to Italian automobile manufacturers and, to a lesser extent, to commissions on sales of Original Equipment products by Bertolotti S.p.A. and Rhiag Group Ltd.

"Rebates" refer to bonus to customers regarding sales target accrued during the period.

Direct selling costs stand at 5.2% of gross sales.

As a result of the abovementioned factors, net sales in the unaudited condensed consolidated financial statements for the first six months of 2014 are equal to Euro 354.7 million.

3. COST OF SALES

The following items have been included in cost of sales:

	Six months ended 30 June 2014	Six months ended 30 June 2013
	(all amounts in Euro thousands)	
Materials purchases, change and write off of inventories	(237,642)	—
Supply freights	(5,867)	—
Staff costs	(41,142)	—
Non recurring items	(499)	—
Cost of sales	**(285,150)**	**—**

Personnel costs are analysed below:

	Six months ended 30 June 2014	Six months ended 30 June 2013
	(all amounts in Euro thousands)	
Wages and salaries	(28,843)	—
Social security and other costs	(12,299)	—
Staff costs	(41,142)	—
Non recurring items	(499)	—
	(41,641)	—

As at 30 June 2014, the Group had 3,155 employees. The breakdown by function is the following:

	Six months ended 30 June 2014
Sales	909
Product Marketing	183
Purchase Planning	109
Warehousing and distribution	1,715
Finance and administration	86
Information systems	58
Human resources	20
Other	75
Total	**3,155**

4. DISTRIBUTION COSTS

The following items have been included in distribution costs:

	Six months ended 30 June 2014	Six months ended 30 June 2013
	(all amounts in Euro thousands)	
Rents and operating leasing	(8,218)	—
Advertising, promotional costs and catalogues	(6,932)	—
Travelling expenses	(2,239)	—
Non recurring items	(62)	—
Distribution costs	**(17,452)**	**—**

5. ADMINISTRATIVE EXPENSES

The following items have been included in administration costs:

	Six months ended 30 June 2014	Six months ended 30 June 2013
	(all amounts in Euro thousands)	
External services	(4,358)	—
Legal and consulting costs	(1,596)	—
Administration and other operational costs	(3,861)	—
Other income	1,655	—
Amortization of intangible assets	(15,013)	—
Non-recurring items	(894)	—
Administrative expenses	**(24,067)**	**—**

"External services" mainly comprise third party logistics services for the warehouses and branches. Specifically, these costs are for management of warehouse stock, picking, packing and shipping.

"Other income" mainly refers to the bonuses awarded to the Group by suppliers. In particular, it includes reimbursements for advertising and sales promotion campaign expenses, reimbursements from suppliers for service level penalties (e.g. late delivery) and for product warranty costs (e.g. return of defective products), transport and packaging expenses charged to customers and other minor revenues not related to product sales.

"Administration and other operational costs" mainly relate to fixed and mobile telephone costs, the costs of sending invoices and documentation and fees paid to directors and supervisory bodies.

6. OTHER OPERATING EXPENSES

The following items have been included in other operating expenses:

	Six months ended 30 June 2014	Six months ended 30 June 2013
	(all amounts in Euro thousands)	
Building and energy costs	(2,220)	—
Insurance	(545)	—
Gain on sales of fixed assets	109	—
Depreciation on property, plant and equipment	(3,462)	—
Non-recurring items	80	—
Other operating expenses	**(6,039)**	**—**

"Building and energy costs" mainly relate to costs for utilities and maintenance of headquarters and branches.

"Insurance" costs mainly relate to insurance premiums for insurance policies on goods and warehouses and transport risks. The Group companies mainly hold insurance policies against the risk of damage to owned goods and/or leased assets, risks regarding the transport of goods from suppliers and/or to customers and/or to warehouses and branches, motor vehicle risks (e.g. theft or fire) and policies for risks regarding managers and executives as benefits in kind.

7. FINANCE COSTS

The following items have been included in financial income/expenses:

	Six months ended 30 June 2014	Six months ended 30 June 2013
	(all amounts in Euro thousands)	
Interests on the Notes	(13,919)	—
Notes—Transaction costs amortisation	(1,142)	—
Interests on the RCF	(849)	—
RCF—Transaction costs amortisation	(146)	—
Bank borrowings—short term (overdraft)	(668)	—
Fair value losses on financial instruments	(4,138)	—
Foreign exchange transaction—(realized and unrealized)	(2,952)	—
Non recurring financial costs	(687)	—
Interest expenses	(24,501)	—
Third parties e bank current account	47	—
Foreign exchange transaction—(realized and unrealized)	1,031	—
Fair value gains on financial instruments	—	—
Non recurring financial revenues	—	—
Interest income	1,078	—
Net finance costs	**(23,423)**	**—**

"Interests on the Notes" refer to interests accrued on the 7.25% Senior Secured Notes due 2020 ("SSN") and interests accrued on the Floating Rate Senior Secured Notes due 2019 ("FRN").

"Notes—transaction costs amortisation" refer to the costs related to the Notes issuing process that are included in the carrying value of the debt and subsequently measured at amortised cost in accordance with IAS 39.

Fair value losses on financial instruments refer to the change in fair value of the Interest Rate Swap. Please refer to note 25 for further details.

8. PROPERTY, PLANT AND EQUIPMENT

A breakdown of property, plant and equipment is as follows:

	Land & buildings	Leasehold improvements	Machinery & equipment	Other	Total
	(all amounts in Euro thousands)				
Cost					
At 31 December 2013	3,580	1,584	18,229	3,956	27,349
Exchange differences	(205)	(26)	(123)	(90)	(444)

	Land & buildings	Leasehold improvements	Machinery & equipment	Other	Total
	(all amounts in Euro thousands)				
Additions	—	329	1,948	1,282	3,559
Disposals	—	—	(87)	(45)	(131)
At 30 June 2014	3,375	1,887	19,967	5,103	**30,333**
Accumulated depreciation and impairment					
At 31 December 2013	(1)	(66)	(206)	(122)	(395)
Charge for the period	(16)	(318)	(2,009)	(1,119)	(3,462)
At 30 June 2014	(17)	(384)	(2,215)	(1,241)	**(3,857)**
Carrying amount					
At 31 December 2013	3,579	1,518	18,023	3,834	26,954
At 30 June 2014	3,358	1,503	17,752	3,863	**26,476**

Property, plant and equipment mainly refer to shelving, machinery for the handling of goods, vans and lifting equipment and works carried out on the leased premises used by the Group companies.

9. INTANGIBLE ASSETS

A breakdown of intangible assets is as follows:

	Customer relationships	Starline brand	Other	Goodwill	Total
	(all amounts in Euro thousands)				
Cost					
At 31 December 2013	222,347	44,544	3,485	211,604	481,980
Exchange differences	(75)	(201)	(51)	(285)	(611)
Additions	—	—	989	—	989
At 30 June 2014	222,273	44,344	4,423	211,319	**482,358**
Amortisation					
At 31 December 2013	(1,022)	(121)	(152)	—	(1,295)
Charge for the period	(12,459)	(1,478)	(1,075)	—	(15,013)
At 30 June 2014	(13,482)	(1,599)	(1,227)	—	**(16,308)**
Carrying amount					
At 31 December 2013	221,325	44,423	3,333	211,604	480,685
At 30 June 2014	208,791	42,744	3,196	211,319	**466,050**

Customer Relationships

Euro 221.9 million relating to Customer Relationships have been allocated to the 5 Cash Generating Units identified as follows:

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
Customer Relationships—CGU Italy Rhiag	123,213	128,564
Customer Relationships—CGU Italy Bertolotti	11,525	12,491
Customer Relationships—CGU Switzerland	20,722	21,783
Customer Relationships—CGU Auto Kelly	41,093	44,992
Customer Relationships—CGU Elit	12,237	14,097
Total	**208,791**	**221,927**

Rhiag Group’s customer base consists of long-standing relationships with wholesalers, garages and retail customers across the European countries in which the CGUs operate. Since the Rhiag Group is engaged in the aftermarket distribution of spare parts, access to the fragmented customer base is critical to its business.

Rhiag Group provides customers a high service level with short lead times as well as fast execution and delivery on demand. This has created customer loyalty and strong relationships over the years, and therefore, the useful economic lives range from 4 to 13 years.

As at 30 June 2014 the net book value of customer relationships allocated to the 5 CGUs is equal to Euro 208.8 million.

Starline Brand

Euro 44.5 million relating to Starline Brand owned by Auto Kelly a.s. have been allocated to the Auto Kelly Cash Generating Unit although all the companies into Rhiag Group are expected to increase their sales of Starline products in the next years. Starline brand is unique as no other brand covers similar product portfolio in the IAM.

Given its 12 years' history, a market participant assumption to continue investing in the brand and an analysis of comparable transactions, the economic useful life attributed to Starline Brand is equal to 15 years.

As at 30 June 2014 the net book value of Starline Brand is equal to Euro 42.7 million.

Other intangible assets

Other intangible assets refer to software and ERP systems of the Group.

Goodwill

The excess of purchase price over the fair value of the identifiable assets and liabilities acquired has been assigned to goodwill for a total amount of Euro 210.9 million, which is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses (IAS 36).

Goodwill has been allocated to five Cash Generating Units (CGUs), identified as the companies and sub-groups of companies acquired. They reflect the CGUs monitored at management reporting level by Group management.

The CGUs identified are as follows:

- Italy Rhiag CGU: including Rhiag—Inter Auto Parts Italia S.p.A.
- Italy Bertolotti CGU: including Bertolotti S.p.A.
- Switzerland CGU: comprising Rhiag Group Ltd, wholly owned subsidiary of Rhiag—Inter Auto Parts Italia S.p.A.
- Elit CGU: comprising the companies operating in the markets of Eastern Europe—, i.e. Elit Czech Republic, Elit Slovakia, Elit Ukraine, Elit Romania, Elit Poland and Lang Kft. The shares in these subsidiaries the equity investments are held by a Swiss holding company—Elit Group Ltd.
- Auto Kelly CGU: comprising Auto Kelly a.s., Auto Kelly Bulgaria E.o.o.d. and Auto Kelly Slovakia s.r.o.

At the date of approval of these interim condensed consolidated financial statements, no impairment loss indicators have been identified.

All CGUs operate in the independent aftermarket for passenger cars and industrial vehicles spare parts.

As at 30 June 2014, the Goodwill amounts to Euro 211.3 million: the increase in the value of the goodwill is due to the exchange rate effects arisen on the foreign operations of the Group.

As at 30 June 2014, goodwill by CGU was as follows:

CGU	**30 June 2014**
	(all amounts in Euro millions)
Rhiag	93.5
Bertolotti	4.9
Switzerland	17.1
Elit	22.3
Auto Kelly	73.5
Total	**211.3**

10. INVESTMENTS

Investments in associates consist of an investment held by Rhiag—Inter Auto Parts Italia S.p.A. in the international group purchasing organization ATR for Euro 10 thousand.

Subsidiaries

Please find below the subsidiaries' undertakings:

Company	Country of incorporation or registration	Share Capital (Value in local currency)	Shareholders	Share	Group Shares	Consolidation method
Rhino Bondco S.p.A.	Italy	Euro 30.894.105	Rhino Midco 2 Ltd	100.0%	100.0%	Full—line by line
Rhino Bidco S.p.A......................	Italy	Euro 77.848.798	Rhino Bondco S.p.A.	100.0%	100.0%	Full—line by line
Rhiag S.p.A................................	Italy	Euro 25.510.000	Rhino Bidco S.p.A.	100.0%	100.0%	Full—line by line
Elit Group Ltd............................	Switzerland	CHF 13.315.000	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
Rhiag Group Ltd.........................	Switzerland	CHF 4.000.000	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
Rhiag Engineering S.p.A.	Italy	Euro 1.809.500	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
Bertolotti S.p.A..........................	Italy	Euro 5.170.000	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
Centro Ricambi Rhiag S.r.l.	Italy	Euro 100.000	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
InSiamo S.C.A.R.L.	Italy	Euro 193.551	Rhiag S.p.A.	24.2%	24.2%	Full—line by line
Lang Kft.....................................	Hungary	HUF 1.270.000.000	Rhiag S.p.A.	0.01%	100.0%	Full—line by line
			Elit Group Ltd	99.99%		
S.C. Elit Romania S.r.l...............	Romania	RON 10.839.400	Rhiag S.p.A.	0.01%	100.0%	Full—line by line
			Elit Group Ltd	99.99%		
Elit Ukraine Ltd..........................	Ukraine	UAH 26.991.299	Elit Group Ltd	100.0%	100.0%	Full—line by line
Auto Kelly AS	Czech Republic	CZK 2.000.000	Elit Group Ltd	100.0%	100.0%	Full—line by line
Auto Kelly Slovakia s.r.o...........	Slovakia	Euro 272.190	Auto Kelly AS	100.0%	100.0%	Full—line by line
Auto Kelly Bulgaria EOOD........	Bulgaria	Euro 5.113	Auto Kelly AS	100.0%	100.0%	Full—line by line
Elit Slovakia s.r.o.......................	Slovakia	Euro 298.746	Elit Group Ltd	100.0%	100.0%	Full—line by line
Elit PL sp.z.o.o.	Poland	PLN 5.000	Elit Group Ltd	100.0%	100.0%	Full—line by line
Elit Cz spol s.r.o.........................	Czech Republic	CZK 18.750.000	Elit Group Ltd	100.0%	100.0%	Full—line by line

11. NON-CURRENT RECEIVABLES

Non- current receivables consist of:

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
Deposits in respect of rent/lease agreements	593	723
Other	930	542
	1,523	**1,265**

Deposits in respect of rent/lease agreements refer to amounts paid by the Italian companies as a security on lease rentals of premises where the companies operate, as well as the payment of utilities.

Other receivables refer to third-party receivables with maturity term after 12 months, mainly recorded in the Czech Republic, Slovakia and Switzerland.

12. INVENTORIES

Inventories consist of:

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
Goods	141,097	133,395
Promotional material..	2,364	1,851
Other	327	337
Provision	(5,233)	(5,029)
	138,554	**130,556**

"Goods" includes engine spare parts, chassis, bodywork, electrical and electronic components of automobiles and industrial vehicles. These items are recognised at weighted average cost.

"Promotional material" includes goods other than the Group's goods for sale which are used for sales operations and campaigns.

"Other" mainly consists of advertising materials, printed catalogues and heating fuel.

The amounts shown are stated net of the inventory obsolescence provision. Inventories were written down by analysing the potential future sales of each product for sale, taking into account sales made over the preceding twelve months.

13. TRADE RECEIVABLES

Trade receivables consist of:

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
Gross trade receivables third parties	173,655	159,850
Provision for doubtful receivables	(19,360)	(19,147)
	154,295	**140,703**

The bad debt provision was calculated according to Group criteria, based on a detailed analysis of overdue receivables.

14. OTHER CURRENT ASSETS

Other current assets consist of:

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
Prepayments and accrued income	10,573	15,832
VAT receivables	374	258
Other receivables	6,303	5,907
	17,250	**21,997**

Prepayments and accrued income mainly relate to bonus due from suppliers based on gross purchases' targets, including also bonus related to ATR buying group.

15. CASH AND CASH EQUIVALENTS

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
Cash at bank and in hand	23,138	41,427
	23,138	**41,427**

Details of cash flow movements are shown in the Cash Flow Statement.

16. NOTES LIABILITIES

Notes liabilities consist of:

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
7.25% Senior Secured Notes	215,000	215,000
Floating rate notes	200,000	200,000
Notes—transaction costs	(13,500)	(14,423)
Notes liabilities—non current	**401,500**	**400,577**
Notes—accrued interest	2,409	4,192
Notes liabilities—current	**2,409**	**4,192**

"Notes—accrued interest" refer to interest accrued on the 7.25% Senior Secured Notes due 2020 ("SSN") from 16 May 2014 to 30 June 2014 and interest accrued on the Floating Rate Senior Secured Notes due 2019 ("FRN") from 16 June 2014 to 30 June 2014.

17. BANK BORROWINGS

Bank borrowings consist of:

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
Bank overdraft	3,871	1,856
Revolving Credit Facility ("RCF")	27,000	26,000
RCF—Transaction costs	(1,879)	(2,025)
RCF—accrued interest	322	70
Bank borrowings	**29,314**	**25,901**

In June 2014, the Rhino Bondco S.p.A. has provided an additional utilisation request (for Euro 1 million) for six months.

18. OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities consist of:

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
Dividend to be paid over 12 months	2,649	2,894
Financial lease liabilities	2,834	2,888
	5,483	**5,782**

Dividends to be paid relate to the dividends declared in 2010 by Auto Kelly a.s. to the previous shareholder, to be paid after 12 months after the period end. The dividend resolved amounted to CZK 191.2 million to be paid in equal yearly instalments of CZK 15.8 million till 2020 (in 2020 last yearly instalment will be equal to CZK 10.5 million). As at 30 June 2014, the net present value of residual debt falling due after 12 months amounted to Euro 2.6 million. The amount falling due within 1 year was included in current liabilities in Note 21, under item "Other current financial liabilities".

The caption "Financial lease liabilities" refers to financial lease contracts entered by the companies in the Eastern Europe area, primarily to purchase shelves, lifting equipment, automobiles and industrial vehicles.

The breakdown of the financial leasing by maturity term is as follows:

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
The present value of finance lease liabilities is as follows:		
not later than 1 year	1,921	1,672
later than 1 year and not later than 5 years	2,834	2,888
later than 5 years	—	—
	4,755	**4,560**

The carrying amount of Finance lease liabilities substantially equals their fair value.

19. DEFERRED COMPENSATION AND AGENT INDEMNITIES

Deferred compensation and agent indemnities consist of:

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
Employee leaving indemnity ("TFR") provision (IAS 19)	7,103	6,851
Switzerland pension plan (IAS 19)	2,167	2,167
Agents' leaving indemnity provision (IAS 37)	3,093	3,116
Provisions relating to personnel and agents	**12,363**	**12,134**

Provisions relating to personnel and agents mainly includes the liability of the Italian companies (Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A., Centro Ricambi Rhiag S.r.l., and Rhiag Engineering S.p.A.) for employee leaving indemnities ("T.F.R.—trattamento di fine rapporto"), as well as amounts provided by the same companies for agents' termination indemnities.

The caption includes also the net liability related to the pension plan of the subsidiary Rhiag Group Ltd. The controlled entity has entered into Collective Foundation plan entirely reinsured.

The allowance for the agents' termination indemnity as at 30 June 2014 includes the indemnities accrued by the sales agents based upon Italian laws.

The allowance for the agents' termination indemnity has been determined by applying an actuarial method in compliance with IAS 37.

20. TRADE PAYABLES

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
Trade payables third parties	107,583	109,742
	107,583	**109,742**

Trade payables are determined by term of payments negotiated with suppliers, which are specific for any geographical markets. The majority of suppliers are common throughout the Group and they operate mainly within the European Union.

21. OTHER CURRENT LIABILITIES

Other current liabilities consist of:

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
Customer rebates	7,868	12,998
Non-trade suppliers payables	32,995	44,486
Social security and other taxation	5,215	3,366
Other	961	1,093
	47,039	**61,943**

Customer rebates are monetary amounts due to customers as they reach agreed yearly gross sales targets.

Non-trade suppliers payables primarily refers to amounts due to distribution, administrative services and other operating costs, including personnel related payables to unutilised vacation and deferred wages, agents related payables regarding commissions matured but not yet paid, and social security liabilities, which are payable in July of each year, related to personnel wages and agents' commissions.

Social security and other taxation is mainly made up of VAT balance.

22. CURRENT AND DEFERRED INCOME TAXES

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
Non-current tax assets		
Deferred tax assets	5,993	5,984
	5,993	5,984
Current income tax assets		
Current tax assets	800	1,773
	800	**1,773**
Non-current income tax liabilities		
Deferred tax liabilities	(65,150)	(68,476)
	(65,150)	**(68,476)**
Current income tax liabilities		
Current tax liabilities	(2,322)	(1,488)
	(2,322)	**(1,488)**

Deferred income taxes are calculated in full on temporary differences under the liability method. They arose mostly from purchase price allocation performed in 2013 for an amount equal to Euro 68.1 million. The release of the period is equal to Euro 3.3 million

The main temporary differences for deferred tax assets are inventory write off, bad debt provision, agents leaving indemnity fund, representation costs and accrual for legal claim and potential liabilities, as well as property, plant and equipment and intangibles. Temporary differences for deferred tax liabilities mostly relate to the formation expenses of the Swiss subsidiary Rhiag Group Ltd.

23. OTHER FINANCIAL LIABILITIES

Other current financial liabilities consist of:

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
Financial lease	1,921	1,672
Dividend to be paid within 12 months	565	567
	2,486	**2,239**

As regards items "Financial lease" and "Dividends to be paid", refer to note 18".

24. PROVISIONS

Provisions consist of:

	Provision for warranties and returned goods	Provision for risks	Provision for future charges	Total
	(all amounts in Euro thousands)			
At 31 December 2013	1,851	1,032	5,400	8,283
At 30 June 2014	**1,596**	**948**	**8,925**	**11,470**

Provision for returned goods and warranties includes the allocation, on an accrual basis, of the value of the materials that will be returned in the next year against sales made in 2013 and the amounts allocated for product warranties.

Provision for risks mainly refers to amounts related to legal claim for disputes with former employees or agents of the Group and suppliers of services.

Provision for future charges mainly refers to a redemption scheme regarding estimated amounts for customer loyalty programmes and allocations for promotional campaigns targeted to customers.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2014	31 December 2013
	(all amounts in Euro thousands)	
Interest Rate Swap	4,146	8
	4,146	**8**

On 20 December 2013, the Rhino Bondco S.p.A. entered into an Interest Rate Swap with Nomura International PLC in order to hedge future cash flows regarding the Floating Rate Notes from changes in interest rate. Derivative financial instruments as at 30 June 2014 include the fair value of that Interest Rate Swap. The Group did not apply hedge accounting under IAS 39.

26. CONTINGENCIES

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for *(please refer to Note 24)*.

27. ORDINARY SHARES AND RESERVES

	Ordinary shares (number)	Ordinary shares (nominal value)	Total Value (EURO)
	(all amounts in Euro thousands)		
Ordinary shares, issued and fully paid	135,916,908	1.00	135,916,908
30 June 2014	**135,916,908**	**1.00**	**135,916,908**

28. RELATED PARTY TRANSACTIONS

Related-Party Transactions

For the six months ended 30 June 2014 the Group incurred no costs in related-party transactions except as disclosed in note 18.

29. OPERATING SEGMENT ANALYSIS

The segment disclosure was prepared to provide enough information to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates (Paragraph 1 IFRS 8). Separate information was provided on the segment business units, which were identified on the basis of the internal reports and the operating activities that generate revenues and costs, with the results reviewed on a regular basis at the highest operational decision-making levels in order to decide on allocation of the resources and evaluate the results, and for which separate financial information is available.

The segment business units that the Group indicates on a separate basis are the following:

- Italy: the Group activities in Italy are mainly carried out by Rhiag—Inter Auto Parts Italia S.p.A., and the subsidiaries Bertolotti S.p.A., Centro Ricambi Rhiag S.r.l. and Rhiag Engineering S.p.A.;
- Eastern Europe: the Group activities in Eastern Europe (Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Poland and Ukraine) are mainly carried out by Elit (Elit CZ spol s.r.o., Elit Slovakia s.r.o., Lang Kft, Elit Romania Piese Auto Originale S.r.l., Elit PL sp.z.o.o. and Elit Ukraine Ltd.) and AutoKelly (Auto Kelly AS, Auto Kelly E.o.o.d. and Auto Kelly

Slovakia s.r.o.). All the Group's operating companies in Eastern Europe are controlled by Elit Group Ltd., a company incorporated under Swiss law (non-operating company), fully controlled in turn by Rhiag—Inter Auto Parts Italia S.p.A.;

- Switzerland: the Group's activities in Switzerland are mainly carried out by Rhiag Group Ltd. Rhiag Group Ltd is one of the leading companies in the Swiss independent automotive aftermarket.

A summary of the main figures for the operating segments for Midco Group June 30, 2014 is shown below:

	Midco Group 30 June 2014				
	Italy	**Eastern Europe**	**Switzerland**	**Adjustments**	**Total**
Profit and Loss H1 2014					
Gross sales	181,377	177,589	22,753	(7,662)	374,057
EBITDA Adjusted(*)	24,350	15,379	2,522	(350)	41,901
Balance Sheet as at 30.06.2014					
Inventory	49,092	82,236	7,235	(9)	138,554
Trade receivables	125,768	22,853	8,482	(2,807)	154,295
Trade payables	56,177	51,337	2,630	(2,561)	107,583
Trade Working Capital (TWC)	**118,683**	**53,752**	**13,087**	**(255)**	**185,266**

(*) Adjusted EBITDA includes gross sales, net of direct selling costs, cost of sales, distribution costs, administrative costs, other operating costs, with non-recurring costs, and restructuring costs excluded. Adjusted EBITDA is not identified as an accounting measure under IAS/IFRS accounting standards as adopted by the European Union.

The reconciliation of the Group's results from profit or loss for the period to Adjusted EBITDA is as follows:

	30 June 2014
Loss for the period	**(6,648)**
Tax	5,245
Finance costs	24,501
Finance income	(1,078)
Depreciation of property, plant and equipment	3,462
Amortisation of intangible assets	15,013
Non-recurring items and restructuring costs	1,406
Adjusted EBITDA	**41,901**

30. PRINCIPAL RISKS AND UNCERTAINTIES

The directors have considered the principal risks and uncertainties affecting the Group for the second half of 2014 and determined that these are unchanged from those presented in the Group's published Annual Report for the period ended 31 December 2013. The Annual Report and Accounts are published in the Investor Relations section of the Group website (www.rhiag-group.com).

31. GOING CONCERN AND RISK MANAGEMENT POLICIES

The Group concluded that, despite the difficult economic and financial situation, as described in the Annual Report for the period ended 31 December 2013, there are no serious doubts (as defined in IAS 1) over its ability to operate as a going concern, also thanks to the steps that have already been taken to adapt to the current macroeconomic and market scenarios in which the Group is operating. Thus they adopted the going concern basis in preparing the condensed consolidated financial statements.

32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 8 August 2014 Rhino Bidco S.p.A. entered into a Sale and Purchase Agreement for the acquisition of the entire share capital of the Era S.p.A. from Alcedo SGR S.p.A. and other six individual shareholders for a purchase price of approximately Euro 32 million. Era S.p.A. is an Italian company with annual gross sales of approximately Euro 40 million, of which around 40% in Italy and 60% outside of Italy in several countries in Europe, Asia and Africa, and annual EBITDA of approximately Euro 6 million. The transaction was completed on October 16, 2014, and was financed by drawings under the Revolving Credit Facility.

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
EXPLANATORY NOTES
AT 30 JUNE 2013

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
RHIAG—INTER AUTO PARTS ITALIA S.p.A.

1. We have reviewed the interim consolidated financial statements of Rhiag—Inter Auto Parts Italia S.p.A. (the "Company") and its subsidiaries (the "Rhiag Group"), which comprise the consolidated statement of financial position as of June 30, 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated statement of cash flows for the six-months period then ended, and the related explanatory notes (the "Interim Consolidated Financial Statements"). The Interim Consolidated Financial Statements have been prepared for the purpose of inclusion in the offering circular to be prepared for the issuance of notes of Rhiag—Inter Auto Parts Italia S.p.A.. The Company's directors are responsible for the preparation and presentation of this Interim Consolidated Financial Statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue a report on these Interim Consolidated Financial Statements based on our review.

2. We conducted our review in accordance with the standards recommended by the International Standard on Review Engagements 2410—*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

   The Interim Consolidated Financial Statements present for comparative purposes the consolidated statements of financial position as of December 31, 2012 and as of January 1, 2012. As explained in the notes to the Interim Consolidated Financial Statements, the Directors have revised certain comparative data related to the prior year's consolidated financial statements and to the statement of financial position as of January 1, 2012—derived from the consolidated financial statements as of December 31, 2011—with respect to the data previously reported and audited by us, on which we issued auditors' reports dated April 9, 2013 and April 11, 2012, respectively. These revisions to comparative data and related disclosures included in the notes to the Interim Consolidated Financial Statements have been examined by us for the purpose of our review of the Interim Consolidated Financial Statements as of June 30, 2013.

   The Interim Consolidated Financial Statements present for comparative purposes also the corresponding data for the six-months period ended June 30, 2012 which have not been reviewed by us and consequently our conclusions do not extend to such data.

3. Based on our review, nothing has come to our attention that causes us to believe that the Interim Consolidated Financial Statements of the Rhiag Group as of June 30, 2013 are not prepared in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Marnati
Partner

Milan, Italy
July 30, 2013

This report has been translated into the English language solely for the convenience of international readers.

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.06.2013	31.12.2012 restated	30.06.2012	01.01.2012 restated
			(amounts in thousands of Euro)		
ASSETS					
Non-current assets					
Property, plant & equipment	1	25,747	26,625	25,883	26,472
Intangible assets	2	2,929	3,044	2,456	2,353
Goodwill	3	268,074	270,548	270,505	270,178
Investments	4	10	10	18	5
Receivables and other financial assets	5	1,115	1,108	1,005	1,162
Deferred tax assets	6	4,409	4,407	3,408	3,699
		302,284	305,742	303,275	303,869
Current assets					
Inventory	7	133,091	127,750	118,995	119,672
Trade receivables	8	148,028	126,532	134,841	119,239
Other current receivables	9	18,272	15,940	12,018	12,296
Tax receivables/credits	10	483	491	354	436
Cash and cash equivalents	11	62,349	55,953	50,977	34,417
		362,223	326,666	317,185	286,060
Non current assets held for sale	1	**463**	—	—	—
Total Assets		**664,970**	**632,408**	**620,460**	**589,929**
Shareholders' equity					
Share capital	12	25,510	25,510	25,510	25,510
Other reserves	12	115,851	115,851	115,851	104,803
Translation reserves	12	5,128	8,263	7,532	6,555
Retained earnings / (Accumulated losses)	12	66,849	25,443	25,682	4,846
Profit / (Losses) for the year	12	17,088	42,160	18,857	32,522
		230,426	217,227	193,432	174,236
Retained / (Losses) of minority interests	12	146	148	149	149
Total shareholders' equity		**230,572**	**217,375**	**193,581**	**174,385**
LIABILITIES					
Non-current liabilities					
Bank borrowings	13	203,910	221,292	226,264	231,099
Other non-current liabilities		—	—	2,626	3,108
Other financial liabilities	14	5,708	6,101	6,063	6,782
Deferred tax liabilities	6	647	689	839	794
Provisions relating to personnel and agents	15	13,183	13,052	13,099	12,812
		223,448	241,134	248,891	254,595
Current Liabilities					
Trade payables	16	121,588	106,409	99,061	86,505
Other current liabilities	17	43,808	42,327	45,331	48,856
Tax payables	18	5,441	1,428	6,969	1,642
Bank borrowing	19	27,675	13,893	15,219	13,538
Other financial liabilities	20	2,728	2,370	2,502	2,215
Provisions for risks and charges	21	9,710	7,472	8,907	8,193
		210,950	173,899	177,989	160,949
Liabilities related to non current assets held for sale		—	—	—	—
Total liabilities		**434,398**	**415,033**	**426,880**	**415,544**
Total liabilities & shareholders' equity		**664,970**	**632,408**	**620,460**	**589,929**

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended June 30, 2013	Six months ended June 30, 2012
		(amounts in thousands of Euro)	
Gross sales	23	355,688	333,323
Direct selling costs	23	(18,460)	(16,987)
Net sales		**337,228**	**316,336**
Cost of goods sold	24	(272,960)	(251,830)
Gross profit		**64,268**	**64,506**
Distribution costs	25	(16,489)	(16,311)
Administrative costs	26	(9,020)	(7,576)
Other operating costs	27	(6,103)	(5,544)
Impairment of goodwill and other assets	28	—	—
Operating profit		**32,656**	**35,075**
Financial income / (expense)	29	(7,744)	(6,881)
Profit before taxation		**24,912**	**28,194**
Taxes on income	30	(7,824)	(9,337)
Net profit for year from continuing operations		**17,088**	**18,857**
Net result from discontinued operations		—	—
Net profit for year		**17,088**	**18,857**
(amounts in thousands of Euro)			
Basic earnings/(loss) per share		0.17	0.18
Diluted earnings/(loss) per share		0.17	0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended June 30, 2013	Six months ended June 30, 2012
Net profit for the year (A)		17,088	18,857
Items that will not be reclassified subsequently to profit and loss			
Gains / (Losses) from translation of financial statements of foreign entities		(3,135)	977
Actuarial gains / (losses) (IAS 19)		(232)	(132)
Tax effect on actuarial gains / (losses) (IAS 19)		1	22
Total		**(3,366)**	**867**
Items that may be reclassified subsequently to profit and loss		—	—
Total other gains / (losses) net of tax effect (B)		**(3,366)**	**867**
Total net comprehensive income (A+B)		**13,722**	**19,724**

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended June 30, 2013	Six months ended June 30, 2012
		(amounts in thousands of Euro)	
Profit before taxation		**24,912**	**28,194**
Net result from discontinued operations			
Net profit before taxation		**24,912**	**28,194**
Changes:			
Depreciation of property, plant & equipment		3,371	3,270
Amortization of intangible assets		941	775
(Gains) / Losses from sale of property, plant & equipment		(87)	(79)
(Financial income)		(128)	(67)
Financial expenses		6,063	7,303
Realized and unrealized exchange (gains) / losses		1,808	(311)
Changes in Net Working Capital items:			
Trade receivables		(21,496)	(15,746)
Other current receivables		(2,339)	435
Trade receivables from minority owned companies		—	144
Inventory		(5,340)	677
Trade payables		15,179	12,556
Other current liabilities		1,498	(4,594)
Provisions for risks and charges		2,238	714
Provisions relating to personnel and agents		(101)	153
Cash flows generated by operating activities		**26,519**	**33,424**
Interest received		128	67
Interest (paid)		(4,324)	(5,078)
Income taxes (paid)		(4,330)	(3,570)
Net cash flows generated by operating activities		**17,993**	**24,843**
Capex on property, plant & equipment		(3,727)	(2,476)
Capex on intangible assets		(1,000)	(870)
Sale of property, plant & equipment		254	317
Net cash flows generated by investing activities		**(4,473)**	**(3,029)**
Bank overdrafts arranged / (repaid)		(6,602)	(6,602)
Loans received / (repaid)—current		1,599	1,681
Dividends paid		(829)	(837)
Cash flows generated by financing activities		**(5,832)**	**(5,758)**
Exchange rate effect		(1,292)	504
Total cash flows generated / (absorbed) by continuing activities		**6,396**	**16,560**
Change in cash and cash equivalents			
Opening cash and cash equivalents from continuing activities		55,953	34,417
Opening cash and cash equivalents from discontinued operations		—	—
Total opening cash and cash equivalents	11	**55,953**	**34,417**
Total cash flows generated / (absorbed) by continuing activities		6,396	16,560
Total cash flows generated / (absorbed) by discontinued activities		—	—
Closing cash and cash equivalents from continuing activities		62,349	50,977
Closing cash and cash equivalents from discontinued activities		—	—
Total closing cash and cash equivalents	11	**62,349**	**50,977**

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share Capital	Other Capital Reserves	Retained Earnings	Profit for year	Cash flows hedge reserve	Translations reserves	Minority interests	Total
				(amounts in thousands of Euro)				
As at 1 January 2012 restated	**25,510**	**104,803**	**4,846**	**32,522**	**—**	**6,555**	**149**	**174,385**
Share capital increases	—	—	—	—	—	—	—	—
Allocation/distribution of profit of the year	—	—	31,998	(32,522)	—	—	—	(524)
Net profit for the year	—	—	(110)	18,857	—	977	—	19,724
Other changes	—	11,048	(11,052)	—	—	—	—	(4)
Distribution of prior year earnings	—	—	—	—	—	—	—	—
As at 30 June 2012	**25,510**	**115,851**	**25,682**	**18,857**	**—**	**7,532**	**149**	**193,581**
As at 31 December 2012 restated	**25,510**	**115,851**	**25,443**	**42,160**	**—**	**8,263**	**148**	**217,375**
Share capital increases	—	—	—	—	—	—	(2)	(2)
Allocation/distribution of profit of the year	—	—	41,637	(42,160)	—	—	—	(523)
Net profit for the year	—	—	(231)	17,088	—	(3,135)	—	13,722
Other changes	—	—	—	—	—	—	—	—
Distribution of prior year earnings	—	—	—	—	—	—	—	—
As at 30 June 2013	**25,510**	**115,851**	**66,849**	**17,088**	**—**	**5,128**	**146**	**230,572**

for THE BOARD OF DIRECTORS
The Chairman
Edoardo Lanzavecchia

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

Registered office in Bergamo, Via Tiraboschi 48

Share Capital Euro 25,510,000

CONSOLIDATED FINANCIAL STATEMENTS AS AT 30.06.2013

EXPLANATORY NOTES

STANDARDS USED TO PREPARE THE FINANCIAL STATEMENTS

The consolidated interim financial statements for the period ended 30 June 2013 were prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) which have been endorsed by the European Union. IFRS also include all revised International Accounting Standards ("IAS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC").

The consolidated interim financial statements for the period ended 30 June 2013, prepared according to the International Accounting Standard 34—*Interim Financial Reporting*, are based on the same accounting principles used for the preparation of the consolidated financial statements for the period ended 31 December 2012, except for what is described in paragraph *Accounting Standards, amendments and interpretations in effect from 1 January 2013*.

The preparation of the consolidated interim financial reporting requires management to use estimates and assumptions which might affect the values of revenues, costs, assets and liabilities of the consolidated financial statements and the disclosure over contingent assets and liabilities reported in the consolidated interim financial statements. Whether in the future those estimates and assumptions, based on the best evaluation provided by the management, might differ from the effective results, the effects of each change to them is reflected in the consolidated income statement for the period in which the change occurs.

It should be noted that certain estimative processes, in particular those regarding the determination of the possible loss of value of the non-current assets, are generally performed only for the purposes of the annual financial statements, when all the necessary information is available, except the cases when impairment indicators which require an immediate valuation of possible loss of value exist. Similarly, the provisions for employee benefits and agents indemnity, determined on the basis of actuarial assumptions, are prepared for the purposes of the annual financial statements.

Income taxes are determined on the basis of the best estimation of the tax rates that are expected to be applicable in the year.

STRUCTURE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND BASIS OF PREPARATION

The present consolidated interim financial statements consist of the consolidated statement of financial position, the consolidated income statement for the period, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the statement of changes in consolidated shareholders' equity.

The consolidated statement of financial position is prepared with current and non-current assets and liabilities shown separately.

The consolidated income statement is exposed by function (otherwise known as "the cost of goods sold" method), as this method is considered to be more representative than the "nature of expense" method. The chosen form reflects internal reporting and how the business is managed, and is in line with international practice in the automobile and automotive sector.

The consolidated statement of comprehensive income includes all the changes in the consolidated shareholders' equity that took place during the period, as a result of transactions other than those with the shareholders. The Group has elected to represent such changes in a statement separate from the income statement.

The changes to consolidated shareholders' equity are presented before the related tax effects showing in a single item the comprehensive amount of income tax relating to those changes.

The consolidated statement of cash flows was prepared using the indirect method.

The consolidated statement of changes to consolidated shareholders' equity shows separately the results for the period and any other changes that did not pass through the income statement but were allocated directly to shareholders' equity based on specific IAS/IFRS standards and transactions with shareholders.

The consolidated interim financial statements as of 30 June 2013 compare the consolidated statement of comprehensive income with the same data of the first semester of 2012. As for the consolidated statement of financial position it is compared to the same as of the 31 December 2012.

The financial information as of 30 June 2013 has been subjected to a Limited Review procedures. No audit procedures have been performed for the financial information as of 30 June 2012.

All amounts shown in the consolidated financial statements are stated in thousands of Euro, otherwise specified.

Accounting standards, amendments and interpretations effective from 1 January 2013 but not relevant to the Group

The following amendments, improvements and interpretations in effect from 1 January 2013 regulate matters and circumstances that did not apply within the Group at the date of these interim consolidated financial statements but which could have accounting effects on future transactions or agreements:

- On 12 May 2011, the IASB issued IFRS 13—Fair value measurement which clarifies how fair value must be determined for financial reporting purposes and applies to all circumstances where IFRS require or permit fair value measurement or the presentation of information based on fair value, with some limited exceptions. The standard also requires more extensive disclosures about fair value measurement (fair value hierarchy) than currently required by IFRS 7. The standard is applicable prospectively from 1 January 2013.
- On 16 December 2011, the IASB issued several amendments to IFRS 7—Financial instruments: disclosures. The amendments require further information on the effects or potential effects of the offsetting of financial assets and liabilities on the statement of financial position of an entity. The amendments are applicable to periods commencing on or after 1 January 2013. Information must be provided retrospectively.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine was published in October 2011 and applies to waste removal costs incurred in surface mining activities in the production phase of the mine.
- On 17 May 2012, the IASB published the document Annual Improvements to IFRSs: 2009-2011 Cycle which includes IFRS amendments resulting from the annual improvement process and concentrating on those amendments considered necessary but not urgent. Details of those amendments that will lead to a change in the presentation, recognition and measurement of items reported are described below while those that will merely lead to changes of terminology or editorial differences with a minimal effect in accounting terms have been omitted, as have those that affect standards or interpretations not applicable by the Group:
    - IAS 1 Presentation of financial statements—Comparative information: clarifies that in cases where additional comparative information is provided, it shall be presented in accordance with IAS/IFRS. Also clarifies that when an entity changes its accounting policies or makes retrospective restatements or reclassifications, it shall also present an opening statement of financial position at the start of the comparative period ("third balance sheet") while the notes to the financial statements need not include comparative disclosures for this "third balance sheet", except for the items affected.
    - IAS 16 Property, plant and equipment—Classification of servicing equipment: clarifies that servicing equipment shall be classified as Property, plant and equipment if used for more than one reporting period and as Inventory.
    - IAS 32 Financial instruments: presentation—income taxes on distributions to equity holders and on transaction costs on equity instruments: clarifies that income taxes in such cases shall follow the rules laid down by IAS 12.
    - IAS 34 Interim financial reporting—Total assets and liabilities for a reportable segment: clarifies that total assets and liabilities for a particular reportable segment need only be disclosed if such information is regularly provided to the chief operating decision maker of the entity and there has been a material change in the total assets and liabilities of that reportable segment compared to the amount disclosed in the last annual financial statements.
- On 19 March 2011, the IASB published an amendment to IFRS 1 First-time adoption of International Financial Reporting Standards—Government Loans which amends the treatment of government loans when adopting IFRS.

Accounting standards, amendments and interpretations effective from 1 January 2013 relevant to the Group

The following paragraph have been applied for the first time by the Group from the 1st January 2013:

- On 16 June 2011, the IASB issued an amendment to IAS 1—Presentation of financial statements which requires entities to group together all items presented as Other comprehensive income/(losses) based on whether or not they can subsequently be reclassified to the income statement. The relative tax effect has to be allocated in the same way.
- On 16 June 2011, the IASB issued an amendment to IAS 19—Employee benefits which eliminates the option to defer recognition of actuarial gains and losses under the corridor method, requiring that all actuarial gains and losses must be recorded immediately in Other Comprehensive Income so that the entire net amount of provisions for employee benefits (net of available plan assets) is shown in the consolidated statement of financial position. The amendments also require that changes from one year to the next in the provision for employee benefits and plan assets must be divided into three components: costs relating to employee service during the period must be recorded in the income statement as "service costs"; net financial expenses calculated applying the appropriate discount rate to the net amount of the provision for defined benefits less assets at the start of the period must be recorded in the income statement as such; and actuarial gains and losses arising from the remeasurement of assets and liabilities must be recorded in Other Comprehensive Income. Moreover, the return on plan assets included in net financial expenses as above must be calculated based on the discount rate of the liabilities and no longer based on the expected return. Finally, the amendment introduces additional new disclosures that must be provided in the notes to the financial statements. The amendment is applicable retrospectively from the period commencing on or after 1 January 2013.

The Group has applied the IAS 19 (revised 2011) for the first time in 2013. Moreover, it needs to be noted that that accounting standard has been firstly applied by the Swiss subsidiary Rhiag Group Ltd in 2013 because the effects of this application were not relevant for the Group. As a consequence of this application (IAS 19 by Rhiag Group Ltd and the IAS 19 revised by the other Group's companies), the Group has restated the comparative amounts as of January 1, 2012 and as of December 31, 2012 as described in the tables below:

1 January 2012

IAS 19 adoption restatement effects

	01.01.2012	restatement effects	01.01.2012 restated
	(amounts in thousands of Euro)		
Deferred tax assets	3,287	412	3,699
Net effect on Assets		**412**	
Provisions relating to personnel and agents	10,389	2,423	12,812
Net effect on Liabilities		**2,423**	
Retained earnings / (Accumulated losses)	6,857	(2,011)	4,846
Net effect on Equity		**(2,011)**	

31 December 2012

IAS 19 adoption restatement effects

	31.12.2012	restatement effects	31.12.2012 restated
	(amounts in thousands of Euro)		
Deferred tax assets	3,924	483	4,407
Net effect on Assets		**483**	
Provisions relating to personnel and agents	10,210	2,842	13,052
Net effect on Liabilities		**2,842**	
Retained earnings / (Accumulated losses)	27,802	(2,359)	25,443
Net effect on Equity		**(2,359)**	

Accounting standards, amendments and interpretations which are not yet applicable and have not been adopted in advance by the Group

- On 12 May 2011, the IASB issued IFRS 10—Consolidated Financial Statements which will replace SIC-12 Consolidation—Special purpose entities and parts of IAS 27—Consolidated and separate financial statements which will be renamed Separate financial statements and will regulate the accounting treatment of investments in Separate financial statements. The main changes introduced by the new standard are as follows:

  - Under IFRS 10, there is a sole basic principle for the consolidation of all types of entity and that principle is based on control. This change removes the perceived inconsistency between the former IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);
  - An improved definition of control has been introduced, as based on three factors: *(a)* power over the entity acquired; *(b)* exposure, or rights, to variable returns from involvement with the entity acquired; *(c)* ability to use power to influence the amount of such returns;
  - IFRS 10 requires an investor, when determining if it has control over the entity acquired, to focus on activities that significantly influence returns from the investee entity;
  - IFRS 10 states that when the existence of control is being evaluated, only substantive rights shall be considered i.e. those rights that are exercisable in practice when decisions relevant to the entity acquired must be taken;
  - IFRS 10 provides guidelines for use in determining whether control exists in complex situations such as de facto control, potential voting rights, situations where it must be established if the party with decision making power is acting as agent or principal, etc.

  In general terms, application of IFRS 10 requires a significant amount of judgment to be used in relation to a number of issues.

  The Standard is applicable retrospectively from 1 January 2014. The Group has not yet performed an analysis of the impact of this new Standard on its scope of consolidation.

- On 12 May 2011, the IASB issued IFRS 11—Joint arrangements, which will replace IAS 31—Interests in Joint Ventures and SIC-13—Jointly controlled entities—Non-monetary contributions by ventures. Without affecting the criteria for determining whether joint control exists, the new standard provides criteria for use in identifying joint arrangements based on rights and obligations arising from such arrangements rather than on their legal form. It also establishes the equity method as the sole method for use in accounting for interests in jointly controlled entities in consolidated financial statements. Under IFRS11, the existence of a separate vehicle entity is not a sufficient condition for a joint arrangement to be classified as a joint venture. The new standard is applicable retrospectively from 1 January 2014. Since the issue of IFRS 11, IAS 28—Investments in associates has been amended to include interests in jointly controlled entities in its scope of application from the effective date of the standard. The Group has not yet performed an analysis of the effects of applying this new standard.

- On 12 May 2011, the IASB issued IFRS 12—Disclosure of interests in other entities which is a new and complete standard on disclosures required in consolidated financial statements on all types of interest, including those in subsidiaries, joint arrangements, associates and unconsolidated special purpose entities and other vehicle entities. The standard is applicable retrospectively from 1 January 2014.
- On 28 June 2012, the IASB published the document Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). First of all, the document aims to clarify the Board's intentions with regard to the transition rules for IFRS 10 Consolidated financial reporting. The document clarifies that, for entities whose reporting period coincides with the calendar year and first time application of IFRS 10 to the financial statements for the year ended 31 December 2013, the date of initial application shall be 1 January 2013. If the conclusions reached with regard to the scope of consolidation are the same under IAS 27 and SIC 12 and under IFRS 10 at the date of initial application, the entity shall have no obligations. Likewise, no obligation shall arise if the investment was sold during the comparative period (and was, therefore, no longer present at the date of initial application). The document aims to clarify how an investor must retrospectively restate the comparative period(s) if the conclusions regarding the scope of consolidation are not the same under IAS 27 /SIC 12 and IFRS 10 at the date of initial application. In particular, when a retrospective restatement as defined above is no longer practicable, an acquisition/disposal shall be recorded at the start of the comparative period presented with the resulting adjustment recorded under retained earnings.
- On 16 December 2011, the IASB issued several amendments to IAS 32—Financial instruments: presentation to clarify the application of certain criteria for the offsetting of financial assets and liabilities included in IAS 32, effectively making it more difficult. The amendments are applicable retrospectively for periods commencing on or after 1 January 2014.

Accounting standards, amendments and interpretations of IFRS not yet approved by the European Union

At the reporting date, the relevant European Union bodies had not yet completed the approval process required for application of the following accounting standards and amendments:

- On 12 November 2009, the IASB published IFRS 9—Financial instruments: the standard was later amended on 28 October 2010. The standard is applicable retrospectively from 1 January 2015 and represents the first part of a step-by-step process that aims to replace IAS 39 entirely and introduce new criteria for the classification and measurement of financial assets and liabilities. For financial assets, the new standard uses an approach based on the methods of managing financial instruments and on the characteristics of the contractual cash flows of financial assets to determine the valuation method, replacing the different rules provided for by IAS 39. Meanwhile, for financial liabilities, the main change regards the accounting treatment of changes in the fair value of a financial liability designated as a financial liability at fair value through profit and loss if they are due to changes in the creditworthiness of the liability itself. Under the new standard such changes must be recorded in the Statement of Comprehensive Income and will no longer pass through the Income Statement. Steps two and three of the process regarding financial instruments, relating to impairment of financial assets and hedge accounting, respectively, are still in progress. The IASB is also evaluating some limited improvements to IFRS 9 with regard to the Classification and measurement of financial assets.
- On 31 October 2012, the Board issued amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities" which introduce an exception to the consolidation of entities controlled by investment entities, except for cases where the subsidiaries provide services that relate to the investment activities of such entities. When applying these amendments, an investment entity must measure its investments in subsidiaries at fair value through profit and loss. In order to be classified as an investment entity, an entity must:
  - obtain funds from one or more investors for the purpose of providing them with professional investment management services;
  - commit to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
  - measure and evaluate the performance of substantially all of its investments on a fair value basis.

  These amendments apply to financial statements commencing on or after 1 January 2014 and early application is permitted.
- On 20 May 2013, the Board issued amendments to IFRIC 21—Levies, which defines the accounting treatment of the taxes paid to the Authorities (on the basis of specific jurisdiction's law) without receiving any services back (i.e. specific good or service). The event that generates the obligation for the entity is generally specified in the law that introduces the event. A

liability should be recognized at the realization of the event that generates the obligation, even if the tax/fee is calculated on a past performance (i.e. revenues of the previous year), the manifestation of past performance is a necessary condition, but not sufficient for the recording of a liability. The interpretation is applicable retrospectively for periods commencing from 1 January 2014.

- On 29 May 2013, the Board has published the amendment on the IAS 36—Recoverable Amount Disclosures for Non-Financial Assets, which limits the compel to point out in the disclosures the recoverable amount for non-financial assets or of the cash generating units (CGU); on the point, it should be noted that the IFRS 13 "Fair Value Measurement" had modified the IAS 36, introducing the request to represent in the disclosures the recoverable amount of each (or each group of) cash generating unit which is credited of a relevant part of the net book value of goodwill or intangible assets with an undefined useful life. Moreover, that amendment explicitly requires to provide information about the discount rate used to determinate the impairment loss (or reversal) when the recoverable amount (calculated as fair value less cost to sell) is estimated with the present value's method.

SCOPE AND PRINCIPLES OF CONSOLIDATION

In the first semester 2013 the scope of consolidation has been modified compared to the consolidated financial statements of the 31 December 2012 as follows:

- on March 2013: establishment of a related party in Bulgary, Auto Kelly Bulgaria Eood, fully owned by Auto Kelly AS with a share capital of Euro 5 thousand.

It should be also noted that the scope of consolidation has underwent the following variations compared to the 30 June 2012:

- on 1 July 2012: merger of Cargo Kft in the Lang Kft with the aim to simplify the organizational structure of those companies and to allow the reduction of the operative and administrative costs.

The main exchange rates used to convert the foreign companies' financial statements are detailed below:

	Spot rate		**Average rate**	
	30/06/2013	**31/12/2012**	**H1 2013**	**H1 2012**
Swiss Franc—Switzerland	0,814	0,828	0,813	0,830
Czech Koruna—Czech Republic	0,039	0,040	0,039	0,040
Hungarian Forint—Hungary	0,003	0,003	0,003	0,003
Zloty—Poland	0,231	0,245	0,240	0,236
Leu—Romania	0,224	0,225	0,228	0,228
Hryvnia—Ukraine	0,094	0,094	0,094	0,096

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

COMMENTS TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. PROPERTY, PLANT AND EQUIPMENT

Movements on property, plant and equipment are shown in the following table:

	Land & buildings	L/hold improvements	Plant and equipment	Other assets	Total
NBV as at 31/12/2012	4,146	1,575	17,432	3,472	26,625
Exchange differences	(60)	(14)	(247)	(65)	(386)
Additions	26	310	2,362	1,029	3,727
Other decreases	(463)	(224)	(6)	—	(693)
Disposals	(66)	—	(89)	—	(155)
Depreciation	(16)	(294)	(2,013)	(1,048)	(3,371)
NBV as at 30/06/2013	**3,567**	**1,353**	**17,439**	**3,388**	**25,747**

"Other decreases" mainly refer for Euro 463 thousand (Land & buildings) to the net value of the building in Baar owned by Rhiag Group Ltd; this value has been reclassified as "non current assets held for sale" as a consequence of the signing of a preliminary sale's agreement. Other decreases (L/hold improvements and Plant & equipment) relates to the closing of Barletta sales store of Centro Ricambi Rhiag.

"Purchases" of property, plant and equipment by geographical area are shown below:

	Italy	Switzerland	Eastern Europe	Total
2013				
Land & buildings	0	0	26	26
L/hold improvements	233	0	77	310
Plant and equipment	658	105	1,599	2,362
Other assets	66	41	922	1,029
Total	**957**	**146**	**2,624**	**3,727**

Additions to "plant and equipment" mainly refer to purchases of shelving, machinery for the handling of goods, vans and lifting equipment in the entities of Eastern Europe following the opening of the new branches, the work carried out on the central warehouse in Prague and the opening of the new branch in Turin (Italy).

2. INTANGIBLE ASSETS

Movements on intangible assets are shown in the following table:

	Other
NBV as at 31/12/2012	3,044
Exchange differences	(45)
Additions	1,000
Other decreases	(117)
Disposals	(12)
Amortization	(941)
NBV as at 30/06/2013	**2,929**

"Purchases" by geographical area are shown below:

	Italy	Switzerland	Eastern Europe	Total
2013				
Intangible assets	462	40	498	1,000

"Additions" of the period mainly refer to the purchase of new software.

"Other decreases" refers to the devaluations booked as a consequence of the closing of Barletta sales store of Centro Ricambi Rhiag.

3. GOODWILL

Movements on goodwill are shown in the following table:

	Goodwill
Amount as at 31/12/2012	270,548
Exchange differences	(2,474)
Increases	—
Decreases	—
Impairment adjustment	—
Amount as at 30/06/2013	268,074

Goodwill has been allocated to seven cash generating units (CGUs), identified as the companies and sub-groups of companies acquired. They reflect the CGUs monitored at management reporting level by Group management.

The CGUs identified are as follows:

- Rhiag CGU: Rhiag—Inter Auto Parts Italia S.p.A.
- Bertolotti CGU: Bertolotti S.p.A.
- Rhiag Engineering CGU: Rhiag Engineering S.p.A.
- Switzerland CGU: Rhiag Group Ltd, wholly owned subsidiary of Rhiag—Inter Auto Parts Italia S.p.A.
- Elit CGU: comprises companies operating in Eastern Europe—Elit Czech Republic (ECZ), Elit Slovakia (ESK), Elit Ukraine (EUA), Elit Romania (ERO). The shares in these subsidiaries are held by a Swiss holding company—Elit Group Ltd (100%—owned by Rhiag—Inter Auto Parts Italia S.p.A.)
- Hungary CGU: Lang Kft
- Auto Kelly CGU: comprises Auto Kelly AS and Auto Kelly Slovakia s.r.o.

At the date of preparation of this interim report no impairment loss indicators have been identified.

4. INVESTMENTS

There have been no changes since the financial statements as of 31.12.2012.

5. RECEIVABLES AND OTHER FINANCIAL ASSETS

	30.06.2013	31.12.2012
Guarantee deposits	731	752
Other	384	356
Receivables and other financial assets	**1,115**	**1,108**

Guarantee deposits relate to amounts paid by the Italian companies to guarantee rental payments for leased company premises as well as for the related utilities.

Other receivables refer to third-parties receivables due after more than 12 months, mainly recorded in the Czech Republic, Slovakia and Switzerland.

6. DEFERRED TAXES

Deferred tax assets and liabilities detail is shown below:

	30.06.2013	31.12.2012 restated
Deferred tax assets	4,409	4,407
Deferred tax liabilities	(647)	(689)
Total deferred taxes, net	**3,762**	**3,718**

7. INVENTORIES

	30.06.2013	31.12.2012
Goods for sale (spare parts)	135,918	130,093
Promotional materials	2,328	2,383
Other material	336	340
Inventory obsolescence provision	(5,491)	(5,066)
Inventory	**133,091**	**127,750**

"Goods for sale" includes engine spare parts, chassis, bodywork, electrical and electronic components of automobiles and industrial vehicles. These items are accrued at the "weighted average cost" valuation.

"Promotional materials" includes goods other than goods for sale which are used for sales operations and campaigns.

"Other materials" mainly consists of advertising materials, printed catalogues and heating fuel.

The amounts shown are stated net of the inventory obsolescence provision. Inventories were written down by analyzing the potential future sales of each product for sale, taking into account sales over the last twelve months.

Inventories in Italy are subject to special lien in favor of ING Bank BV—Milan Branch, as security for the medium/long-term facility arranged in 2007.

The increase in goods for sale of the period is due to a generalized growth in all operative segments in which the Group operates, in order to rise the availability of products in support of the raise in sales.

8. TRADE RECEIVABLES

Trade receivables as at 30 June 2013 are analyzed as follows:

	30.06.2013	31.12.2012
Gross trade receivables—third party	162,701	140,725
Trade receivables—associated companies	—	—
Bad debt provision—third party	(14,673)	(14,193)
Net trade receivables—third party	**148,028**	**126,532**

The increase in trade receivables form third parties is mainly due to the increase in the sales and to the slight deterioration in the collection days amounting to 69 days at 30 June 2013 (on 31 December 2012 the average collection days were equal to 61 days).

Trade receivables are analyzed by geographical area as follows:

	30.06.2013				
	Italy	Switzerland	Eastern Europe	Intersegment adjustments	Total
Gross trade receivables—third party	128,873	9,317	24,510	—	162,701
Bad debt provision—third party	(10,313)	(967)	(3,393)	—	(14,673)
Net trade receivables	**118,561**	**8,350**	**21,117**	**—**	**148,028**

	31.12.2012				
	Italy	Switzerland	Eastern Europe	Intersegment adjustments	Total
Gross trade receivables—third party	114,808	7,804	18,113	—	140,725
Bad debt provision—third party	(10,009)	(947)	(3,237)	—	(14,193)
Net trade receivables	**104,800**	**6,857**	**14,876**	**—**	**126,532**

The bad debt provision was calculated according to Group criteria, based on a detailed analysis of overdue receivables. A provision of about Euro 900 thousand was posted during the 2013 first semester. Movements on the bad debt provision are shown in the following table:

	31.12.2012	Increases	Other movements	Utilization	30.06.2013
Bad debt provision	(14,193)	(925)	—	445	(14,673)
Total	**(14,193)**	**(925)**	**—**	**445**	**(14,673)**

9. OTHER CURRENT RECEIVABLES

This item includes the following amounts as at 30 June 2013:

	30.06.2013	31.12.2012
Advances and bonuses from suppliers	8,495	6,619
Advances to customers (for investment in tangible assets)	2,532	1,529
Charges on pool bank loan	157	157
VAT receivable, VAT refund requested and IRAP Italy	188	1,644
Receivables from personnel & agents	271	212
Prepaid rental expenses	171	389
Prepaid insurance costs	138	339
WIR-Switzerland circuit receivables	570	565
Sundry	5,750	4,486
Other current receivables	**18,272**	**15,940**

10. TAX RECEIVABLES

	30.06.2013	31.12.2012
Italy	200	329
Switzerland	—	—
Eastern Europe	283	162
Tax receivables	**483**	**491**

This caption includes current tax receivables to be recovered or for which a refund request was made in previous years.

11. CASH AND CASH EQUIVALENTS

As at 30 June 2013, the Group's cash and cash equivalents by geographical area were as follows:

	30.06.2013	31.12.2012
Italy	33,425	29,640
Switzerland	10,382	10,810
Eastern Europe	18,542	15,503
Cash and cash equivalents	**62,349**	**55,953**

Cash and cash equivalents are not subject to restrictions on use.

12. SHAREHOLDERS' EQUITY

Consolidated Shareholders' Equity as at 30 June 2013 amounts to Euro 230,572 thousand against a Consolidated Shareholders' Equity restated of Euro 217,375 thousand as at 31 December 2012 (including Euro 146 thousand and Euro 148 thousand, respectively, attributable to minority interests). The changes in Shareholders' Equity are shown in the "Statement of Changes in Consolidated Shareholders' Equity".

The Ordinary Shareholders' Meeting of the Parent Company Rhiag—Inter Auto Parts Italia S.p.A. on 24 April 2013 approved the allocation of the net profit for the year 2012 (Euro 22,616,270) as follows: Euro 522,500 to be distributed as a dividend to parent company Lanchester S.A. and Euro 22,093,770 to Retained Earnings as the Legal Reserve has reached the limits provided for by Article 2430 of the Italian Civil Code.

Share capital

As at 30 June 2013, the share capital was wholly paid and amounted to Euro 25,510 thousand, as follows:

Number of ordinary shares:	102,040,000
Nominal value per share:	Euro 0.25
Type of shares:	ordinary, no preference shares

At 30 June 2013, the above shares were entirely held by Lanchester S.A., the Luxembourg-based company that provides management and coordination.

Other capital reserves

Other capital reserves include the share premium reserve and the legal reserve.

During the period, there were no changes in the composition of Other capital reserves, as shown in the following table:

	Share Premium Reserve	Legal Reserve	Other Reserves
As at 31 December 2012	**110,749**	**5,102**	**115,851**
Increases	0	0	0
Decreases	0	0	0
Other movements	0	0	0
Distribution of prior year earnings	0	0	0
As at 30 June 2013	**110,749**	**5,102**	**115,851**

Translation reserve

The item includes translation differences relating to the financial statements of subsidiaries whose functional currency is not the Euro.

The change for the period mainly regards the translation reserve for the goodwill allocated to the Elit CGU and the Switzerland CGU.

Minority interests

This item includes the amount of Shareholders' Equity held by third parties in Consorzio Insiamo Scarl i.e. 76.48%. Parent company Rhiag—Inter Auto Parts Italia S.p.A. owns the remaining 23.62% and exercises *de facto* control as a result of the right of appointment of a majority of the members of the Board of Directors granted to it by the articles of association of Consorzio Insiamo Scarl.

13. BANK BORROWINGS—NON-CURRENT

This caption is composed as follows:

	30.06.2013	31.12.2012
ING Bank Loan	194,387	213,173
Final Maturity fee ING Bank	12,206	11,328
ING Bank loan arrangement costs	(2,683)	(3,209)
Bank borrowings—non-current	**203,910**	**221,292**
Borrowing ING Bank	—	—
ING Bank loan—due within a year	25,387	13,203

"ING Bank Loan", amounting to Euro 194,387 thousand, includes amounts repayable after more than 12 months under the Multicurrency Term and Revolving Facilities Agreement (*Loan Agreement*) stipulated in 2007 as a consequence of the Lanchester S.A. acquisition of Rhiag Group. The portion of this loan repayable in the next 12 months—Euro 25,387 thousand—is included in current liabilities, under item "Bank borrowing".

"Final maturity fee" refers to fees payable at the maturity date of the ING loan, or on a *pro rata* basis in case of advance repayment, and attributed to each year in accordance with the terms of the loan agreement.

The following table shows the changes of the loan for the companies of the Group during the period under review:

	31.12.2012			Repayments			30.06.2013		
Facility	**Rhiag S.p.A.**	**Bertolotti S.p.A.**	**Auto Kelly as**	**Rhiag S.p.A.**	**Bertolotti S.p.A.**	**Auto Kelly as**	**Rhiag S.p.A.**	**Bertolotti S.p.A.**	**Auto Kelly as**
A	25,610	—	6,379	(5,285)	—	(1,317)	20,325	—	5,062
B	57,797	—	14,397	—	—	—	57,797	—	14,397
C	52,983	4,813	14,397	—	—	—	52,983	4,813	14,397
D	6,000	4,000	—	—	—	—	6,000	4,000	—
E	40,000	—	—	—	—	—	40,000	—	—
Totale	**182,390**	**8,813**	**35,173**	**(5,285)**	**—**	**(1,317)**	**177,105**	**8,813**	**33,856**

Repayments made during semester include the amounts falling due by contract on Facility A amounting to Euro 6,602 thousand (Euro 1,317 thousand for Auto Kelly AS and Euro 5,285 thousand for Rhiag—Inter Auto Parts Italia S.p.A.).

The Loan Agreement provides for compliance with covenants on a quarterly basis (March, June, September, December) and on an annual basis (Leverage Ratio, Interest coverage, Cashflow Cover, Capital expenditure—the latter only on an annual basis). The above covenants are calculated based on the consolidated financial statements of the Group headed by Lanchester S.A. Based on the interim consolidated financial statements ad at 30 June 2013 of Lanchester S.A. (not yet approved) such covenants were respected.

14. OTHER FINANCIAL LIABILITIES

	30.06.2013	31.12.2012
Dividends to be paid	3,286	3,655
Finance leases	2,422	2,446
Total	**5,708**	**6,101**

"Dividends to be paid" represents dividends approved for distribution to the former shareholder of Auto Kelly AS and payable after more than 12 months. The amount payable after more than 12 months has been discounted at a rate of 2.75%. The amount falling due in the next 12 months has been recorded in current liabilities under "Other financial liabilities".

"Finance leases" refers to obligations under finance lease agreements entered by subsidiaries in Eastern Europe, primarily to purchase shelving, lifting equipment, automobiles and commercial vehicles.

15. PROVISIONS RELATING TO EMPLOYEES AND AGENTS

	31.12.2012 restated	Accrued during the period	Other movements	Utilized during the period	30.06.2013
Employee leaving indemnity ("TFR") provision (IAS 19)	6,925	759	366	(895)	7,155
Switzerland pension plan (IAS 19)	2,842	—	4	—	2,846
Agents' leaving indemnity provision (IAS 37)	3,285	177	(138)	(141)	3,183
Provisions relating to personnel and agents	**13,052**	**936**	**233**	**(1,036)**	**13,183**

This item primarily includes the liability of the Italian companies (Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A., Centro Ricambi Rhiag S.r.l., Rhiag Engineering S.p.A.) for employee leaving indemnities ("T.F.R.—trattamento di fine rapporto"), as well as amounts provided by the same companies for agents' termination indemnities.

The caption includes also the net liability related to the pension plan of the subsidiary Rhiag Group Ltd. The controlled entity has entered into Collective Foundation plan entirely reinsured. The application of the IAS 19 revised has determined a net deficit between pension plan liabilities and fair value of plan asset as described below:

	at 30.06.2013	at 31.12.2012 restated	at 1.1.2012 restated
Defined Benefit Obligation	15,529	15,637	13,949
Fair value of plan asset	(12,683)	(12,795)	(11,526)
Deficit/(surplus)—Switzerland Pension Plan	**2,846**	**2,842**	**2,423**

For the Italian subsidiaries, the actuarial valuation has been performed on the basis of the same actuarial assumptions adopted for the valuation made as of December 31, 2012.

In Switzerland the actuarial variation has been performed on the following hypotheses:

Actuarial parameters	at 30.06.2013	at 31.12.2012 restated
Discount rate	2%	2%
Long-term expected rate of salary increase	1%	1%
Long-term expected benefit increase	0%	0%
Retirement probability	65(m)/64(f)	65(m)/64(f)
Mortality decrement	BVG 2010 tables	BVG 2010 tables
Disability decrement	BVG 2010 tables	BVG 2010 tables
Turnover rates	BVG 2010 tables	BVG 2010 tables
Long-term interest on retirement accounts	2%	2%

Furthermore, the Group has performed sensitivity analysis to take into account the possible effects deriving from the reasonable changes of the most important assumptions for any actuarial valuation performed.

In particular, with the reference to TFR actuarial valuation, it has been considered a change of discount rate equal to +/– 1% and, on the basis of this assumption, the liability would have been lower by Euro 645 thousand (with +1% of discount rate) or higher by Euro 756 thousand (with –1% of discount rate).

With the reference to Swiss pension plan, applying a possible increase of the discount rate for 0.25%, net liability would have been lower by Euro 530 thousand; while, applying a possible increase of long-term expected rate of salary for 0.25%, net liability would have been higher by Euro 83 thousand.

16. TRADE PAYABLES

	30.06.2013	31.12.2012
Trade payables—third party	121,588	106,409
Payables to Group companies	—	—
Trade payables	**121,588**	**106,409**

Trade payables are determined on the various payment terms negotiated with suppliers and vary across the countries in which the Group operates. Most suppliers are common to the various Group companies and are prevalently based in the European Union.

Trade payables are analyzed by geographical area as follows:

	30.06.2013				
	Italy	Switzerland	Eastern Europe	Intersegment adjustments	Total
Trade payables—third party	66,994	2,327	52,267	—	121,588

	31.12.2012				
	Italy	Switzerland	Eastern Europe	Intersegment adjustments	Total
Trade payables—third party	59,691	2,781	43,937	—	106,409

The increase compared to the previous period is mainly due to the operating segments of Italy and Eastern Europe (if compared to 31 December 2012 the item increased respectively by Euro 7.3 million and Euro 8.3 million), as well as to the increase of the average payable days of the Group companies amounted to 90 days (84 days at December 31, 2012).

17. OTHER CURRENT LIABILITIES

As at 30 June 2013, this item was analyzed as follows:

	30.06.2013	31.12.2012
Payables to sundry suppliers	31,147	29,204
Indirect taxes (VAT), other taxes and duties payable	4,567	1,377
Customer bonuses payable	7,056	10,888
Other payables	1,038	858
Other current liabilities	**43,808**	**42,327**

"Payables to sundry suppliers" mainly refer to payables for distribution and administrative services and other operating costs, purchase of goods other than those for resale by Group companies, amounts due to employees, agents and social security and welfare institutions.

18. TAX PAYABLES

As at 30 June 2013, this item was analyzed by geographical area as follows:

	30.06.2013	31.12.2012
Italy	4,455	16
Eastern Europe	457	625
Switzerland	529	787
Tax payables	**5,441**	**1,428**

The increase mainly regards the Italian operating segment companies for the part related to the current taxes' provision.

19. CURRENT BANK PAYABLES

As at 30 June 2013, this item was analyzed as follows:

	30.06.2013	31.12.2012
Bank borrowing—commercial credit facilities	2,288	690
ING Bank loan—due within a year	25,387	13,203
Current bank payables	**27,675**	**13,893**

Bank borrowing is broken down by geographical area as follows:

	30.06.2013			
	Italy	Switzerland	Eastern Europe	Total
Bank borrowing—commercial credit facilities	—	—	2,288	2,288
ING Bank loan—due within a year	20,324	—	5,063	25,387
Total	**20,324**	**—**	**7,351**	**27,675**

Bank borrowing consisting of commercial credit facilities regards short-term facilities granted to Elit Group companies in the Czech Republic and credit facilities utilized by Lang Kft and primarily secured by a mortgage on real estate assets.

20. OTHER FINANCIAL LIABILITIES—CURRENT

As at 30 June 2013, this item included the following:

	30.06.2013	31.12.2012
Finance lease payable	1,435	1,391
Dividends to be paid	596	618
Interest and commission payable to third parties	697	361
Other financial liabilities	**2,728**	**2,370**

Details of “Financial lease” and “Dividends to be paid” are provided above under “Other financial liabilities—non-current”.

“Interest and commission payable to third parties” mainly refers to commissions, management charges and accrued interest regarding the Tranche E of ING Bank loan.

21. PROVISIONS FOR RISKS AND CHARGES

This item and movements during the period are analyzed below:

	31.12.2012	Accrued during the period	Utilized in period	Other movements in period	30.06.2013
Provision for returned goods	1,670	612	(977)	(18)	1,287
Provision for sundry risks	1,075	174	(13)	—	1,236
Provision for future charges	4,726	7,187	(4,726)	—	7,187
Provisions for risks & charges	**7,472**	**7,973**	**(5,716)**	**(18)**	**9,710**

The “Provision for returned goods” covers the value of goods that is expected to be returned in future periods against sales made during the current period and estimated liabilities for product warranties.

The “Provision for sundry risks” mainly regards amounts relating to disputes with former Group employees and with service providers.

The “Provision for future charges” mainly regards amounts estimated in relation to customer loyalty programs and provisions for promotional campaigns.

22. COMMITMENTS AND GUARANTEES GIVEN

The main commitments and guarantees given by the Group to third parties are as follows:

Pledges on shares

The Group has pledged 100% of the shares held in Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A., Auto Kelly AS and Rhiag Group Ltd in favor of ING Bank, Rabobank and Intesa San Paolo as security for the loan received in 2007. As long as it does not default on the loan, the Group maintains voting rights to the shares.

Pledge on receivables

The Group has pledged 100% of the receivables of Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A. in favor of ING Bank N.V., Rabobank International and Intesa San Paolo S.p.A. as security for the loan received in 2007.

Special liens

The Group has granted a special liens on the inventories and tangible assets of Rhiag—Inter Auto Parts Italia S.p.A. for Euro 60,000 thousand and on inventories and tangible assets of Bertolotti S.p.A. for Euro 6,000 thousand, both as security for the loan from ING Bank N.V..

Other secured guarantees

Lang has granted a mortgage on its real estate property in Budapest as security for the credit facility from HVB bank (a Unicredit group company)—HUF 792 million (Euro 2,376 thousand). RGL has granted a mortgage on its offices in Baar (Switzerland) as security for the credit facility from UBS—CHF 2.2 million (Euro 1,790 thousand).

Other guarantees

Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A. have issued bank guarantees to third parties as security for rental contracts for warehouses and branch premises where they conducts business for Euro 1,977 thousand.

Rhiag—Inter Auto Parts Italia S.p.A. has guaranteed a bank surety issued by Intesa San Paolo to CIB Bank for a credit facility granted to Lang Kft (Euro 1,000 thousand).

Rhiag—Inter Auto Parts Italia S.p.A. has issued a comfort letter to Lang Kft as a guarantee for the credit facility of HUF 451.2 million Hungarian Forint (Euro 1,354 thousand) granted by Unicredit Hungary (ex HVB Bank).

Other companies of the Group have granted other guarantees for Euro 1,794 thousand.

Other commitments

This item includes operating leasing and rent commitments as follows:

	30.06.2013	**31.12.2012**
Future operating lease commitments		
Within one year	1,569	1,594
From 2 to 5 years	1,618	2,117
More than 5 years	—	—
Total future operating lease commitments	**3,187**	**3,712**

	30.06.2013	**31.12.2012**
Future rent commitments		
Within one year	11,591	11,108
From 2 to 5 years	29,458	28,417
More than 5 years	12,429	11,098
Total future rent commitments	**53,478**	**50,623**

23. NET SALES

Net sales are analyzed as follows:

	Six months ended June 30, 2013	**Six months ended June 30, 2012**
Gross sales—third party	363,053	339,480
Commission income—third party	842	1,497
Customer bonuses	(8,430)	(7,654)
Non recurring (expenses)/income	223	—
Gross sales	**355,688**	**333,323**
Transport on sales	(9,734)	(8,956)
Agents' commission	(7,316)	(7,154)

	Six months ended June 30, 2013	Six months ended June 30, 2012
Allocation to bad debt provision & bad debts	(925)	(721)
Early payment discounts	(124)	(131)
Non-recurring (expenses) / income	(361)	(25)
Direct selling costs	**(18,460)**	**(16,987)**
Net sales	**337,228**	**316,336**

In the first half of 2013, the Group recorded gross sales to third parties for Euro 363.1 million, showing an increase of Euro 23.6 million, or 6.9%, if compared to the first semester of the last year. This increase is mainly attributable to the growth in sales in Eastern Europe, as reported also in the previous year, due to the opening of the new branches.

"Commission income from third parties" mainly refers to commissions on sales of original equipment products by Rhiag Engineering S.p.A. to Italian automobile manufacturers and, to a lesser extent, to commissions on sales of original equipment products for industrial machinery by Bertolotti S.p.A..

The direct cost of sales amounted to 5.2% of gross sales against 5.1% in the first semester of 2012, the variation is mainly due to an increase in transportation costs.

The Net sales for the first semester of 2013 show an improvement if compared to the same period of the previous year for Euro 20.9 million (+6.6%).

24. COST OF GOODS SOLD

Cost of goods sold includes the following items:

	Six months ended June 30, 2013	Six months ended June 30, 2012
Purchases of goods for resale	(234,105)	(206,848)
Change in inventory	8,031	(1,822)
Change in inventory provision	(538)	(423)
Transport on purchases	(5,431)	(5,035)
Personnel costs	(40,157)	(37,633)
Non recurring (expenses)/income	(760)	(69)
Cost of goods sold	**(272,960)**	**(251,830)**

The cost of sales in the first semester of 2013 amounted to Euro 273.0 million, with an increase of Euro 21.1 million if compared to the first semester of 2012 (+8.4%).

The total amount of the cost of sales in relation to gross sales increased with respect to the first semester of the previous accounting period from 75.6% in the first semester of 2012 to 76.7% in the first semester of 2013.

Such worsening is mainly due to combined effect of the following several factors: the incidence of the cost of goods (including changes in inventories) on gross sales increases compared to the first semester of 2012 due to increasing competition on selling prices in all markets in which the Group operates; the personnel cost increases in absolute value of Euro 2.5 million, mainly due to the increase in the number of employees as a consequence of the opening of new branches in Eastern Europe and the opening of the new company Centro Ricambi Rhiag S.r.l..

Personnel costs and non-recurring related expenses are analyzed below:

	Six months ended June 30, 2013	Six months ended June 30, 2012
Wages and salaries	(28,219)	(26,475)
Other personnel costs	(11,938)	(11,158)
Personnel costs	**(40,157)**	**(37,633)**
Non-recurring (expenses) / income	(457)	(69)
Total Personnel costs	**(40,614)**	**(37,702)**

	Six months ended June 30, 2013	Six months ended June 30, 2012

25. DISTRIBUTION COSTS

Distribution costs are analyzed as follows:

	Six months ended June 30, 2013	Six months ended June 30, 2012
Travel and subsistence expenses	(2,169)	(2,125)
Rent and operating leases	(7,655)	(7,420)
Advertising, promotional and catalogue costs	(6,524)	(6,566)
Non-recurring (expenses) / income	(141)	(200)
Distribution costs	**(16,489)**	**(16,311)**

Distribution costs of the first semester of 2013 are substantially in line with the same period of last year and amount to Euro 16,489 thousand (Euro 16,311 thousand as at 30 June 2012).

The variation (in absolute value) of the item "Rent and operating leases" is due to the opening of new branches in Eastern Europe.

26. ADMINISTRATIVE COSTS

Administrative costs include the following items:

	Six months ended June 30, 2013	Six months ended June 30, 2012
Outsourced services	(4,172)	(3,999)
Legal and consulting fees	(1,251)	(1,147)
Other income	1,766	1,914
Administrative and operating costs	(3,553)	(3,325)
Amortization of intangible assets	(941)	(775)
Non-recurring (expenses) / income	(869)	(244)
Administrative costs	**(9,020)**	**(7,576)**

In the first semester of 2013, the total amount of administrative costs in relation to gross sales was of 2.5%, in comparison to 2.3% of the first semester of 2012.

The increase of the non-recurring expenses mainly refers to non-recurring law and consulting costs sustained by the Group's companies.

27. OTHER OPERATING COSTS

Other operating costs are analyzed as follows:

	Six months ended June 30, 2013	Six months ended June 30, 2012
Headquarters and branch costs (utilities and maintenance)	(2,067)	(1,831)
Insurance	(527)	(522)
Disposals of PPE and intangible assets	87	79
Depreciation of PPE	(3,371)	(3,270)
Non-recurring (expenses) / income	(225)	—
Other operating costs	**(6,103)**	**(5,544)**

Other operating costs are substantially in line with the same period of last year and amount to Euro 6,103 thousand (Euro 5,544 thousand in 2012).

The non-recurring expenses substantially refer to the devaluations of assets booked as a consequence of the closing of Barletta sales store of Centro Ricambi Rhiag.

28. IMPAIRMENT ADJUSTMENTS TO GOODWILL AND OTHER ASSETS

In the first semesters of 2012 and 2013 there were no impairment losses on goodwill or on other assets.

29. FINANCIAL INCOME / (EXPENSES)

This item includes the following amounts:

	Six months ended June 30, 2013	Six months ended June 30, 2012
Financial income	2,941	2,452
Financial expenses	(10,685)	(9,333)
Financial income / (expenses)	**(7,744)**	**(6,881)**

"Financial income" includes the following items:

	Six months ended June 30, 2013	Six months ended June 30, 2012
Interest income from third parties	128	67
Exchange gains (realized and unrealized)	2,813	2,341
Non-recurring income	—	44
Financial income	**2,941**	**2,452**

"Financial expenses" includes the following items:

	Six months ended June 30, 2013	Six months ended June 30, 2012
Interest expenses on m/l term loans	(4,594)	(5,736)
Commission and charges on m/l term loans	(303)	(212)
Loan arrangement costs (portion for period—IAS 39)	(525)	(672)
Bank interest expenses	(641)	(682)
Exchange losses (realized and unrealized)	(4,622)	(2,031)
Non-recurring expenses	—	—
Financial expenses	**(10,685)**	**(9,333)**

30. INCOME TAXES

Income taxes are analyzed as follows:

	Six months ended June 30, 2013	Six months ended June 30, 2012
Current taxes	(7,868)	(8,979)
Deferred taxes relating to period	44	(358)
Income taxes	**(7,824)**	**(9,337)**

31. SEGMENT INFORMATION

Segment information has been prepared to provide enough information to evaluate the nature of the operating activities and economic environments and their influence on the financial statements (Paragraph 1 IFRS 8).

The operating segments for which separate information has been provided were identified on the basis of internal reporting and the operating activities that generate revenues and costs and whose results are reviewed on a regular basis at the highest operational decision-making levels in order to decide on allocation of resources and evaluation of results and for which separate financial information is available. All Group companies operate in the distribution of spare parts for cars and trucks with the exception of Rhiag Engineering S.p.A. which operates in the intermediation of products for the first plant.

The segments for which a segment information is provided are the following:

- Italy: Rhiag Group activities in Italy are mainly carried out by Rhiag—Inter Auto Parts Italia S.p.A. and subsidiaries Bertolotti S.p.A., Centro Ricambi Rhiag S.r.l. and Rhiag Engineering S.p.A.;
- Eastern Europe: Rhiag Group activities in Eastern Europe (Czech Republic, Slovakia, Hungary, Romania and Ukraine) are mainly carried out by Elit (Elit CZ spol s.r.o., Elit Slovakia s.r.o., Lang Kft, S.C. Elit Romania Piese Auto Originale S.r.l. and Elit Ukraine Ltd.) and Auto Kelly (Auto Kelly AS, Auto Kelly Bulgaria Eood and Auto Kelly Slovakia s.r.o.). All of the Rhiag Group operating companies in Eastern Europe are controlled by Elit Group Ltd., a non-operating holding company incorporated under Swiss law, that is wholly controlled by Rhiag—Inter Auto Parts Italia S.p.A..
- Switzerland: Rhiag Group activities in Switzerland are mainly carried out by Rhiag Group Ltd.

In particular, Rhiag Group Ltd is one of the market's leader in the independent *aftermarket* in Switzerland.

The key financial information for the operating segments is shown below:

	2013				
	Italy	**Eastern Europe**	**Switzerland**	**Intersegment adjustments**	**Total**
Income Statement information as at 30 June 2013					
Gross sales	171,827	168,856	22,053	(7,048)	355,688
EBITDA Adjusted(*)	23,123	13,421	2,555	—	39,099
Balance Sheet information as at 30 June 2013					—
Inventory	50,038	75,913	7,148	(8)	133,091
Trade receivables	121,467	21,427	8,596	(3,462)	148,028
Trade payables	67,304	55,111	2,389	(3,216)	121,588
Net Working Capital	**104,201**	**42,229**	**13,355**	**(254)**	**159,531**

	2012				
	Italy	**Eastern Europe**	**Switzerland**	**Intersegment adjustments**	**Total**
Income Statement information as at 30 June 2012					
Gross sales	166,266	149,943	21,842	(4,728)	333,323
EBITDA Adjusted(*)	24,806	12,150	2,711	(8)	39,659
Balance Sheet information as at 31 December 2012					
Inventory	49,766	70,664	7,329	(8)	127,751
Trade receivables	106,128	15,113	7,103	(1,812)	126,532
Trade payables	59,940	45,250	2,782	(1,564)	106,408
Net Working Capital	**95,954**	**40,527**	**11,650**	**(256)**	**147,875**

(*) Adjusted EBITDA includes gross sales, net of direct selling costs, cost of goods sold, distribution costs, administrative costs, other operating costs, with non-recurring costs, and restructuring costs excluded. Adjusted EBITDA is not identified as an accounting measure under IAS/IFRS accounting standards as adopted by the European Union.

32. RELATED PARTIES

Except as disclosed in the paragraph regarding the "Dividends to be paid" in Note 14, the Group has not entered into other transactions with related parties during the period.

For THE BOARD OF DIRECTORS

The Chairman
Edoardo Lanzavecchia

ANNEX 1:

Company	Legal seat	Share Capital (Local value)	Shareholders'	Share	Group Shares	Consolidation method
Elit Group Ltd	Baar—Switzerland	CHF 13,315,000	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
Rhiag Group Ltd	Baar—Switzerland	CHF 4,000,000	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
Rhiag Engineering S.p.A.	Bergamo—Italy	Euro 1,809,500	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
Bertolotti S.p.A	Bergamo—Italy	Euro 5,170,000	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
Centro Ricambi Rhiag S.r.l.	Bergamo—Italy	Euro 100,000	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
InSiamo S.C.A.R.L.	Pero (MI)—Italy	Euro 193,551	Rhiag S.p.A.	23.5%	23.5%	Full—line by line
Lang Kft	Budapest—Hungary	HUF 1,270,000,000	Rhiag S.p.A.	0.01%	100.0%	Full—line by line
			Elit Group Ltd	99.99%		
S.C. Elit Romania S.r.l.	Bucarest—Rumenia	RON 8,614,400	Rhiag S.p.A.	0.01%	100.0%	Full—line by line
			Elit Group Ltd	99.99%		
Elit Ukraine Ltd	Kiev—Ukraine	UAH 26,991,299	Elit Group Ltd	100.0%	100.0%	Full—line by line
Auto Kelly AS	Prague—Czech Republic	CZK 2,000,000	Elit Group Ltd	100.0%	100.0%	Full—line by line
Auto Kelly Slovakia s.r.o	Bratislava—Slovakia	Euro 272,190	Elit Group Ltd	90.0%	100.0%	Full—line by line
			Auto Kelly AS	10.0%		
Auto Kelly Bulgaria EOOD	Sofia—Bulgaria	Euro 5,113	Auto Kelly AS	100.0%	100.0%	Full—line by line
Elit Slovakia s.r.o	Bratislava—Slovakia	Euro 298,746	Elit Group Ltd	100.0%	100.0%	Full—line by line
Elit Cz spol	Prague—Czech Republic	CZK 18,750,000	Elit Group Ltd	100.0%	100.0%	Full—line by line

RHINO MIDCO 2 LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2013

Company registration number: 08721565

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RHINO MIDCO 2 LIMITED

We have audited the financial statements of Rhinco Midco 2 Limited for the period ended 31 December 2013 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, Consolidated statement of financial position, the Consolidated cash flow statement, Consolidated statement of changes in shareholders' equity, the Company balance sheet, the Company profit and loss account, the Company cash flow statement, the related notes 1 to 34 to the Consolidated Financial Statements and the related notes 1 to 8 to the Company Financial Statements. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

James Bates (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
29 April 2014

2013 CONSOLIDATED FINANCIAL STATEMENTS

RHINO MIDCO 2 LTD

CONSOLIDATED INCOME STATEMENT

	Notes	Period ended 31 December 2013
		(all amounts in Euro thousands)
Sales gross	2	26,528
Direct selling costs	2	(1,379)
Sales net		**25,149**
Cost of sales	3	(19,968)
Gross profit		**5,181**
Distribution costs	4	(1,180)
Administrative expenses	5	(18,653)
Other operating expenses	6	(573)
Loss from operations		**(15,225)**
Finance costs	7	(5,606)
Loss from ordinary activities		**(20,831)**
Tax	8	(151)
Loss from continuing operation		**(20,982)**
Net loss		**(20,982)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period ended 31 December 2013
	(all amounts in Euro thousands)
Net loss	(20,982)
Items that will not be reclassified subsequently to profit and loss	
Total	**—**
Items that may be reclassified subsequently to profit and loss	
Exchange differences on translation of operations in foreign currencies	1,534
Total	**1,534**
Total other gains net of tax effect	1,534
Total comprehensive loss for the year	**(19,448)**

RHINO MIDCO 2 LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Period ended 31 December 2013
		(all amounts in Euro thousands)
ASSETS		
Non-current asset		
Property, plant and equipment	10	26,954
Intangible assets	11	269,081
Goodwill	11	211,604
Investments	12	10
Non-current receivables	13	1,265
Deferred tax assets	24	5,984
		514,898
Current assets		
Inventories	14	130,556
Trade receivables	15	140,703
Other current assets	16	21,997
Current tax assets	24	1,773
Cash and cash equivalents	17	41,427
		336,455
Total assets		**851,353**
Shareholders' Equity		
Ordinary shares	30	135,917
Other reserves	30	33,979
Results of the year	30	(20,983)
Cumulative translation differences	30	1,534
		150,447
Minority interest	30	141
Total Shareholders' equity		**150,588**
LIABILITIES		
Non-current liabilities		
Notes liabilities	18	400,577
Other financial liabilities	20	5,782
Derivative financial instruments	27	8
Deferred tax liabilities	24	68,476
Deferred compensation	21	12,134
		486,976
Current liabilities		
Trade payables	22	109,742
Other current liabilities	23	61,945
Current tax liabilities	24	1,488
Bank Borrowings	19	25,901
Notes liabilities	18	4,192
Other financial liabilities	25	2,239
Provisions	26	8,283
		213,789
Total liabilities		**700,765**
Total equity and liabilities		**851,353**

The financial statements of Rhino Midco Limited were approved by the board of directors and authorised for issue on 28 April 2014. They were signed on its behalf by:

Director

RHINO MIDCO 2 LTD

CONSOLIDATED CASH FLOW STATEMENT

	Period ended 31 December 2013
	(all amounts in Euro thousands)
Loss from ordinary activities	**(20,831)**
Adjustments for:	
Depreciation	395
Amortisation	1,295
Profit on sale of Property, plant and equipment	(10)
Financial income	(10)
Financial expenses	4,765
Non recurring financial costs	851
Changes in working capital:	21,631
Cash generated from operations	**8,086**
Interest received	10
Interest paid	(240)
Tax paid	(45)
Cash flows from operating activities	**7,811**
Acquisition of business and earnout	(387,693)
Capital expenditures	(212)
Disposals of PPE and intangible assets	35
Net cash used from investing activities	**(387,870)**
Issue of ordinary shares	169,896
Current loans received	23,930
Issuing of Notes	400,127
Non-current loans repaid	(234,528)
Net cash acquired	62,061
Cash flows from financing activities	**421,486**
Net increase in cash and cash equivalents from continuing operation	**41,427**
Net increase in cash and cash equivalents from continuing operation	41,427
Cash and cash equivalents at the end of the period from continuing operation	41,427
Cash and cash equivalents at the end of the period—Total	**41,427**

RHINO MIDCO 2 LTD

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Other Reserve	Results for the period	Cumulative Translation Adjustments	Minority interest	Total
			(all amounts in Euro thousands)			
At incorporation date	—	—	—	—	—	—
Share capital increase	135,917	33,979	—	—	—	169,896
Acquisition effect	—	—	—	—	141	141
Total comprehensive income for the year	—	—	(20,982)	1,534	—	(19,448)
31 December 2013	**135,917**	**33,979**	**(20,982)**	**1,534**	**141**	**150,589**

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied with those applied by the Group's trading entities.

Standards used to prepare the financial statements

The consolidated financial statements for the period ended 31 December 2013 were prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) which have been endorsed by the European Union. IFRS also include all revised International Accounting Standards ("IAS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC").

These consolidated financial statements do not present comparative information for prior year since the Company has been incorporated in 2013.

The consolidated financial statements have been prepared on the basis of the historical cost convention, amended as required for measurement of several financial instruments, and on a going concern basis. The Group concluded that, despite the difficult economic and financial situation, there are no serious doubts (as defined in IAS 1) over its ability to operate as a going concern, also thanks to the steps that have already been taken to adapt to the current macroeconomic and market scenarios in which the Group is operating.

In application of IFRS 8, we note that the Group operates in the "Distribution of spare parts for automobiles and industrial vehicles" industry and is organised into three operating segments: Italy, Eastern Europe and Switzerland.

Structure of the financial statements and basis of preparation

The consolidated financial statements consist of the consolidated statement of financial position, the consolidated income statement for the period, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity.

The statement of financial position as prepared with current and non-current assets and liabilities shown separately.

The income statement is classed by function (otherwise known as "the cost of goods sold" method), as this is considered to be more representative than the "nature of expense" method. The chosen form reflects internal reporting and how the business is managed, and is in line with international practice in the automobile and automotive sector.

The Statement of Comprehensive Income includes all changes in shareholders' equity that took place during the period, as a result of transactions other than those with the shareholders. The Group has elected to represent such changes in a statement separate from the income statement.

The changes to shareholders' equity are presented before the related tax effects showing in a single item the comprehensive amount of income tax relating to those changes.

The statement of cash flows was prepared using the indirect method.

The statement of changes to Shareholders' Equity shows separately the results for the period and any other changes that did not pass through the Income Statement but were allocated directly to Consolidated Shareholders' Equity based on specific IAS/IFRS standards and transactions with shareholders.

All amounts shown in the consolidated financial statements are in thousands of Euro, unless otherwise specified.

Scope and principles of consolidation

The scope of consolidation includes the financial statements as at 31 December 2013 of Rhino Midco 2 Ltd and its subsidiaries. Regarding the financial statements of Rhiag Group entities the scope of consolidation includes the financial statements since the Acquisition date (December 16, 2013).

Subsidiaries are companies in which the Group exercises control, as defined by IAS 27—Consolidated and Separate Financial Statements. Such control exists when the Group has the power, directly or indirectly, to determine the financial and operating policies of an entity so as to obtain benefits from its operations. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control was assumed and up to the time that such controls ceases. Minority interests in capital and reserves and minority interests in the profits and losses of consolidated subsidiaries are identified separately in the consolidated statement of financial position and income statement.

The financial statements of subsidiaries were consolidated on a line by line basis.

That method involves including the full amounts of assets, liabilities, costs and revenues (regardless of the percentage equity investment held) and attributing to minority shareholders, in specific line items in the consolidated financial statements, their share of equity and the result for the period.

When preparing the consolidated financial statements, all balances and significant transactions between Group companies were eliminated, as were unrealised profits and losses on intercompany transactions. Unrealised profits and losses from transactions with associated undertakings or jointly controlled companies are eliminated based on the size of the Group's interest in those entities.

Unrealised losses between subsidiaries are also eliminated unless the transaction indicates the impairment of an asset.

Transactions denominated in currency other than Euro (foreign currency) are recorded at the spot exchange rate at the transaction date. Monetary assets and liabilities denominated in a foreign currency at the reporting date are translated at the spot exchange rate on that date. Exchange differences arising from settlement of monetary items or their translation at rates different than those at which they were translated on initial recognition during the period are recognised in the income statement.

All assets and liabilities of subsidiaries companies denominated in foreign currencies are translated at the exchange rates prevailing at the reporting date. Revenues and costs are translated at the average exchange rate for the period. Translation differences arising from application of this method are classified under equity until disposal of the equity investment.

Goodwill and adjustments to fair value generated upon the acquisition of a foreign entity are recognised in the relevant currency and translated using the period end exchange rate.

The exchange rates used to translate into Euro the 2013 financial statements of foreign companies were as follows:

	Year ended 31 December 2013	**Average of the period**
	(all amounts in Euro thousands)	
Switzerland—CHF	0,816	0,817
Czech Republic—CZK	0,037	0,036
Hungary—HUF	0,003	0,003
Poland—Zloty	0,241	0,240
Romania—Leu	0,224	0,224
Ukraine—Hryvnia	0,088	0,088

A list of entities included in the consolidated financial statements is set out in *note 12*.

Business combinations

Business combinations are recognised using the acquisition method. Under this method, the consideration transferred in a business combination is measured at fair value, calculated as the amount of the fair value of the assets transferred and liabilities assumed by the Group on the acquisition date and of the equity instruments issued in exchange for control of the company acquired. Acquisition-related costs are recognised in the income statement when they are incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at fair value; the following items constitute an exception as they are measured as required by the relevant standard:

- Deferred tax assets and liabilities;
- Assets and liabilities for employee benefits;
- Liabilities or capital instruments relating to share-based payments in shares of the entity acquired or share-based payments relating to Group shares issued in replacement of the contracts of the entity acquired; and
- Assets held for sale or discontinued assets and liabilities.

Goodwill is determined as the surplus deriving from the sum of the consideration paid in the business combination, the equity pertaining to minority interests and the fair value of any investment previously held in the entity acquired compared to the fair value of the net assets acquired and liabilities assumed on the acquisition date. If the value of the net assets acquired and liabilities assumed on the acquisition date exceeds the sum of the consideration paid, the value of equity pertaining to minority interests and the fair value of any investment previously held in the entity acquired, this surplus is directly recognised in the income statement as income from the transaction concluded.

Equity pertaining to minority interests at the acquisition date can be measured at fair value or the value of the net assets is recognised pro quota for the entity acquired. The valuation method is selected for each individual transaction.

Any contingent consideration provided by the business combination agreement is measured at fair value on the acquisition date and included in the value of the consideration transferred as part of the business combination for determination of the goodwill. Any subsequent changes in that fair value, that may be classed as adjustments arising during the measurement period, are included in goodwill retrospectively. Changes in fair value classed as adjustments arising during the measurement period are those resulting from additional information about facts and circumstances that existed at the acquisition date, obtained during the measurement (which cannot exceed a period of one year from the business combination).

For business combinations achieved in stages, the investment previously held by the Group in the entity acquired is restated at fair value on the date control is acquired and any gain or loss arising is recognised in the income statement. Any amounts resulting from investments already held and recognised under Other Comprehensive Income or Losses are reclassified to the income statement as if the investment had been disposed of.

If the initial amounts relating to a business combination are incomplete at the end of the reporting period during which the business combination took place, the Group reports provisional amounts in its consolidated financial statements for those items whose recognition cannot be finalised. These provisional amounts are adjusted during the measurement period to take account of the new information obtained on facts and circumstances existing at the acquisition date which, had they been known, would have affected the amount of the assets and liabilities and recognised at that date.

Transactions under common control

A business combination involving entities or groups under common control (a transaction under common control) is a combination in which all the entities or businesses are ultimately controlled by the same entity or the same entities both before and after the business combination and that control is not of a temporary nature.

If significant influence over future cash flows after the transfer of all entities is demonstrated, these transactions are dealt with as described under “business combinations and goodwill”.

If, however, this cannot be demonstrated, such transactions are recognised according to the principle of consistent carrying amounts.

In particular, the accounting policies, in application of the principle of continuity, as indicated in IAS 8.10, in line with international practices and according to the guidelines of the Italian accounting profession in regard to business combinations under common control, provide that the purchaser must recognise the assets acquired at their historical book values as determined on based on their cost where the transfer amounts are greater than historical amounts.

Property, plant and equipment

Property, plant and equipment is recognised at acquisition cost, including related charges (such as transport and installation costs), as adjusted for accumulated depreciation.

Improvement costs are allocated as increases to such assets only when they produce increases in productivity.

Repair and maintenance costs are recorded in the income statement for the period in which they are incurred.

Maintenance expenses of an incremental nature are attributed to the related asset and depreciated over the estimated useful life of that asset.

Property, plant and equipment are systematically depreciated each year on a straight-line basis over the estimated useful life of the assets.

Depreciation begins when the asset is available and ready for use.

The annual depreciation rates applied are as follows:

Buildings...	25 years
Equipment and installations..	10 years
Office machinery	3 years
EDP equipment and software..	3 years
Vehicles	3 years
Leasehold improvements	remaining lifetime of contract

Costs for leasehold improvements are depreciated over the shorter of the useful life of the asset and the duration of the related contracts.

Leases in which the lessor maintains essentially all risks and benefits of ownership of the assets are classified as operating leases. Costs relating to operating leases are recorded on a straight-line basis in the income statement over the duration of the lease.

Assets acquired under finance leases are recognised at their acquisition date under “Property, plant and equipment” and measured at the lower of fair value and the present value of future payments. The corresponding liabilities are recognised in the statement of financial position under “Other financial liabilities” current or non-current. Instalments paid are recorded as reductions to these liabilities with the interest element recorded in the income statement under “Financial income/(expenses)”.

When, regardless of the depreciation already recorded, the value of an asset is impaired, it is adjusted accordingly by means of a specific provision. If the reasons for the impairment adjustment cease to exist in future years, the original value is restored as adjusted only for depreciation.

Property, plant and equipment are not revalued.

Goodwill

Goodwill arising from business combinations is initially recorded at cost at the acquisition date, as defined in the above paragraph on Business combinations. Goodwill is not amortised but subjected to an impairment test annually or more frequently if specific events or altered circumstances indicate that impairment may have occurred. After initial recognition, goodwill is measured at cost net of any accumulated impairment losses.

At the time of disposal of all or part of a previously acquired entity whose acquisition resulted in goodwill, the residual value of the goodwill is taken into account when determining the gain or loss on disposal.

Any negative difference (“negative goodwill”) is recognised in the income statement at the time of acquisition.

Other intangible assets

Intangible assets acquired separately are recorded under assets at the purchase cost or at fair value if acquired through business combination when it is probable that use of the asset will generate future economic benefits and when the cost of that asset can be reliably determined. Intangible assets acquired through business combinations are recorded at fair value at the acquisition date if that value can be reliably determined.

Intangible assets may have a determinate or indeterminate useful life and, in particular, they include trademarks (registration expenses), software and software licenses amortised over three years.

All intangible assets with a determinate useful life are amortised on a straight-line basis over their estimated useful life and subjected to an impairment test if there are indicators of possible impairment.

Impairment of assets

The Group periodically checks the recoverability of the carrying amount of intangible assets, goodwill and property, plant and equipment, in order to determine whether there are any indicators of impairment of these assets. If there are any such indicators, the carrying amount of the asset is reduced to the related recoverable amount. An intangible asset with an indeterminate useful life is subjected to impairment testing each year, or more frequently, whenever there is an indication that the asset may have been impaired.

When the recoverable value of an individual asset cannot be estimated, the Group estimates the recoverable value of the cash generating unit to which the asset belongs.

The recoverable amount of an asset is the greater of fair value less costs to sell and value in use. To determine the value in use of an asset the Group calculates the present value of the estimated future cash flows, gross of taxes, applying a discount rate, before taxes, that reflects the current market values of the time value of money and the specific risks of the asset. An impairment loss is recorded if the recoverable value is lower than carrying amount.

If, subsequently, impairment of an asset other than goodwill no longer applies or decreases, the carrying amount of the asset or the cash generating unit is increased up to the new estimate of recoverable value and cannot exceed the amount that would have been determined if no impairment had been recorded.

Reversal of an impairment loss is recognised directly in the income statement.

Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in Borrowings (current and non current). The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Inventories

Inventory is measured at the lower of weighted average cost and estimated realisable value as indicated by market performance, with account taken of any write-downs.

Cost includes direct and indirect costs and related charges insofar as they can be reasonably allocated to inventory.

Obsolete or slow moving inventory is written down based on its possibility of use or realisation by creating a specific allowance which directly reduces the value of the corresponding asset. Write-downs made in order to bring cost into line with market value are reversed in future years if the reason for the write-down ceases to exist.

In these financial statements, the Group has not recorded any assets and liabilities destined for sale and Discontinued Operations.

Trade receivables, other current receivables and tax credits

Trade receivables, other current receivables and tax credits are recorded in the consolidated financial statements at their fair value, represented by nominal value adjusted for any impairment through the creation of a specific bad debt provision. The amount of the provision depends on the size of the risks relating to specific "non–performing" debts and debts that are overdue by specific lengths of time as identified by the Group for each individual country.

Cash and cash equivalents

Cash and cash equivalents are recorded, depending on their nature, at their nominal value or at amortised cost.

Bank borrowing and other financial liabilities

Bank borrowing and other financial liabilities are initially measured at the nominal value of the loan received net of any related charges. Subsequently they are measured at amortised cost using the effective interest method. Any difference between the nominal amount less related charges and the amount upon maturity is allocated to income.

Trade payables and other current liabilities

Trade payables and other current liabilities, subject to normal commercial terms of payment, are initially recognised at cost, identified as the nominal value, and are not discounted.

Deferred taxes and income taxes

Income taxes include all taxes calculated on the Group's taxable income. Income taxes are recognised in the income statement, except for those relating to items that are directly debited or credited to shareholders' equity, in which case the tax effect is recognised directly through equity.

Other taxes not related to income are included among operating expenses.

Deferred taxes are allocated using the liability method. Deferred tax liabilities are calculated on all temporary differences arising between the tax base of an asset or liability and the book value in the consolidated financial statements, except for goodwill non-deductible for tax purposes.

Deferred tax assets on tax losses and unused tax credits brought forward, and on temporary differences, are recognised to the extent that it is probable that there will be future taxable income against which they can be utilised.

Current and deferred tax assets and liabilities are offset when the income taxes are applied by the tax authority and when the legal right to offset exists. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable in the years in which the temporary differences will be realised or settled.

Derivative financial instruments

All derivative financial instruments are measured at fair value, as required by IAS 39.

In line with the provisions of IAS 39, derivative financial instruments can be accounted for using the hedge accounting method only when, at the onset of the hedge, the hedge itself is formally designated and documented, the hedge is considered to be highly effective, effectiveness can be reliably measured and the hedge itself is highly effective in the various reporting periods for which it is designated.

When financial instruments have the characteristics needed for hedge accounting to be used and, in particular, when they fall into the cash flow hedge category, changes in fair value for the effective portion of these instruments are recognised through shareholders' equity while changes in net value relating to the ineffective portion are recognised through the income statement under borrowing costs/financial expenses. The accumulated gains or losses are written back from equity and accounted for through the income statement in the same period when the related transaction that is being hedged is recognised. The gains or losses associated with a hedge (or part of a hedge) that has become ineffective are recognised directly in income. If a hedging instrument or a hedging relationship are terminated but the transaction for which the hedge was created has not yet taken place, the accumulated gains and losses recorded up to that time in equity are recognised through the income statement at the same time the hedged transaction is recognised. If it is no longer considered probable that the hedged transaction will take place the unrealised gains or losses that have been reflected in equity are immediately recognised through the income statement.

If hedge accounting cannot be applied, the gains or losses from the valuation at fair value of the derivative financial instruments are recognised directly through the income statement under financial income and expenses.

The gain or loss resulting from the conclusion, replacement or disposal of a hedging instrument is recognised as required by paragraph 101 of IAS 39.

Deferred compensation and pension liabilities

Group companies have various pension schemes in accordance with the local laws, conditions and practices in the countries in which they operate. The schemes are generally funded through payments to public welfare agencies, insurance companies or trustee-administered funds.

Under Italian law, deferred compensation accrues in favour of all the employees which they (or, in the event of their death, their heirs) are entitled to collect upon termination of employment ("TFR"). The amount payable related to each year's service is calculated on the basis of the remuneration for that year (approximately 1/13 of total remuneration) and is subject to annual revaluations based on increases in the Italian consumer price index. The TFR cumulated liability is unfunded.

The Italian companies of the Group account for TFR in accordance with IAS 19, "Employee Benefits", which requires the recognition of the present value of the defined benefit obligation and of the current service cost. The present value is determined using a projected unit credit method. The present value is assessed consistently with the effects of new legislation regarding this scheme, amended by Law no. 296 of December 27, 2006 (the "2007 Finance Law") and subsequent decrees and regulations issued in the first part of 2007. In view of these changes, and with specific reference to those regarding companies with at least 50 employees, this scheme only continues to be classified as a defined benefit plan in the consolidated financial statements for those benefits accruing up to 31 December 2006 (and not yet settled by the balance sheet date), while after that date the scheme is classified as a defined contribution plan.

Agent's indemnities relate to leaving severance due to agents at the termination of the agency contract, unless it is the agent who decides to terminate such contract. The amount is calculated as percentage of the historical commissions earned by the agents (as required by law) considering the outcome possibility (in accordance with IAS 37).

Provisions for risks and charges

The Group records a provision for risks and charges when it has a legal or constructive obligation towards third parties, it is probable that Group resources will have to be used to fulfil the obligation and a reliable estimate of the amount of the obligation can be made.

Changes in estimates are reflected in the income statement for the period in which the change occurs.

Revenue recognition

Revenues are recognised to the extent that it is probable that the Group will obtain economic benefits whose value may reliably be determined.

Revenues from the sale of goods are recognised when the risks and benefits connected to the ownership of such goods are transferred to the purchaser, the selling price is agreed or can be determined and collection of the amount due is expected; this moment generally corresponds with the delivery date to the customer.

Revenues from services are recognised according to the stage of completion of the services.

Cost of goods sold

Cost of goods sold includes the cost of purchasing products and goods that have been sold, directly related costs such as transport and packaging, allocations to the provision for obsolete inventory and changes in inventory.

Cost of goods sold also includes costs relating to Group employees.

Financial income and expenses

Financial income and expenses are recognised on an accruals basis according to the interest earned on the net value of the related financial assets and liabilities using the effective interest rate.

Earnings per share

Basic earnings per share are calculated dividing the Profit/(Loss) attributable to the shareholders of the holding company by the weighted average number of shares in issue during the period. In order to calculate diluted earnings per share, the weighted average number of shares in issue is adjusted assuming the conversion of all shares and financial instruments with a potential diluting effect.

Contingent liabilities

The Group recognises a liability against those disputes for which it is considered probable that a cash outflow will be required and when the amount of the losses can be reasonably estimated. If a cash outflow becomes possible but its amount cannot be determined, this is disclosed in the notes to the consolidated financial statements.

Use of estimate

The preparation of the consolidated financial statements and related explanatory notes in application of IFRS requires management to use estimates and assumptions that affect the values of the assets and liabilities of the financial statements and the information relating to the assets and contingent liabilities at the reporting date. The estimates and assumptions used are based on experience and other factors that are considered relevant. The actual results could therefore differ from such estimates. The estimates and assumptions are reviewed periodically and the effects of each change to them is reflected in the income statement in the period in which the estimate is revised if the estimate affects only that period, or in subsequent periods if the revision affects both the current year and future years.

It is noted that the situation caused by the current economic and financial crisis has made it necessary for assumptions regarding future performance to be made that are characterised by significant uncertainty. As such, actual results may differ significantly from the estimates in future years, requiring potentially significant adjustments to the carrying amount of the relevant items, which can currently neither be anticipated nor estimated. The major financial statement items affected by such situations of uncertainty are the bad debt provisions, the inventory obsolescence provision, non-current assets (intangible assets and tangible assets), deferred tax assets, pension funds and other post-employment benefits.

The valuation processes and key assumptions used by management in applying the accounting standards to the future and which may significantly affect the measurement of items in the financial statements or for which there exists a risk of impairment in subsequent years are summarised below.

(a) Goodwill impairment

The Group checks goodwill impairment at least annually by means of an impairment test whereby the recoverable value generated by cash generating units is determined as their value in use through the discounted cash flow method. In applying this method the Group uses various assumptions, including the estimate of future increases in sales, gross margin, operating costs, growth rates of terminal values, investments, changes in operating capital and the weighted average cost of capital (discount rate).

Finally, it should be noted that in order to verify the recoverability of the value of goodwill in 2013, the Group made specific forecasts about revenue and profit growth rates, considering that sales and profit objectives would be achieved more slowly and taking account of the difficult economic and financial environment and uncertainty on the automotive market. Should the major estimates and assumptions made for preparation of the plan change, resulting in a change in the impairment test, the value in use could change as could the result that will be achieved regarding the value in use of the recognised assets. Therefore the Group cannot be certain that the goodwill and other assets will not suffer impairment in future years.

(b) Bad debt provision

The bad debt provision reflects management's estimate of losses relating to the portfolio of trade receivables from end customers and the sales network. The estimate of the bad debt provision is based on the losses expected by the Group, which are determined on the basis of past experience for similar receivables, current and historical overdue amounts, losses and collections, careful monitoring of credit quality and projections regarding economic and market conditions. The extension or possible worsening of the current economic and financial crisis could result in further deterioration of the financial conditions of the Group's debtors over and above the deterioration already taken into consideration when estimating the bad debt provision for the consolidated financial statements.

(c) Inventory obsolescence provision

The inventory obsolescence provision reflects management's estimate of impairment expected by the Group, as determined according to past experience and the historical and expected performance of the spare parts market. The current economic and financial crisis could result in further deterioration of conditions in the spare parts market over and above the deterioration already taken into consideration when estimating the provision in the consolidated financial statements.

(d) Current and deferred taxes

The Group recognises assets and liabilities for taxes generated based on estimates reflecting the higher future tax effect. Where the final outlay or refund relating to these amounts differs from the amount originally recognised, these differences are allocated to current and deferred taxes in the year in which the determination was made. In particular, budgeted profits and forecasts for future years, consistent with those used for the impairment tests, have been considered when recognizing deferred tax assets; the recoverability of these taxes is therefore subject to the risk of a deterioration of the assumptions used in those forecast.

The estimates are reviewed periodically and the effects are reflected in the income statement.

(e) Contingent liabilities

The Group may be subject to legal and tax proceedings referring to a wide array of issues. Given the uncertainty regarding such issues, it is difficult to predict with certainty the outflow that may derive from such disputes. Lawsuits and claims against the Group often result from legal issues that are complex and difficult and subject to a varying level of uncertainty, including specific facts and circumstances regarding each lawsuit and the different applicable laws. In the normal course of business, management receives the opinions of its legal consultants and experts in legal and tax affairs.

ADOPTION OF NEW FINANCIAL REPORTING STANDARD, AMENDMENTS AND INTERPRETATIONS

Accounting standards, amendments and interpretations which are not yet effective and have not been adopted in advance by the Group

- On 12 May 2011, the IASB issued IFRS 10—Consolidated Financial Statements which will replace SIC-12 Consolidation—Special purpose entities and parts of IAS 27—Consolidated and separate financial statements which will be renamed Separate financial statements and will regulate the accounting treatment of investments in Separate financial statements. The main changes introduced by the new standard are as follows:

  - Under IFRS 10, there is a sole basic principle for the consolidation of all types of entity and that principle is based on control. This change removes the perceived inconsistency between the former IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);
  - An improved definition of control has been introduced, as based on three factors: (a) power over the entity acquired; (b) exposure, or rights, to variable returns from involvement with the entity acquired; (c) ability to use power to influence the amount of such returns;
  - IFRS 10 requires an investor, when determining if it has control over the entity acquired, to focus on activities that significantly influence returns from the investee entity;
  - IFRS 10 states that when the existence of control is being evaluated, only substantive rights shall be considered i.e. those rights that are exercisable in practice when decisions relevant to the entity acquired must be taken; and
  - IFRS 10 provides guidelines for use in determining whether control exists in complex situations such as de facto control, potential voting rights, situations where it must be established if the party with decision-making power is acting as agent or principal, etc.

  In general terms, application of IFRS 10 requires a significant amount of judgment to be used in relation to a number of issues.

  The Standard is applicable retrospectively from 1 January 2014. The Group has not yet performed an analysis of the impact of this new Standard on its scope of consolidation.

- On 12 May 2011, the IASB issued IFRS 11—Joint arrangements, which will replace IAS 31—Interests in Joint Ventures and SIC-13—Jointly controlled entities—Non-monetary contributions by ventures. Without affecting the criteria for determining whether joint control exists, the new standard provides criteria for use in identifying joint arrangements based on rights and obligations arising from such arrangements rather than on their legal form. It also establishes the equity method as the sole method for use in accounting for interests in jointly controlled entities in consolidated financial statements. Under IFRS11, the existence of a separate vehicle entity is not a sufficient condition for a joint arrangement to be classified as a joint venture. The new standard is applicable retrospectively from 1 January 2014. Since the issue of IFRS 11, IAS 28—Investments in associates has been amended to include interests in jointly controlled entities in its scope of application from the effective date of the standard. The Group has not yet performed an analysis of the effects of applying this new standard.

- On 12 May 2011, the IASB issued IFRS 12—Disclosure of interests in other entities which is a new and complete standard on disclosures required in consolidated financial statements on all types of interest, including those in subsidiaries, joint arrangements, associates and unconsolidated special purpose entities and other vehicle entities. The standard is applicable retrospectively from 1 January 2014.

- On 28 June 2012, the IASB published the document Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). First of all, the document aims to clarify the Board’s intentions with regard to the transition rules for IFRS 10 Consolidated financial reporting. The document clarifies that, for entities whose reporting period coincides with the calendar year and first time application of IFRS 10 to the financial statements for the year ended 31 December 2013, the date of initial application shall be 1 January 2013. If the conclusions reached with regard to the scope of consolidation are the same under IAS 27 and SIC 12 and under IFRS 10 at the date of initial application, the entity shall have no obligations. Likewise, no obligation shall arise if the investment was sold during the comparative period (and was, therefore, no longer present at the date of initial application). The document aims to clarify how an investor must retrospectively restate the comparative period(s) if the conclusions regarding the scope of consolidation are not the same under IAS 27 /SIC 12 and IFRS 10 at the date of initial application. In particular, when a retrospective restatement as defined above is no longer practicable, an acquisition/disposal shall be recorded at the start of the comparative period presented with the resulting adjustment recorded under retained earnings.

- On 16 December 2011, the IASB issued several amendments to IAS 32—Financial instruments: presentation to clarify the application of certain criteria for the offsetting of financial assets and liabilities included in IAS 32, effectively making it more difficult. The amendments are applicable retrospectively for periods commencing on or after 1 January 2014.

Accounting standards, amendments and interpretations of IFRS not yet approved by the European Union

At the reporting date, the relevant European Union bodies had not yet completed the approval process required for application of the following accounting standards and amendments:

- On 12 November 2009, the IASB published IFRS 9—Financial instruments: the standard was later amended on 28 October 2010. The standard is applicable retrospectively from 1 January 2015 and represents the first part of a step-by-step process that aims to replace IAS 39 entirely and introduce new criteria for the classification and measurement of financial assets and liabilities. For financial assets, the new standard uses an approach based on the methods of managing financial instruments and on the characteristics of the contractual cash flows of financial assets to determine the valuation method, replacing the different rules provided for by IAS 39. Meanwhile, for financial liabilities, the main change regards the accounting treatment of changes in the fair value of a financial liability designated as a financial liability at fair value through profit and loss if they are due to changes in the creditworthiness of the liability itself. Under the new standard such changes must be recorded in the Statement of Comprehensive Income and will no longer pass through the Income Statement. Steps two and three of the process regarding financial instruments, relating to impairment of financial assets and hedge accounting, respectively, are still in progress. The IASB is also evaluating some limited improvements to IFRS 9 with regard to the Classification and measurement of financial assets.
- On 31 October 2012, the Board issued amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities" which introduce an exception to the consolidation of entities controlled by investment entities, except for cases where the subsidiaries provide services that relate to the investment activities of such entities. When applying these amendments, an investment entity must measure its investments in subsidiaries at fair value through profit and loss. In order to be classified as an investment entity, an entity must:
  - obtain funds from one or more investors for the purpose of providing them with professional investment management services;
  - commit to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
  - measure and evaluate the performance of substantially all of its investments on a fair value basis.

  These amendments apply to financial statements commencing on or after 1 January 2014 and early application is permitted.
- On 20 May 2013, the Board issued amendments to IFRIC 21—Levies, which defines the accounting treatment of the taxes paid to the Authorities (on the basis of specific jurisdiction's law) without receiving any services back (i.e. specific good or service). The event that generates the obligation for the entity is generally specified in the law that introduces the event. A liability should be recognised at the realisation of the event that generates the obligation, even if the tax/fee is calculated on a past performance (i.e. revenues of the previous year), the manifestation of past performance is a necessary condition, but not sufficient for the recording of a liability. The interpretation is applicable retrospectively for periods commencing from 1 January 2014.
- On 29 May 2013, the Board has published the amendment on the IAS 36—Recoverable Amount Disclosures for Non-Financial Assets, which limits the requirements to point out in the disclosures the recoverable amount for non-financial assets or of the cash generating units (CGU); on the point, it should be noted that the IFRS 13 "Fair Value Measurement" had modified the IAS 36, introducing the request to represent in the disclosures the recoverable amount of each (or each group of) cash generating unit which is credited of a relevant part of the net book value of goodwill or intangible assets with an undefined useful life. Moreover, that amendment explicitly requires to provide information about the discount rate used to determinate the impairment loss (or reversal) when the recoverable amount (calculated as fair value less cost to sell) is estimated with the present value's method.

In the notes, all amounts are shown in Euro thousands unless otherwise stated.

2. NET SALES

The following items have been included in net sales:

	Period ended 31 December 2013
	(all amounts in Euro thousands)
Invoiced sales	27,146
Commission	48
Rebates	**(666)**

	Period ended 31 December 2013
	(all amounts in Euro thousands)
Sales gross	26,528
Direct selling costs	
Agents' commissions	(525)
Freights to customers	(720)
Write-offs of receivables and bad debts	(124)
Cash discounts	(10)
Direct selling costs	**(1,379)**
Sales net	**25,149**

The Group recorded gross sales of Euro 26.1 million since the acquisition of Rhiag Group.

"Commission" mainly refer to commissions on sales of Original Equipment products by Rhiag Engineering S.p.A. to Italian automobile manufacturers and, to a lesser extent, to commissions on sales of Original Equipment products by Bertolotti S.p.A. and Rhiag Group Ltd.

"Rebates" refer to bonus to customers that have achieved sales target during the period.

Direct selling costs stand at 7.3% of gross sales.

As a result of the abovementioned factors, net sales in the consolidated financial statements for 2013 are equal to Euro 24.2 million.

3. COST OF GOODS SOLD

The following items have been included in cost of goods sold:

	Period ended 31 December 2013
	(all amounts in Euro thousands)
Materials purchases, change and write off of inventories	(16,602)
Supply freights	(430)
Staff costs	(2,936)
Cost of goods sold	**(19,968)**

Personnel costs are analysed below:

	Period ended 31 December 2013
	(all amounts in Euro thousands)
Wages and salaries	(2,061)
Social security and other costs	(874)
Staff costs	**(2,935)**
Non recurring items	—
	(2,935)

As at 31 December 2013, the Group had 2,995 employees, of which 502 in Italy, 2,388 in Eastern Europe and 105 in Switzerland. The breakdown by function is the following:

	Period ended 31 December 2013
Sales	855
Product Marketing	196
Purchase Planning	77
Warehousing and distribution	1,622

	Period ended 31 December 2013
Finance and administration	85
Information systems	57
Human resources	19
Other	84
Total	**2,995**

4. DISTRIBUTION COSTS

The following items have been included in distribution costs:

	Period ended 31 December 2013
	(all amounts in Euro thousands)
Rents and operating leasing	(558)
Advertising, promotional costs and catalogues	(457)
Travelling expenses	(165)
Non recurring items	—
Distribution costs	**(1,180)**

5. ADMINISTRATIVE EXPENSES

The following items have been included in administration costs:

	Period ended 31 December 2013
	(all amounts in Euro thousands)
External services	(317)
Legal and consulting costs	(165)
Administration and other operational costs	(314)
Other expenses	(161)
Amortization of intangible assets	(1,295)
Non recurring items	(16,401)
Administrative expenses	**(18,653)**

Administrative expenses for 2013 mainly include “non-recurring” professional fees for legal, certification and audit, banking and advisory services incurred by the Company in relation to the Acquisition process.

“External services” mainly comprise third party logistics services for the warehouses and branches. Specifically, these costs are for management of warehouse stock, picking, packing and shipping.

“Other income” mainly refers to the bonuses awarded to the Group by suppliers. In particular, it includes reimbursements for advertising and sales promotion campaign expenses, reimbursements from suppliers for service level penalties (e.g. late delivery) and for product warranty costs (e.g. return of defective products), transport and packaging expenses charged to customers and other minor revenues not related to product sales.

“Administration and other operational costs” mainly relate to fixed and mobile telephone costs, the costs of sending invoices and documentation and fees paid to directors and supervisory bodies.

6. OTHER OPERATING EXPENSES

The following items have been included in other operating expenses:

	Period ended 31 December 2013
	(all amounts in Euro thousands)
Building and energy costs	(172)
Insurance	(40)
Sales of fixed assets	10
Depreciation on property, plant and equipment	(371)
Non recurring items	—
Other operating expenses	**(573)**

"Building and energy costs" mainly relate to costs for utilities and maintenance of headquarters and branches.

"Insurance" costs mainly relate to insurance premiums for insurance policies on goods and warehouses and transport risks. The Group companies mainly hold insurance policies against the risk of damage to owned goods and/or leased assets, risks regarding the transport of goods from suppliers and/or to customers and/or to warehouses and branches, motor vehicle risks (e.g. theft or fire) and policies for risks regarding managers and executives as benefits in kind.

7. FINANCE COSTS

The following items have been included in financial income/expenses:

	Period ended 31 December 2013
	(all amounts in Euro thousands)
Interests on the Notes	(4,192)
Notes—Transaction costs amortization	(449)
Interests on the RCF	(70)
RCF—Transaction costs amortization	(45)
Bank borrowings—short term (overdraft)	(1)
Fair value losses on financial instruments	(8)
Foreign exchange transaction—(realized and unrealized)	—
Non recurring financial costs	(851)
Interest expenses	**(5,616)**
Third parties e bank current account	10
Foreign exchange transaction—(realized and unrealized)	—
Fair value gains on financial instruments	—
Non recurring financial revenues	—
Interest income	**10**
Finance costs	**(5,606)**

"Interests on the Notes" refer to interests accrued on the 7.25% Senior Secured Notes due 2020 ("SSN") and the Floating Rate Senior Secured Notes due 2019 ("FRN") from the issue date (on November 5, 2013) to 31 December 2013.

"Notes—transaction costs amortization" refer to the costs related to the Notes issuing process that are accounted for at amortised cost in accordance with IAS 39.

Non recurring financial costs include additional acquisition costs (related to taxes on financial transactions) released through profit and loss.

8. TAXES ON INCOME

	Period ended 31 December 2013
	(all amounts in Euro thousands)
Current tax	
UK corporation tax	—
Foreign tax	428

	Period ended 31 December 2013
	(all amounts in Euro thousands)
Total current tax	**428**
Deferred tax	
Origination of deferred tax assets in respect of fixed assets amortization costs	(277)
Total deferred tax	**(277)**
Total tax on profit on ordinary activities	**151**

The Group earns its profits primarily in Italy and the Czech Republic. Therefore the tax rate used for tax on profit on ordinary activities is the standard rate for Italy and Czech Republic corporation tax, currently respectively 31.4% and 19%.

9. BUSINESS COMBINATION

The acquisition of Rhiag Group business (the "Acquisition") has been accounted for under the purchase method. The assets and liabilities of the acquired companies have been recorded at their estimated fair value at the acquisition date. The consideration paid to acquire the Rhiag Group business consisted of cash in the amount of Euro 386.8 million. The total purchase consideration has been allocated as follows:

	Carrying values before acquisition	Provisional fair value
	(all amounts in Euro thousands)	
Total fixed assets	26,083	26,083
Total other intangible assets	3,105	3,105
Other non current net liabilities	(8,400)	(8,400)
Net working capital	126,942	126,942
Other assets held at Rhiag Group	7,117	7,117
Fair value of Customer Relationships	—	221,927
Fair value of Starline Brand	—	44,173
Deferred taxes on fair value adjustments	—	(68,094)
Net financial position	(176,870)	(176,870)
Total identifiable net assets acquired	(22,023)	175,983
Goodwill		210,859
Total purchase consideration satisfied by cash		**386,842**

According to purchase price allocation intangible assets in a total value of Euro 266.1 million have been identified. The excess of purchase price over the fair value of the identifiable assets and liabilities acquired has been assigned to goodwill for a total amount of Euro 210.9 million, which is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses (IAS 36).

In particular part of the purchase price has been allocated to Customer Relationships for a total amount of Euro 221.9 million, using the multi-period excess earnings method ("MEEM"), and to Starline Brand for a total amount of Euro 44.2 million, using the relief-from-royalty approach.

Furthermore tax amortisation benefits have been applied to step-up the value of the intangible assets identified for a total amount of Euro 68.1 million. In tax jurisdictions relevant to the Rhiag Group and various other territories, certain intangible assets qualify for tax amortisation leading to a reduction in the taxable profits. This benefit is added on the premise that a potential purchaser acquiring the intangible asset would be willing to pay an amount that reflects the present value of the tax amortisation benefit of the asset. Under the market approach this amount is included in the indicated market/transaction price. The definition of fair value for the purposes of financial reporting includes the value of the hypothetical tax benefit resulting from the amortisation of those assets, where such a benefit would hypothetically be available to a purchaser of the asset, whether or not it has in fact been realised as part of the actual transaction structure (i.e. whether the actual transaction is an asset purchase, where such tax benefits would normally be expected to be available to the purchaser, or whether the actual transaction is structured as a stock purchase, where there is generally not a change in the tax basis of the asset acquired and therefore such tax benefits would not normally be expected to be available to the purchaser). In this way, the fair value of an asset is not affected by the transaction structure and the difference in the hypothetical tax benefits and the actual tax benefits available to purchaser is dealt with in the deferred tax balances. The discounted net present value of the tax savings over the amortisation period is added to the value of the underlying assets. For the purposes of calculating the tax amortization benefit, the tax rate and amortization period applied were those applicable to the tax legislation of the Cash Generating Unit which the intangibles related to.

The results of the acquired companies have been included in the consolidated financial statements from the acquisition date.

10. PROPERTY, PLANT AND EQUIPMENT

A breakdown of property, plant and equipment is as follows:

	Land & buildings	Leasehold improvements	Machinery & equipment	Other	Total
		(all amounts in Euro thousands)			
Cost					
At 7 October 2013	—	—	—	—	—
Acquisitions	3,526	1,412	17,453	3,692	26,083
Exchange differences	52	(63)	(198)	(122)	(331)
Additions	2	247	1,036	412	1,697
Disposals	—	(12)	(62)	(26)	(100)
At 31 December 2013	**3,580**	**1,584**	**18,229**	**3,956**	**27,349**
Accumulated depreciation and impairment					
At 7 October 2013	—	—	—	—	—
Charge for the period	(1)	(66)	(206)	(122)	(395)
At 31 December 2013	**(1)**	**(66)**	**(206)**	**(122)**	**(395)**
Carrying amount					
At 7 October 2013	—	—	—	—	—
At 31 December 2013	**3,579**	**1,518**	**18,023**	**3,834**	**26,954**

Property, plant and equipment mainly refer to shelving, machinery for the handling of goods, vans and lifting equipment and works carried out on the leased premises used by the Group companies.

The net book value of financial lease was equal to Euro 5,572 thousand as of December 31, 2013.

11. INTANGIBLE ASSETS

A breakdown of intangible assets is as follows:

	Customer relationships	Starline brand	Other	Goodwill	Total
		(all amounts in Euro thousands)			
Cost					
At 7 October 2013	—	—	—	—	—
Acquired	—	—	3,105	—	3,105
Purchase price allocation	221,927	44,173	—	210,859	476,959
Exchange differences	420	371	(150)	745	1,386
Additions	—	—	530	—	530
At 31 December 2013	**222,347**	**44,544**	**3,485**	**211,604**	**481,980**
Amortisation					
At 7 October 2013	—	—	—	—	—
Charge for the period	(1,022)	(121)	(152)	—	(1,295)
At 31 December 2013	**(1,022)**	**(121)**	**(152)**	**—**	**(1,295)**
Carrying amount					
At 7 October 2013	—	—	—	—	—
At 31 December 2013	**221,325**	**44,423**	**3,333**	**211,604**	**480,685**

Customer Relationships

Euro 221.9 million relating to Customer Relationships have been allocated to the 5 Cash Generating Units identified as follows:

	Amount
	(all amounts in Euro thousands)
Fair value of Customer Relationships—CGU Italy Rhiag	128,564
Fair value of Customer Relationships—CGU Italy Bertolotti	12,491
Fair value of Customer Relationships—CGU Switzerland	21,783
Fair value of Customer Relationships—CGU Auto Kelly	44,992
Fair value of Customer Relationships—CGU Elit	14,097
Total	**221,927**

Rhiag Group's customer base consists of long-standing relationships with wholesalers, garages and retail customers across the European countries in which the CGUs operate. Since the Rhiag Group is engaged in the aftermarket distribution of spare parts, access to the fragmented customer base is critical to its business.

Rhiag Group provides customers a high service level with short lead times as well as fast execution and delivery on demand. This has created customer loyalty and strong relationships over the years, and therefore, the useful economic lives range from 4 to 13 years.

Starline Brand

Euro 44.2 million relating to Starline Brand owned by Auto Kelly a.s. have been allocated to the Auto Kelly Cash Generating Unit although all the companies into Rhiag Group are expected to increase their sales of Starline products in the next years. Starline brand is unique as no other brand covers similar product portfolio in the IAM.

Given its 12 years' history, a market participant assumption to continue investing in the brand and an analysis of comparable transactions, the economic useful life attributed to Starline Brand is equal to 15 years.

Other intangible assets

Other intangible assets refer to software and ERP systems of the Group, rather than to the e-commerce working station.

Goodwill

The excess of purchase price over the fair value of the identifiable assets and liabilities acquired has been assigned to goodwill for a total amount of Euro 210.9 million, which is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses (IAS 36).

Goodwill has been allocated to five Cash Generating Units (CGUs), identified as the companies and sub-groups of companies acquired. They reflect the CGUs monitored at management reporting level by Group management.

The CGUs identified are as follows:

- Italy Rhiag CGU: including Rhiag—Inter Auto Parts Italia S.p.A.
- Italy Bertolotti CGU: including Bertolotti S.p.A.
- Switzerland CGU: comprising Rhiag Group Ltd, wholly owned subsidiary of Rhiag—Inter Auto Parts Italia S.p.A.
- Elit CGU: comprising the companies operating in the markets of Eastern Europe—, i.e. Elit Czech Republic, Elit Slovakia, Elit Ukraine, Elit Romania, Elit Poland and Lang Kft. The shares in these subsidiaries the equity investments are held by a Swiss holding company—Elit Group Ltd.
- Auto Kelly CGU: comprising Auto Kelly a.s., Auto Kelly Bulgaria E.o.o.d. and Auto Kelly Slovakia s.r.o.

All CGUs operate in the independent aftermarket for passenger cars and industrial vehicles spare parts.

As at 31 December 2013, the Goodwill amounts to Euro 211.6 million: the increase in the value of the goodwill is due to the exchange rate effects arisen on the foreign Companies of the Group.

As at 31 December 2013, goodwill by CGU was as follows:

CGU	2013
	(all amounts in Euro millions)
Rhiag	93.5
Bertolotti	4.9
Switzerland	17.0
Elit	22.4
Auto Kelly	73.8
Total	**211.6**

CGU	2013
	(all amounts in Euro millions)

Pursuant to IAS 36, the Midco Group verified the recoverability of the residual values of goodwill recorded in the Group consolidated financial statements as at 31 December 2013. In particular, goodwill is tested for impairment at least once a year, even when there are no impairment indicators. Since the Rhiag Group acquisition is completed near the year end, the goodwill for the Rhiag Group determined in the Purchase Price Allocation exercise are based on the estimated cash flows deriving from the 2014-2018 Long-Term Plan, which could have been used for an impairment test exercise.

The plan, approved by the Rhino Bidco's Board of Directors on March 24, 2014, includes the expected economic and financial results for each single country. These estimations were prepared by local management based on the current and forecasted performance, divided by market/country, the strategic positioning of each single company, as well as guidelines agreed upon with the Parent Company. The Parent Company pursues a constant and sustainable growth strategy, based on investments made in the infrastructural areas of the business (supply chain, logistics and IT systems), as well as on investments in the product portfolio, trade marketing, control of variable and fixed costs and cash flows and constant search for operating synergies within the Group. The plan was drawn up for the first three years based on the business of the CGUs and, for the remaining three years, through constant assumptions inferred from the historical trends of previous years.

12. INVESTMENTS

Investments in associates consist of investment held by Rhiag—Inter Auto Parts Italia S.p.A. in international group purchasing organization ATR for Euro 10 thousand.

Please find below the subsidiaries' undertakings:

Company	Country of incorporation or registration	Share Capital (Value in local currency)	Shareholders	Share	Group Shares	Consolidation method
Rhino Bondco S.p.A.	Italy	Euro 30,894,105	Rhino Midco 2 Ltd	100.0%	100.0%	Full—line by line
Rhino Bidco S.p.A.	Italy	Euro 77,848,798	Rhino Bondco S.p.A.	100.0%	100.0%	Full—line by line
Rhiag S.p.A.	Italy	Euro 25,510,000	Rhino Bidco S.p.A.	100.0%	100.0%	Full—line by line
Elit Group Ltd	Switzerland	CHF 13,315,000	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
Rhiag Group Ltd	Switzerland	CHF 4,000,000	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
Rhiag Engineering S.p.A.	Italy	Euro 1,809,500	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
Bertolotti S.p.A	Italy	Euro 5,170,000	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
Centro Ricambi Rhiag S.r.l.	Italy	Euro 100,000	Rhiag S.p.A.	100.0%	100.0%	Full—line by line
InSiamo S.C.A.R.L.	Italy	Euro 193,551	Rhiag S.p.A.	23.5%	23.5%	Full—line by line
Lang Kft	Hungary	HUF 1,270,000,000	Rhiag S.p.A.	0.01%	100.0%	Full—line by line
			Elit Group Ltd	99.99%		
S.C. Elit Romania S.r.l.	Romania	RON 10,839,400	Rhiag S.p.A.	0.01%	100.0%	Full—line by line
			Elit Group Ltd	99.99%		
Elit Ukraine Ltd	Ukraine	UAH 26,991,299	Elit Group Ltd	100.0%	100.0%	Full—line by line
Auto Kelly AS	Czech Republic	CZK 2,000,000	Elit Group Ltd	100.0%	100.0%	Full—line by line
Auto Kelly Slovakia s.r.o	Slovakia	Euro 272,190	Auto Kelly AS	100.0%	100.0%	Full—line by line
Auto Kelly Bulgaria EOOD	Bulgaria	Euro 5,113	Auto Kelly AS	100.0%	100.0%	Full—line by line
Elit Slovakia s.r.o	Slovakia	Euro 298,746	Elit Group Ltd	100.0%	100.0%	Full—line by line
Elit PL sp.z.o.o.	Poland	PLN 5,000	Elit Group Ltd	100.0%	100.0%	Full—line by line
Elit Cz spol s.r.o	Czech Republic	CZK 18,750,000	Elit Group Ltd	100.0%	100.0%	Full—line by line

13. NON-CURRENT RECEIVABLES

Non- current receivables consist of:

	31 December 2013
	(all amounts in Euro thousands)
Deposits in respect of rent/lease agreements	723
Other	542
	1,265

Deposits in respect of rent/lease agreements refer to amounts paid by the Italian companies as a security on lease rentals of premises where the companies operate, as well as the payment of utilities.

Other receivables refer to third-party receivables with maturity term after 12 months, mainly recorded in the Czech Republic, Slovakia and Switzerland.

14. INVENTORIES

Inventories consist of:

	31 December 2013
	(all amounts in Euro thousands)
Goods	133,395
Promotional material	1,851
Other	337
Provision	(5,029)
	130,556

"Goods" includes engine spare parts, chassis, bodywork, electrical and electronic components of automobiles and industrial vehicles. These items are recognised at weighted average cost.

"Promotional material" includes goods other than the Group's goods for sale which are used for sales operations and campaigns.

"Other" mainly consists of advertising materials, printed catalogues and heating fuel.

The amounts shown are stated net of the inventory obsolescence provision. Inventories were written down by analysing the potential future sales of each product for sale, taking into account sales made over the preceding twelve months.

15. TRADE RECEIVABLES

Trade receivables consist of:

	31 December 2013
	(all amounts in Euro thousands)
Gross trade receivables third parties	159,850
Provision for doubtful receivables	(19,147)
	140,703

The bad debt provision was calculated according to Group criteria, based on a detailed analysis of overdue receivables. Ageing has been provided in note 33.

The breakdown by operating segment is reported in the table below.

	31 December			
	Italy	Switzerland	Eastern Europe	Total
	(all amounts in Euro thousands)			
Gross trade receivables third parties	131,703	7,921	20,226	159,850
Provision for doubtful receivables	(14,472)	(1,118)	(3,557)	(19,147)
Trade receivables	**117,231**	**6,803**	**16,669**	**140,703**

16. OTHER CURRENT ASSETS

Other current assets consist of:

	31 December 2013
	(all amounts in Euro thousands)
Prepayments and accrued income	15,832
VAT receivables	258
Other receivables	5,907
	21,997

Prepayments and accrued income mainly relate to due from suppliers based on yearly gross sales' targets achieved by Group companies, including also bonus related to ATR buying group.

17. CASH AND CASH EQUIVALENTS

	31 December 2013
	(all amounts in Euro thousands)
Cash at bank and in hand	41,427
	41,427

Regarding the detailed change of the caption, please refer to the Cash Flow Statement.

18. NOTES LIABILITIES

Notes liabilities consist of:

	31 December 2013
	(all amounts in Euro thousands)
7.25% Senior Secured Notes	215,000
Floating Rate Notes	200,000
Notes—Transaction costs	(14,423)
Notes liabilities—non current	**400,577**
Notes—accrued interests	4,192
Notes liabilities—current	**4,192**

On 5 November 2013, in order to finance the Acquisition, Rhino Bondco S.p.A. (the "Issuer") has issued the 7.25% Senior Secured Notes due 2020 ("SSN") and the Floating Rate Senior Secured Notes due 2019 ("FRN") in an aggregate principal amount of Euro 415 million.

The Notes are:

- senior obligations of the Issuer, secured by the Collateral on a first-priority basis along with obligations under the Revolving Credit Facility, certain Hedging Agreements and certain other future indebtedness (although any liabilities in respect of obligations under the Revolving Credit Facility, certain Hedging Agreements and certain other future indebtedness that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral);
- are senior in right of payment to any Subordinated Indebtedness of the Issuer;
- are effectively senior in right of payment to any existing or future unsecured obligations of the Issuer, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes; and
- are guaranteed by the Guarantors and benefit from a security assignment of the Issuer's rights under the Funding Loans granted by the Issuer to Rhiag Inter Auto Parts Italia S.p.A., Bertolotti S.p.A and Auto Kelly a.s. for an aggregate amount of Euro 191.8 million.

Interest on the Fixed Rate Notes will accrue at the rate of 7.25% per annum and are payable, in cash, semi-annually in arrears on 15 May and 15 November of each year, commencing on 15 May 2014, to holders of record on the immediately preceding May 1 and November 1, respectively. Interest on the Notes is accrued from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

Interest on the Floating Rate Notes are accrued at a rate per annum (the ''Applicable Rate''), reset quarterly, equal to EURIBOR plus 5.5%, as determined by the calculation agent (the ''Calculation Agent''), which as of today is Deutsche Bank AG, London Branch.

Interest on the Floating Rate Notes is:

- accrued from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;
- payable in cash quarterly in arrears on each March 15, June 15, September 15 and December 15, commencing on March 15, 2014; and
- payable to the holder of record of such Floating Rate Note on March 1, June 1, September 1 and December 1 immediately preceding the related interest payment date.

"Notes—transaction costs" include all the costs sustained by the Group for the issuing of the above mentioned Notes. These costs are accounted for using the amortised cost method in accordance with IAS 39.

"Notes—accrued interests" refer to interests accrued on the 7.25% Senior Secured Notes due 2020 ("SSN") and the Floating Rate Senior Secured Notes due 2019 ("FRN") from the issue date (on November 5, 2013) to 31 December 2013.

19. BANK BORROWINGS

Bank borrowings consist of:

	31 December 2013
	(all amounts in Euro thousands)
Bank overdraft	1,856
Revolving Credit Facility ("RCF")	26,000
RCF—Transaction costs	(2,025)
RCF—accrued interests	70
Bank borrowings	**25,901**

On 5 November 2013, in connection with the Acquisition, a Revolving Credit Facility ("RCF") in an amount of up to Euro 75 million has been made available to the Issuer and Bidco for general corporate and working capital purposes. The RCF has been drawn on December 16, 2013 by the Issuer for an amount of Euro 26 million and a period of three months.

On 17 March 2014 the Issuer has provided a rollover utilisation request (for Euro 26 million) for another six months.

For further information regarding the RCF please refer to "Description of certain financing arrangements" in the Strategic Report.

A separate reconciliation of net cash flow to movement in net debt in the period to 31 December 2013 was not prepared as there were no significant elements other than those already disclosed in the Consolidated cash flow statement and in notes 17 and 18.

20. OTHER NON CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities consist of:

	31 December 2013
	(all amounts in Euro thousands)
Dividend to be paid over 12 months	2,894
Financial Lease	2,888
	5,782

Dividends to be paid relate to the dividends declared in 2010 by Auto Kelly a.s. to the previous shareholder, to be paid after 12 months after the period end. The dividend resolved amounted to CZK 191.2 million to be paid in equal yearly instalments of CZK 15.8 million till 2020 (in 2020 last yearly instalment will be equal to CZK 10.5 million). As at 31 December 2013, the net present value of residual debt falling due after 12 months amounted to Euro 2.9 million. The amount falling due in 2014 was entered in current liabilities, under item "other current financial liabilities".

The caption "Financial lease" refers to financial lease contracts entered by the companies in the Eastern Europe area, primarily to purchase shelves, lifting equipment, automobiles and industrial vehicles.

The breakdown of the financial leasing by maturity term is as follows:

	31 December 2013
	(all amounts in Euro thousands)
The present value of finance lease liabilities is as follows:	1,672
not later than 1 year	2,888
later than 1 year and not later than 5 years	—
later than 5 years	**4,560**

The carrying amount of Finance lease liabilities substantially equals their fair value.

21. DEFERRED COMPENSATION AND AGENT INDEMNITIES

Deferred compensation and agent indemnities consist of:

	31 December 2013
	(all amounts in Euro thousands)
Employee leaving indemnity ("TFR") provision (IAS 19)	6,851
Switzerland pension plan (IAS 19)	2,167
Agents' leaving indemnity provision (IAS 37)	3,116
Provisions relating to personnel and agents	**12,134**

This figure mainly includes the liability of the Italian companies (Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A., Centro Ricambi Rhiag S.r.l., and Rhiag Engineering S.p.A.) for employee leaving indemnities ("T.F.R.—trattamento di fine rapporto"), as well as amounts provided by the same companies for agents' termination indemnities.

The caption includes also the net liability related to the pension plan of the subsidiary Rhiag Group Ltd. The controlled entity has entered into Collective Foundation plan entirely reinsured.

In Italy the actuarial variation has been performed on the following parameters:

	31 December 2013
	(all amounts in Euro thousands)
Actuarial parameters	
Discount rate	3.3%
Long-term expected rate of salary increase	3.0%
Long-term expected benefit increase	2.0%
Retirement probability	Law 01.01.2012
Mortality decrement	ISTAT 2010
Disability decrement	INPS 1998
Turnover rates	3/4%
Long-term interest on retirement accounts	3.3%

In Switzerland the actuarial variation has been performed on the following parameters:

	31 December 2013
	(all amounts in Euro thousands)
Actuarial parameters	
Discount rate	2.4%
Long-term expected rate of salary increase	1.0%
Long-term expected benefit increase	0%
Retirement probability	65(m)/64(f)
Mortality decrement	BVG 2010 tables
Disability decrement	BVG 2010 tables
Turnover rates	BVG 2010 tables
Long-term interest on retirement accounts	2.4%

Furthermore, the Group has performed the sensitivity analysis to take into account the possible effects deriving from the reasonable changes of the most important assumptions for any actuarial valuation performed.

In particular, with the reference to TFR actuarial valuation, it has been considered a change of discount rate equal to +/– 0,5% and, on the basis of this assumption, the liability would have been lower of Euro 0,3 million (with +0,5% of discount rate) or higher of Euro 0.3 million (with –0,5% of discount rate). Considering a change in the expected inflation rate of +/–0.5%, the liability would have been lower of Euro 0.2 million (with –0.5% of discount rate) or higher of Euro 0.2 million (with +0.5% of discount rate)

Regarding the Swiss pension plan, applying a possible increase of the discount rate by 0,25%, the net liability would have been –/+ Euro 0.5 million; applying a possible increase of long-term expected rate of salary for +/–0.25%, net liability would have been +/– Euro 0.1 million.

The allowance for the agents' termination indemnity as at 31 December 2013 includes the indemnities accrued by the sales agents based upon Italian laws.

The allowance for the agents' termination indemnity has been determined by applying an actuarial method in compliance with IAS 37.

22. TRADE PAYABLES

	31 December 2013
	(all amounts in Euro thousands)
Trade payables third parties	109,742
	109,742

Trade payables are determined by term of payments negotiated with suppliers, which are specific for any geographical markets. The majority of suppliers are common throughout the Group and they operate mainly within the European Union.

23. OTHER CURRENT LIABILITIES

Other current liabilities consist of:

	31 December 2013
	(all amounts in Euro thousands)
Customer rebates	12,998
Non-trade suppliers payables	44,486
Social security and other taxation	3,366
Other	1,093
	61,943

Customer rebates are monetary amounts due to customers as they reach agreed yearly gross sales targets.

Non-trade suppliers payables primarily refers to amounts due to distribution, administrative services and other operating costs, including personnel related payables to unutilised vacation and deferred wages, agents related payables regarding commissions matured but not yet paid, and social security liabilities, which are payable in January, related to personnel wages and agents' commissions.

Tax liability is mainly made up of VAT balance.

24. CURRENT AND DEFERRED INCOME TAXES

	31 December 2013
	(all amounts in Euro thousands)
Non-current tax assets	
Deferred tax assets	5,984
	5,984
Current income tax assets	
Current tax assets	1,773
	1,773
Non-current income tax liabilities	
Deferred tax liabilities	(68,476)
	(68,476)
Current income tax liabilities	
Current tax liabilities	(1,488)
	(1,488)

Deferred income taxes are calculated in full on temporary differences under the liability method.

They arose mostly from Purchase Price allocation (please refer to paragraph *business combinations*) for an amount equal to Euro 68.1 million.

The main temporary differences for deferred tax assets are inventory write off, bad debt provision, agents leaving indemnity fund, representation costs and accrual for legal claim and potential liabilities. Temporary differences for deferred tax liabilities mostly relate to the formation expenses of the Swiss subsidiary Rhiag Group Ltd.

25. OTHER FINANCIAL LIABILITIES

Other current financial liabilities consist of:

	31 December 2013
	(all amounts in Euro thousands)
Financial lease	1,672
Dividend to be paid within 12 months	567
	2,239

As regards items “Financial lease” and “Dividends to be paid”, refer to the description under item “Other non-current financial liabilities”.

26. PROVISIONS

Provisions consist of:

	Provision for warranties and returned goods	Provision for risks	Provision for future charges	31 December 2013
	(all amounts in Euro thousands)			
At 7 October 2013	—	—	—	—
Acquired	1,851	1,032	5,400	8,283
At 31 December 2013	**1,851**	**1,032**	**5,400**	**8,283**

Provision for returned goods and warranties includes the allocation, on an accrual basis, of the value of the materials that will be returned in the next year against sales made in 2013 and the amounts allocated for product warranties.

Provision for risks mainly refers to amounts related to legal claim for disputes with former employees or agents of the Group and suppliers of services.

Provision for future charges mainly refers to a redemption scheme regarding estimated amounts for customer loyalty programmes and allocations for promotional campaigns targeted to customers.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2013
	(all amounts in Euro thousands)
Interest Rate Swap	8
	8

On 20 December 2013 the Issuer entered into an Interest Rate Swap with Nomura International PLC in order to hedge future cash flows regarding the Floating Rate Notes from changes in interest rate. Derivative financial instruments as at 31 December 2013 include the fair value of that Interest Rate Swap. Given that the fair value of the derivative instrument is not significant, the Group did not apply hedge accounting under IAS 39. Please refer to note 33 for further details.

28. CONTINGENCIES

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for *(please refer to Note 26)*.

29. COMMITMENTS AND GUARANTEES

Rent commitments

The future aggregate minimum rent payments under non cancellable operating rent agreements are as follows:

	31 December 2013
	(all amounts in Euro thousands)
Within 1 year	11,707
Later than 1 year and not later than 5 years	27,404
Later than 5 years	9,563
	48,674

Operating lease commitments—where the Group is the lessee

The future aggregate minimum lease payments under non cancellable operating lease agreements are as follows:

	31 December 2013
	(all amounts in Euro thousands)
Within 1 year	1,612
Later than 1 year and not later than 5 years	1,439
	3,051

Guarantees

Pledges on shares

The Group pledged 100% of its shares in Rhino Bondco S.p.A., Rhino Bidco S.p.A., Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A., Auto Kelly AS and Rhiag Group Ltd. For further information please refer to *Description of certain financing arrangements*.

The rights to vote remain with the company owning the shares.

Special liens

Certain Group companies (Elit CZ spool, Lang Kft, Auto Kelly AS and Auto Kelly sro) have granted special lines on inventory stock and trade receivables to secure the operating credit lines available.

Other collaterals

Lang Kft entered into a mortgage on the owned real estate property in Budapest, to secure the credit facilities secured by Unicredit.

Other guarantees

Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A. have granted other bank guarantees to third parties as security to rent contracts for Euro 2.1 million.

Rhiag—Inter Auto Parts Italia S.p.A has granted a comfort letter in favour of Lang Kft in order to warrant a credit line released by Unicredit Hungary for Hungarian Forint 451.2 million.

Rhiag—Inter Auto Parts Italia S.p.A. has granted a bank guarantee to CIB Bank to secure the credit facilities granted to Lang Kft for Euro 1.0 million.

Group companies have granted other bank guarantees for Euro 1.3 million.

30. ORDINARY SHARES AND RESERVES

	Ordinary shares (number)	Ordinary shares (nominal value)	Total Value (EURO)
	(all amounts in Euro thousands)		
Ordinary shares, issued and fully paid	135,916,908	1.00	135,916,908
31 December 2013	**135,916,908**	**1.00**	**135,916,908**

For further information please refer to *Consolidated statement of changes in shareholders' equity.*

31. OPERATING SEGMENT

The segment disclosure was prepared to provide enough information to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates (Paragraph 1 IFRS 8). Separate information was provided on the segment business units, which were identified on the basis of the internal reports and the operating activities that generate revenues and costs, with the results reviewed on a regular basis at the highest operational decision-making levels in order to decide on allocation of the resources and evaluate the results, and for which separate financial information is available.

The segment business units that the Group indicates on a separate basis are the following:

- Italy: the Group activities in Italy are mainly carried out by Rhiag—Inter Auto Parts Italia S.p.A., and the subsidiaries Bertolotti S.p.A., Centro Ricambi Rhiag S.r.l. and Rhiag Engineering S.p.A.;

- Eastern Europe: the Group activities in Eastern Europe (Czech Republic, Slovakia, Hungary, Romania, Bulgaria and Ukraine) are mainly carried out by Elit (Elit CZ spol s.r.o., Elit Slovakia s.r.o., Lang Kft, Elit Romania Piese Auto Originale S.r.l. and Elit Ukraine Ltd.) and AutoKelly (Auto Kelly AS, Auto Kelly E.o.o.d. and Auto Kelly Slovakia s.r.o.). All the Group's operating companies in Eastern Europe are controlled by Elit Group Ltd., a company incorporated under Swiss law (non-operating company), fully controlled in turn by Rhiag Inter Auto Parts Italia S.p.A.;
- Switzerland: the Group's activities in Switzerland are mainly carried out by Rhiag Group Ltd. Rhiag Group Ltd is one of the leading companies in the Swiss independent automotive aftermarket.

United Kingdom is the home country of the parent company.

A summary of the main figures for the operating segments for 2013 from the incorporation/Acquisition date is shown below:

	2013				
	Italy	**Eastern Europe**	**Switzerland**	**Adjustments**	**Total**
Profit and Loss 2013					
Gross sales	14,647	12,076	1,649	(1,844)	26,528
EBITDA Adjusted(*)	2,034	1,014	171	(352)	2,867
Balance Sheet as at 31.12.2013					
Inventory	49,224	73,538	7,802	(8)	130,556
Trade receivables	118,662	16,717	7,071	(1,748)	140,703
Trade payables	58,745	48,985	3,513	(1,502)	109,742
Trade Working Capital (TWV)	109,142	41,270	11,360	(255)	161,517

(*) Adjusted EBITDA includes gross sales, net of direct selling costs, cost of goods sold, distribution costs, administrative costs, other operating costs, with non-recurring costs, and restructuring costs excluded. Adjusted EBITDA is not identified as an accounting measure under IAS/IFRS accounting standards as adopted by the European Union.

32. RELATED PARTY TRANSACTIONS

Related-Party Transactions

For the period ended 31 December 2013 the Group incurred no costs in related-party transactions.

However, the Group's transactions with related parties can be summarised as follows in financing and service agreements.

Financing agreements

The following intercompany financing agreements were in place as of 31 December 2013:

- two financing agreements between Rhino Bondco S.p.A. (as lender) and Rhiag—Inter Auto Parts Italia S.p.A. (as borrower) for an aggregate amount equal to Euro 165.4 million;
- two financing agreements between Rhino Bondco S.p.A. (as lender) and Bertolotti S.p.A. (as borrower) for an aggregate amount equal to Euro 3.5 million;
- two financing agreements between Rhino Bondco S.p.A. (as lender) and Auto Kelly A.s. (as borrower) for an aggregate amount equal to Euro 22.9 million;
- a financing agreement between Rhiag Engineering S.p.A. (as lender) and Bertolotti S.p.A. (as borrower) for an aggregate amount equal to Euro 1.0 million;
- a financing agreement between Elit Czech Republic (as lender) and Elit Slovakia (as borrower) for an amount equal to Euro 3.7 million;
- a financing agreement between Elit Slovakia (as lender) and Elit Romania (as borrower) for an amount equal to Euro 6.0 million;
- a financing agreement between Rhiag Group Ltd (as lender) and Elit Group Ltd (as borrower) for an aggregate amount equal to Euro 17.3 million.

Service agreement between Rhiag-Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A.

Rhiag-Inter Auto Parts Italia S.p.A. and its subsidiary Bertolotti S.p.A. entered into a service agreement, under which Rhiag-Inter Auto Parts Italia S.p.A. provides assistance and management services to Bertolotti S.p.A. for a consideration based on the nature of services provided. The agreement, which was due to expire on December 31, 2010 was tacitly renewed and automatically renews itself for one year periods.

Service agreement between Rhiag-Inter Auto Parts Italia S.p.A.and Rhiag Engineering S.p.A.

Rhiag-Inter Auto Parts Italia S.p.A. and its subsidiary Rhiag Engineering S.p.A. entered into a service agreement, under which Rhiag-Inter Auto Parts Italia S.p.A. provides personnel and other resources to Rhiag Engineering S.p.A. to assist in, among other things, administrative matters regarding the annual financial statements, tax and corporate matters, management of administrative and accounting matters, legal assistance regarding the drafting and management of contracts and management of insurance matters. The agreement, which was due to expire on December 31, 2008, was tacitly renewed and automatically renews itself for one year periods, unless terminated in writing by one of the parties.

Transfer pricing

The Group also operates in foreign countries, through companies controlled directly or indirectly by Rhiag-Inter Auto Parts Italia S.p.A., and each country has its own tax regime and income tax assessment procedures.

The Group companies have trading relations, and to a lesser extent, financial relations, both with other companies in the Group (resident in other countries) and other related parties, and this implies that it may be possible for the Tax Authorities of the individual countries to bring claims with respect to transfer pricing for goods and services, always and only with reference to the individual Group companies.

The Group believes that the prices represent the normal value (on the basis of *arm's length* principle) of the transfers between related parties, and in any case, the Group has taken the precautionary measures needed to avoid claims to this effect. More specifically, when carrying out significant transactions or transactions with considerable economic impact, like those that involve Eastern Europe (Czech Republic and Slovakia), the Group companies consulted with independent third party experts who prepared studies and economic analyses supporting the transfer prices applied.

As of 31 December 2013 there are no tax disputes regarding the transfer pricing of goods and services within the Group.

33 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENT AND RISK MANAGEMENT POLICY

Classes of financial instruments and risk management policies

The table reported below shows a detailed analysis of financial assets and liabilities pursuant to IFRS 7 in the contest of the categories established in IAS 39 for the current period.

	Fiscal year 2013				
	IAS 39 categories				
Balance Sheet Items	**Financial instruments held for trading**	**Receivables and loans**	**Financial instruments held to maturity**	**Financial instruments held for sale**	**Book value**
Non current assets					
Non-current receivables	—	1,265	—	—	1,265
Current assets					
Trade receivables 3rd parties (net)	—	140,703	—	—	140,703
Other current assets	—	21,997	—	—	21,997
Cash and bank	—	41,427	—	—	41,427
Total financial assets	**—**	**205,392**	**—**	**—**	**205,392**
Non current liabilities					
Notes liabilites—non current			—	400,577	400,577
Other financial liabilities				5,782	5,782
Non hedge derivative financial instruments			8	—	8
Current liabilities					
Trade payables third parties			—	109,742	109,742
Other current liabilities			—	61,943	61,943
Bank borrowings			—	25,901	25,901
Other financial liabilities			—	2,239	2,239
Total financial liabilities			**8**	**606,184**	**606,192**

Fair value of financial assets and liabilities: calculation methods

The table reported below shows a description of the amounts corresponding to the fair value of the classes of financial instruments broken down by calculation methods adopted for their determination in the period.

	Book value	Mark to market	DCF Method
	(all amounts in Euro thousands)		
Non current financial liabilities			
Notes liabilities	(415,000)	(421,946)	(444,392)
Other financial liabilities	(5,782)	—	—
Non hedge derivative financial instruments			
Interest Rate Swap (plain vanilla)	(8)	(8)	—

The fair value of items shown under current assets and liabilities, maturing within a year, was not determined as it is estimated that the current value of these items almost corresponds to their carrying amount. Other non-current liabilities and other non-current financial liabilities were measured, whenever considered significant, at their nominal amount, discounted at a discount rate determined based on their duration and the availability of the resources necessary to fulfill the obligation, as specified in the respective sections of these financial statements.

IFRS 7 requires that financial instruments recognised at fair value in the statement of financial position be classified on a hierarchy of levels that reflects the significance of the input data used to determine their fair value. The following levels are defined:

a) Level 1—listed prices on active markets for assets or liabilities under measurement;

b) Level 2—inputs, other than the above-mentioned listed prices, that may be observed directly (prices) or indirectly (derived from prices) on active markets;

c) Level 3—inputs that are not based on observable market data.

	Level 1	Level 2	Level 3
	(all amounts in Euro thousands)		
Notes liabilities	(421,946)	—	—
Interest Rate Swap (plain vanilla)	—	(8)	—

Financial charges and income identified pursuant to IAS 39

The tables reported below show an analysis of the amounts relative to financial charges and income broken down pursuant to the categories set out in IAS 39.

	Fiscal year 2013				
	IAS 39 categories				
	From interest	At fair value	From fair value reserve	Profit'(loss) on exchange rates	Net profit/(loss)
Financial instruments held for trading	—	(8)	—	—	(8)
Liabilities at amortised cost	(4,757)	—	—	—	(4,757)
Financial instruments held to maturity	—	—	—	—	—
Receivables and loans	10	—	—	—	10
Financial instruments held for sale	—	—	—	—	—
Total IAS 39 categories	**(4,747)**	**(8)**	**—**	**—**	**(4,755)**
Other (charges)/income	—	—	—	—	—
Total	**(4,747)**	**(8)**	**—**	**—**	**(4,755)**

Classes of financial risks and relevant hedging activities

Interest rate fluctuations risk

The Floating Rate Notes and loans under our Revolving Credit Facility will bear interest at variable rates, generally linked to market benchmarks such as EURIBOR and LIBOR, as applicable. To the extent that the interest rates were to increase significantly on such indebtedness, interest expense for the Group would correspondingly increase, reducing cash flows. In order to mitigate this risk, on 20 December 2013 the Group entered into an Interest Rate Swap with Nomura International Plc (please see note 27).

Foreign currency transactions

The Group also operates on markets where transactions are denominated in currencies other than the Euro. In such cases, goods for sale are mainly purchased from foreign suppliers in Euros while sales are made on the relevant domestic markets in the local currency. Therefore, whenever possible, forward contracts for currency purchases are entered into to mitigate the negative effects deriving from exchange rate fluctuation.

During the period ended 31 December 2013, the Group companies entered into short-term currency hedging transactions in order to address certain of the foregoing risks, which hedging transactions have since been terminated. The Group companies generally enter into short-term hedging transactions in countries where purchases are executed in a currency that is different from the one in which the relevant sales are recorded. This is done in order to minimise fluctuations in currency between purchase and sales' transactions, in order to protect any profitability on the hedged portion of the relevant purchases.

Credit Risk

The Group operates with a large number of small/medium size customers represented mainly by local independent distributors, garages, and service stations. Therefore it is exposed to a credit risk connected to their financial situation and to their capacity to be financed by the bank system.

The Group applies a policy based on the attribution of credit ratings, purchase limits and legal actions to its customer base and to the periodic release of standard reports in order to reach a high degree of control on the account receivable recovery.

Each company is in charge, through a local credit controller, of the credit collection of the sales performed in their respective market. Coordination between companies which work in the same market (e.g. Italian companies) is based on electronic exchange of information related to common clients and through the coordination of block of deliveries or the start of legal actions.

Provision for doubtful receivables and doubtful short-term loans is recorded at nominal value of the estimated uncollectable portion of the receivable after deduction of VAT and part of receivable, which will be recovered by means of insurance or collateral. Any collateral has to be critically assessed regarding collectability. The provision for doubtful receivables is made of individual provisions for critical over-indebtedness, legal actions or bankruptcy (in place or to be imminent) and to all those overdue which fall for Italy over 365 days, Switzerland over 120 days, Eastern Europe over 90 days.

The following tables show, broken down by type of financial partner, trade receivables and financial receivables due from third parties and associated companies and the corresponding provision for bad debt accounted in the year of reference.

	31 December 2013							
	Receivables							
		Gross overdue amount						
Classes	**Total Gross Receivables**	**0-30 dd**	**30-60 dd**	**60-90 dd**	**90-120 dd**	**120-180 dd**	**over**	**Bad debt Provision**
Trade Receivables								
Accounts' receivables third parties	159,850	5,223	2,839	2,039	1,655	4,927	18,397	(19,147)
Other current assets	21,970	—	—	—	—	—	—	—
	181,820	**5,223**	**2,839**	**2,039**	**1,655**	**4,927**	**18,397**	**(19,147)**

Liquidity Risk

The liquidity risk of the Group is correlated to the capacity of identifying the necessary funds in order to face all the commitments at the due date.

In particular the management of the liquidity implies, among the others, the respect of the payments of: interests on the Notes and the Revolving Credit Facility, suppliers, both trade and not trade, salaries, taxes and social contribution, interest on long term facilities and the respect of the maximum level of permitted indebtedness as stated in the covenants of the Notes and RCF.

In order to guarantee the financial balance between the inflows and the outflows particular attention is focused on the constant effort to achieve the reduction of the working capital level of the Group.

The table below reports the main Group financial obligation taking into account the closest payment due date.

	31 December 2013							
	Time Band							
Balance sheet items	**Book value**	**0-39 days**	**30-60 days**	**60-90 days**	**Due over 90 days**	**1-2 years**	**over 2 years**	**Total financial flow**
Financial liabilities								
Notes' liabilities—non current	415,000	—	—	—	—	—	415,000	415,000
Notes' liabilities—current	4,192	—	—	1,801	2,391	—	—	4,192
Other financial liabilities—non current	2,894	—	—	—	—	549	2,345	2,894
Other financial liabilities—current	567	48	48	48	423	—	—	567

	31 December 2013							
	Time Band							
Balance sheet items	**Book value**	**0-39 days**	**30-60 days**	**60-90 days**	**Due over 90 days**	**1-2 years**	**over 2 years**	**Total financial flow**
Bank overdraft	1,856	—	—	—	—	—	—	1,856
Revolving Credit Facility	26,070	—	—	26,070	—	—	—	26,070
Financial lease	4,560	—	—	—	1,672	—	2,888	4,560
Trade liabilities								
Trade payables third parties	109,742	57,582	33,598	16,598	1,964	—	—	109,742
Other current liabilities	61,943	—	—	—	—	—	—	61,943
	626,824	**57,630**	**33,646**	**44,517**	**6,451**	**549**	**420,233**	**626,824**

Other payables and liabilities are composed by various counterparts (e.g., non trade suppliers, personnel and agents, tax authorities) and the main due date can be represented between 30 and 90 days.

The Group profitability relies, amongst other aspects, on the ability to purchase products at competitive terms and prices, in each single geographical area in which the Group operates. In its turn, this ability is affected by various factors, in which purchase volumes play an important role.

Within each geographical area, the Group signs contracts with its own suppliers, generally setting out annual purchase targets. Upon achievement of these targets, discounts and other incentives are granted to the Group.

Trade relations with the main suppliers are regulated by agreements of variable duration, some of which are reciprocally exclusive, especially for business carried out in Italy. The ability to create and maintain durable and stable trade relations with suppliers plays a key role in the business of the Rhiag Group.

The amounts of operating credit facilities available to the Group (excluding the Revolving Credit Facility) as at 31 December 2013 and their related use are shown hereunder:

	2013			
	Italy	**Eastern Europe**	**Switzerland**	**Total**
Credit lines—Current				
Revocable—available amount	42,000	—	—	42,000
Revocable—utilized amount	—	—	—	—
Not revocable—available amount	—	11,672	1,632	13,304
Not revocable—utilized amount	—	1,856	—	1,856
Credit lines—non current				
Revocable—available amount	—	—	—	—
Revocable—utilized amount	—	—	—	—
Not revocable—available amount	—	—	—	—
Not revocable—utilized amount	—	—	—	—
Credit lines—Total available amount	**42,000**	**11,672**	**1,632**	**55,304**
Credit lines—Total utilized amount	**—**	**1,856**	**—**	**1,856**

34. INFORMATION ON AUDITOR REMUNERATION

The table below shows the compensation of the Independent Auditor granted by the Group for the period ended 31 December 2013.

Services	**Company**	
Audit	Deloitte	38
Other services	Deloitte	901
		1,233

Fees payable to the company's auditor for the audit of the company's annual accounts amounts to Euro 24 thousand.

Fees payable to the company's auditor and its associates for the audit of the Company's subsidiaries amounted to Euro 14 thousand.

Other services mainly include costs related to comfort letters on Offering Memorandum for the Notes issuing on 5 November 2013 and related to the 12 month period ended 31 December 2013.

2013 COMPANY FINANCIAL STATEMENTS

RHINO MIDCO 2 LTD

COMPANY PROFIT AND LOSS ACCOUNT

	Period to 31 December 2013
	€
Income	
Bank interest	297
Expenditure	
Legal and professional fees	(15,571,346)
Bank charges	(607)
	(15,571,953)
Net result	**(15,571,656)**

RHINO MIDCO 2 LTD

COMPANY BALANCE SHEET

	Note	31 December 2013
		€
Fixed assets		
Investments	3	153,974,524
Current assets		
Cash at bank		5,439,918
Current liabilities		
Creditors	4	(5,089,988)
Net current assets		**349,930**
Total assets less current liabilities		**154,324,454**
Capital and reserves		
Called-up share capital	5	135,916,908
Share premium account		33,979,202
Profit and loss account		(15,571,656)
Total equity shareholder funds	6	**154,324,454**

Approved by the board of Rhino Midco 2 Limited (company registration number 08721565) and were signed on its behalf by:

Nishant Nayyar (Director)

Savvas Savvides (Director)

28 April 2014

The accompanying notes are an integral part of these financial statements.

RHINO MIDCO 2 LTD

COMPANY CASH FLOW STATEMENT

	Note	Period to 31 December 2013
		€
Operating activities		
Net result		(15,571,656)
Increase in creditors		5,089,988
Net cash outflow from operating activities		**(10,481,668)**
Portfolio Investments		
Purchase of ordinary shares	3	(153,974,524)
Net cash outflow from portfolio investments		**(153,974,524)**
Financing		
Issue of ordinary share capital		169,896,110
Net cash inflow from financing		**169,896,110**
Increase in cash		**5,439,918**
Reconciliation to net cash		
Opening net cash		—
Closing net cash		5,439,918

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, are set out below.

a) Accounting convention

The financial statements have been prepared on a going concern basis and under the historical cost convention, they give a true and fair view and have been prepared in accordance with the Companies Act 2006 and UK Generally Accepted Accounting Practice (GAAP) .

b) Income

Income is recognised on an accruals basis.

c) Expenses

Expenses are recognised on an accruals basis.

d) Investments

Investments are held at cost less provision for any impairment.

e) Cash flow statement

Under the provisions of Financial Reporting Standard No.1 “Cash Flow Statements”, the Company is required to prepare a cash flow statement on the basis of its size.

f) Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis in preparing the financial statements.

2. TAXATION STATUS

The Company is subject to the standard rate of corporation tax as applicable under UK Tax Law. Tax for the current period is provided at the amount expected to be paid using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Tax provided for 2013 is zero.

3. INVESTMENTS

	€
Cost	
At 7 October 2013	—
Purchase of 124,000 ordinary shares at €1.00 each in Rhino Bondco SpA	124,000
Purchase of 30,770,105 ordinary shares at €5.00 each in Rhino Bondco SpA	153,850,524
At 31 December 2013	153,974,524

4. CREDITORS

	31 December 2013
	€
Accrued expenses	(5,089,988)

5. SHARE CAPITAL

	31 December 2013
	€
Called-up, allotted, authorised and fully paid share capital	
100 ordinary shares at €1.00 each	100
135,916,908 ordinary shares at €1.00 each	135,916,808
	135,916,908

	31 December 2013
	€

6. RECONCILIATION OF MOVEMENT IN SHAREHOLDER FUNDS

	€
At 7 October 2013	—
Issue of share capital	135,916,908
Share premium	33,979,202
Net loss	(15,571,656)
At 31 December 2013	154,324,454

7. RELATED PARTIES

The Company has identified the Directors of the Company, its key management and the UK pension scheme as related parties for the purpose of FRS 8 'Related Party Disclosures'. Details of the relevant relationships with these related parties are disclosed in the Strategic Report and note 32 of the consolidated financial statements.

As permitted by FRS 8, no related party disclosures in respect of transactions between the Company and its wholly owned subsidiaries have been included.

8. CONTROLLING PARTIES

Rhino Topco 2 Limited is the immediate controlling party of the Company. The ultimate controlling parties are funds advised by Apax Partners LLP.

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

— CONSOLIDATED STATEMENT OF FINANCIAL POSITION
— CONSOLIDATED INCOME STATEMENT
— CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
— CONSOLIDATED STATEMENT OF CASH FLOWS
— STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY
— EXPLANATORY NOTES

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

Registered office in Bergamo, via Tiraboschi 48

Board of Directors

Chairman and Chief Executive Officer	Luca Zacchetti
Directors	Aldo Carrabino Ferdinando Imhof Walter Coletta

Board of Statutory Auditors

Chairman	Raoul F. Vitulo
Statutory Auditors	Maurizio Salom Giovanni Tedeschi
Alternate Auditors	Monica A. Castiglioni Guido Riccardi

Independent Auditors	Deloitte & Touche S.p.A.

AUDITORS' REPORT
PURSUANT TO ART. 14 OF LEGISLATIVE DECREE NO. 39 OF JANUARY 27, 2010

To the Sole Shareholder of
RHIAG—INTER AUTO PARTS ITALIA S.p.A.

1. We have audited the consolidated financial statements of Rhiag—Inter Auto Parts Italia S.p.A. ("the Company") and subsidiaries (the Group Rhiag) which comprise the consolidated statement of financial position as of December 31, 2013, the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity and consolidated cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The comparative data included in the consolidated financial statements refers to the consolidated statement of financial position as of December 31, 2012 and January 01, 2012. As explained in the explanatory notes, the Directors have restated some comparative data related to the consolidated financial position as of December 31, 2012 and January 01, 2012, which derives from the consolidated financial statements as of December 31, 2011, compared to the previous version of the consolidated financial statements audited by us with the issuance of the audit opinions respectively on the date of April 09, 2013 and April 11, 2012. The method of preparation of restated comparative data and the consequent explanations presented in the explanatory notes have been examined by us for the purpose of issuing of our audit opinion on the consolidated financial statements as of December 31, 2013.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Group Rhiag as of December 31, 2013, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

4. The directors of Rhiag—Inter Auto Parts Italia S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable law. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the report on operations is consistent with the consolidated financial statements of Group Rhiag as of December 31, 2013.

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Marnati
Partner

Milan, Italy
April 11, 2014

This report has been translated into the English language solely for the convenience of international readers.

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2013	31.12.2012 restated	01.01.2012 restated
			(amounts in thousands of Euro)	
ASSETS				
Non-current assets				
Property, plant & equipment	1	26,954	26,625	26,472
Intangible assets	2	3,332	3,044	2,353
Goodwill	3	265,112	270,548	270,178
Investments	4	10	10	5
Receivables and other financial assets	5	1,265	1,108	1,162
Deferred tax assets	6	5,984	4,407	3,699
		302,657	305,742	303,869
Current assets				
Inventory	7	130,556	127,750	119,672
Trade receivables	8	140,703	126,532	119,239
Other current receivables	9	21,970	15,940	12,296
Tax receivables/credits	10	1,773	491	436
Cash and cash equivalents	11	34,870	55,953	34,417
		329,873	326,666	286,060
Non current assets held for sale	1		—	—
Total Assets		**632,530**	**632,408**	**589,929**
Shareholders' equity				
Share capital	12	25,510	25,510	25,510
Other reserves	12	115,851	115,851	104,803
Translation reserves	12	1,258	8,263	6,555
Retained earnings / (Accumulated losses)	12	67,481	25,443	4,846
Profit / (Losses) for the year	12	33,621	42,160	32,522
		243,721	217,227	174,236
Retained / (Losses) of minority interests	12	141	148	149
Total shareholders' equity		**243,862**	**217,375**	**174,385**
LIABILITIES				
Non-current liabilities				
Bank borrowings	13	—	221,292	231,099
Other non-current liabilities		—	—	3,108
Other financial liabilities	14	177,082	6,101	6,782
Deferred tax liabilities	6	659	689	794
Provisions relating to personnel and agents	15	12,134	13,052	12,812
		189,875	241,134	254,595
Current Liabilities				
Trade payables	16	109,742	106,409	86,505
Other current liabilities	17	54,686	42,327	48,856
Tax payables	18	1,488	1,428	1,642
Bank borrowings	19	1,856	13,893	13,538
Other financial liabilities	20	22,739	2,370	2,215
Provisions for risks and charges	21	8,283	7,472	8,193
		198,794	173,899	160,949
Liabilities related to non current assets held for sale		—	—	—
Total liabilities		**388,669**	**415,033**	**415,544**
Total liabilities & shareholders' equity		**632,531**	**632,408**	**589,929**

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED INCOME STATEMENT

	Notes	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
		(amounts in thousands of Euro)	
Gross sales	23	732,754	672,536
Direct selling costs	23	(41,196)	(34,897)
Net sales		**691,558**	**637,639**
Cost of goods sold	24	(562,548)	(513,177)
Gross profit		**129,010**	**124,462**
Distribution costs	25	(32,862)	(31,526)
Administrative costs	26	(19,789)	(15,091)
Other operating costs	27	(10,951)	(11,850)
Impairment of goodwill and other assets	28	—	(959)
Operating profit		**65,408**	**65,036**
Financial income / (expense)	29	(19,704)	(11,258)
Profit before taxation		**45,704**	**53,778**
Taxes on income	30	(12,083)	(11,618)
Net profit for year from continuing operations		**33,621**	**42,160**
Net result from discontinued operations		—	—
Net profit for year		**33,621**	**42,160**
Basic earnings/(loss) per share		0.33	0.41
Diluted earnings/(loss) per share		0.33	0.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Net profit for the year (A)	33,620	42,160
Items that will not be reclassified subsequently to profit and loss		
Actuarial gains / (losses) (IAS 19)	516	(419)
Tax effect on actuarial gains / (losses) (IAS 19)	(115)	71
Total	**401**	**(348)**
Items that may be reclassified subsequently to profit and loss		
Gains / (Losses) from translation of financial statements of foreign entities	(7,005)	1,708
Total	**(7,005)**	**1,708**
Total other gains / (losses) net of tax effect (B)	**(6,604)**	**1,360**
Total net comprehensive income (A+B)	**27,016**	**43,520**

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
		(amounts in thousands of Euro)	
Profit before taxation		**45,704**	**53,778**
Net result from discontinued operations			
Net profit before taxation		**45,704**	**53,778**
Changes:			
Depreciation of property, plant & equipment		7,303	6,996
Amortization of intangible assets		2,298	1,931
(Gains) / Losses from sale of property, plant & equipment		(269)	(195)
(Financial income)		(267)	(2,351)
(Financial income)/Losses from Loan received from Parent Entity (IRS)		556	—
Financial expenses		14,604	14,130
Goodwill Amortization		—	959
Realized and unrealized exchange (gains) / losses		4,811	(384)
Changes in Net Working Capital items:			
Trade receivables		(14,171)	(7,293)
Other current receivables		(6,186)	(3,590)
Inventory		(2,805)	(8,078)
Trade payables		3,333	19,904
Other current liabilities		12,529	(5,124)
Provisions for risks and charges		811	(721)
Provisions relating to personnel and agents		(877)	(179)
Cash flows generated by operating activities		**67,374**	**69,781**
Interest received		267	243
Interest (paid)		(11,943)	(10,689)
Income taxes (paid)		(15,394)	(12,629)
Net cash flows generated by operating activities		**40,304**	**46,706**
Acquisition Auto Kelly Group and earn out		—	(2,500)
Acquisition and contributions		—	(10)
Capex on property, plant & equipment		(9,529)	(7,113)
Capex on intangible assets		(2,825)	(2,610)
Sale of property, plant & equipment		1,156	188
Net cash flows generated by investing activities		**(11,198)**	**(12,044)**
Loans received / (repaid)—current		(237,518)	(13,203)
Bank overdrafts arranged / (repaid)		1,166	356
Loans received / (repaid) from Parent Entity—non current		191,800	—
Dividends paid		(1,129)	(1,151)
Cash flows generated by financing activities		**(45,681)**	**(13,999)**
Exchange rate effect		(4,506)	874
Total cash flows generated / (absorbed) by continuing activities		**(21,081)**	**21,536**
Change in cash and cash equivalents			
Opening cash and cash equivalents from continuing activities		55,953	34,417
Opening cash and cash equivalents from discontinued operations		—	—
Total opening cash and cash equivalents	11	**55,953**	**34,417**
Total cash flows generated / (absorbed) by continuing activities		(21,083)	21,536
Total cash flows generated / (absorbed) by discontinued activities		—	—
Closing cash and cash equivalents from continuing activities		34,870	55,953
Closing cash and cash equivalents from discontinued activities		—	—
Total closing cash and cash equivalents	11	**34,870**	**55,953**

	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
	(amounts in thousands of Euro)	

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share Capital	Other Capital Reserves	Retained Earnings	Profit for year	Cash flows hedge reserve	Translations reserves	Minority interests	Total
				(amounts in thousands of Euro)				
As at 1 January 2012 restated	**25,510**	**104,803**	**4,846**	**32,522**	**—**	**6,555**	**149**	**174,385**
Share capital increases	—	—	—	—	—	—	(1)	(1)
Allocation/distribution of profit of the year	—	—	31,998	(32,522)	—	—	—	(524)
Net profit for the year	—	—	(348)	42,160	—	1,708	—	43,520
Other changes	—	11,048	(11,053)	—	—	—	—	(5)
Distribution of prior year earnings	—	—	—	—	—	—	—	—
As at 31 December 2012 restated	**25,510**	**115,851**	**25,443**	**42,160**	**—**	**8,263**	**148**	**217,375**
Share capital increases	—	—	—	—	—	—	(7)	(7)
Allocation/distribution of profit of the year	—	—	41,637	(42,160)	—	—	—	(523)
Net profit for the year	—	—	401	33,621	—	(7,005)	—	27,017
Other changes	—	—	—	—	—	—	—	—
Distribution of prior year earnings	—	—	—	—	—	—	—	—
As at 31 December 2013	**25,510**	**115,851**	**67,481**	**33,621**	**—**	**1,258**	**141**	**243,862**

for THE BOARD OF DIRECTORS
The Chairman
Luca Zacchetti

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

Registered office in Bergamo, Via Tiraboschi 48

Share Capital Euro 25,510,000

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2013

EXPLANATORY NOTES

GENERAL INFORMATION

Rhiag Group mainly operates in the distribution of the aftermarket spare parts for passenger cars and commercial vehicles in the independent aftermarket segment ("IAM").

The Group runs its business in Italy by four Companies and by a distributing network composed of seventeen branches and a central warehouse, while abroad there are ten Companies: two in Switzerland, the others in Czech Republic, Slovakia, Hungary, Romania, Ukraine, Bulgaria and Poland.

Rhiag—Inter Auto Parts Italia S.p.A., the parent company of the Group, is a public limited company under the Italian Law, registered office in Bergamo, via Tiraboschi 48, under the manage and control of Rhino Bidco S.p.A., also a public limited company under the Italian Law.

The current Group's structure has been modified since the fiscal year 2012 due to the following operations occurred in the year:

- March 2013: establishment of Auto Kelly Bulgaria E.O.O.D., controlled by Auto Kelly a.s.;
- December 2013: establishment of Elit Polska spolka, controlled by Elit Group Ltd.

STANDARDS USED TO PREPARE THE FINANCIAL STATEMENTS

The consolidated financial statements for the period ended 31 December 2013 were prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) which have been endorsed by the European Union. IFRS also include all revised International Accounting Standards ("IAS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC").

The consolidated financial statements were prepared using the historical cost convention, with the exception of certain financial assets and liabilities for which measurement at fair value is required. The consolidated financial statements were prepared on a going concern basis: Management believes that considering that, although the difficult condition of the economic and financial environment, no significant uncertainties (as defined in IAS 1) regarding the going concern persist, also taking into considerations the actions already run to adequate the Group to the current macroeconomic conditions of the market where it operates.

According to the IFRS 8, Rhiag Group operates in the distribution of the aftermarket spare parts for passenger cars and commercial vehicles in the independent aftermarket segment ("IAM") and it is organized in three operating segments: Italy, Eastern Europe and Switzerland, as described in Note 32; regarding the business trend occurred in 2013, please refer to the Directors Report.

No derogation from the applying of the IFRS have been adopted in the preparation of the consolidated financial statement.

STRUCTURE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND BASIS OF PREPARATION

The present consolidated financial statements consist of the consolidated statement of financial position, the consolidated income statement for the period, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the statement of changes in consolidated shareholders' equity.

The consolidated statement of financial position is prepared with current and non-current assets and liabilities shown separately.

The consolidated income statement is exposed by function (otherwise known as "the cost of goods sold" method), as this method is considered to be more representative than the "nature of expense" method. The chosen form reflects the internal reporting and how the business is managed, and it is in line with international practice in the automobile and automotive sector.

The consolidated statement of comprehensive income includes all the changes in the consolidated shareholders' equity that took place during the period, as a result of transactions other than those with the shareholders. The Group has elected to represent such changes in a statement separate from the income statement.

The changes to consolidated shareholders' equity are presented before the related tax effects showing in a single item the comprehensive amount of the income tax relating to those changes.

The consolidated statement of cash flows was prepared using the indirect method.

The consolidated statement of changes to consolidated shareholders' equity shows separately the results for the period and any other changes that did not pass through the income statement but were allocated directly to shareholders' equity based on specific IAS/IFRS standards and transactions with shareholders.

All amounts shown in the consolidated financial statements are stated in thousands of Euro, otherwise specified.

ACCOUNTING PRINCIPLES

The consolidated financial statements of Rhiag Group were prepared using the historical cost convention.

The preparation of the consolidated financial statements also required management to use estimates and assumptions, included in the paragraph "Use of Estimates".

Accounting standards, amendments and interpretations effective from 1 January 2013 but not relevant to the Group

The following amendments, improvements and interpretations in effect from 1 January 2013 regulate matters and circumstances that did not apply within the Group at the date of these interim consolidated financial statements but which could have accounting effects on future transactions or agreements:

- On 12 May 2011, the IASB issued IFRS 13—Fair value measurement which clarifies how fair value must be determined for financial reporting purposes and applies to all circumstances where IFRS require or permit fair value measurement or the presentation of information based on fair value, with some limited exceptions. The standard also requires more extensive disclosures about fair value measurement (fair value hierarchy) than currently required by IFRS 7. The standard is applicable prospectively from 1 January 2013.
- On 16 December 2011, the IASB issued several amendments to IFRS 7—Financial instruments: disclosures. The amendments require further information on the effects or potential effects of the offsetting of financial assets and liabilities on the statement of financial position of an entity. The amendments are applicable to periods commencing on or after 1 January 2013. Information must be provided retrospectively.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine was published in October 2011 and applies to waste removal costs incurred in surface mining activities in the production phase of the mine.
- On 17 May 2012, the IASB published the document Annual Improvements to IFRSs: 2009-2011 Cycle which includes IFRS amendments resulting from the annual improvement process and concentrating on those amendments considered necessary but not urgent. Details of those amendments that will lead to a change in the presentation, recognition and measurement of items reported are described below while those that will merely lead to changes of terminology or editorial differences with a minimal effect in accounting terms have been omitted, as have those that affect standards or interpretations not applicable by the Group:
    - IAS 1 Presentation of financial statements—Comparative information: clarifies that in cases where additional comparative information is provided, it shall be presented in accordance with IAS/IFRS. Also clarifies that when an entity changes its accounting policies or makes retrospective restatements or reclassifications, it shall also present an opening statement of financial position at the start of the comparative period ("third balance sheet") while the notes to the financial statements need not include comparative disclosures for this "third balance sheet", except for the items affected.
    - IAS 16 Property, plant and equipment—Classification of servicing equipment: clarifies that servicing equipment shall be classified as Property, plant and equipment if used for more than one reporting period and as Inventory.
    - IAS 32 Financial instruments: presentation—income taxes on distributions to equity holders and on transaction costs on equity instruments: clarifies that income taxes in such cases shall follow the rules laid down by IAS 12.
    - IAS 34 Interim financial reporting—Total assets and liabilities for a reportable segment: clarifies that total assets and liabilities for a particular reportable segment need only be disclosed if such information is regularly provided to the chief operating decision maker of the entity and there has been a material change in the total assets and liabilities of that reportable segment compared to the amount disclosed in the last annual financial statements.
- On 19 March 2011, the IASB published an amendment to IFRS 1 First-time adoption of International Financial Reporting Standards—Government Loans which amends the treatment of government loans when adopting IFRS.

Accounting standards, amendments and interpretations effective from 1 January 2013 relevant to the Group

The following paragraph have been applied for the first time by the Group from the 1 January 2013:

- On 16 June 2011, the IASB issued an amendment to IAS 1—Presentation of financial statements which requires entities to group together all items presented as Other comprehensive income/(losses) based on whether or not they can subsequently be reclassified to the income statement. The relative tax effect has to be allocated in the same way.
- On 16 June 2011, the IASB issued an amendment to IAS 19—Employee benefits which eliminates the option to defer recognition of actuarial gains and losses under the corridor method, requiring that all actuarial gains and losses must be recorded immediately in Other Comprehensive Income so that the entire net amount of provisions for employee benefits

(net of available plan assets) is shown in the consolidated statement of financial position. The amendments also require that changes from one year to the next in the provision for employee benefits and plan assets must be divided into three components: costs relating to employee service during the period must be recorded in the income statement as "service costs"; net financial expenses calculated applying the appropriate discount rate to the net amount of the provision for defined benefits less assets at the start of the period must be recorded in the income statement as such; and actuarial gains and losses arising from the re-measurement of assets and liabilities must be recorded in Other Comprehensive Income. Moreover, the return on plan assets included in net financial expenses as above must be calculated based on the discount rate of the liabilities and no longer based on the expected return. Finally, the amendment introduces additional new disclosures that must be provided in the notes to the financial statements. The amendment is applicable retrospectively from the period commencing on or after 1 January 2013.

The Group has applied the IAS 19 (revised 2011) for the first time in 2013. Moreover, it should be noted that accounting standard has been applied for the first time by the Swiss subsidiary Rhiag Group Ltd starting from January 01, 2013 because, before such date, the effects of this application were not relevant for the Group. As a consequence of this application (IAS 19 by Rhiag Group Ltd and the IAS 19 revised by the other Group's companies), the Group has restated the comparative amounts as of January 1, 2012 and as of December 31, 2012 as described in the tables below:

1 January 2012
IAS 19 adoption restatement effects

	01.01.2012	restatement effects	01.01.2012 restated
	(amounts in thousands of Euro)		
Deferred tax assets	3,287	412	3,699
Net effect on Assets		**412**	
Provisions relating to personnel and agents	10,389	2,423	12,812
Net effect on Liabilities		**2,423**	
Retained earnings / (Accumulated losses)	6,857	(2,011)	4,846
Net effect on Equity		**(2,011)**	

31 December 2012
IAS 19 adoption restatement effects

	31.12.2012	restatement effects	31.12.2012 restated
	(amounts in thousands of Euro)		
Deferred tax assets	3,924	483	4,407
Net effect on Assets		**483**	
Provisions relating to personnel and agents	10,210	2,842	13,052
Net effect on Liabilities		**2,842**	
Retained earnings / (Accumulated losses)	27,802	(2,359)	25,443
Net effect on Equity		**(2,359)**	

Accounting standards, amendments and interpretations which are not yet applicable and have not been adopted in advance by the Group

- On 12 May 2011, the IASB issued IFRS 10—Consolidated Financial Statements which will replace SIC-12 Consolidation—Special purpose entities and parts of IAS 27—Consolidated and separate financial statements which will be renamed Separate financial statements and will regulate the accounting treatment of investments in Separate financial statements. The main changes introduced by the new standard are as follows:
  - Under IFRS 10, there is a sole basic principle for the consolidation of all types of entity and that principle is based on control. This change removes the perceived inconsistency between the former IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);
  - An improved definition of control has been introduced, as based on three factors: *(a)* power over the entity acquired; *(b)* exposure, or rights, to variable returns from involvement with the entity acquired; *(c)* ability to use power to influence the amount of such returns;
  - IFRS 10 requires an investor, when determining if it has control over the entity acquired, to focus on activities that significantly influence returns from the investee entity;
  - IFRS 10 states that when the existence of control is being evaluated, only substantive rights shall be considered i.e. those rights that are exercisable in practice when decisions relevant to the entity acquired must be taken;

- IFRS 10 provides guidelines for use in determining whether control exists in complex situations such as de facto control, potential voting rights, situations where it must be established if the party with decision making power is acting as agent or principal, etc.

In general terms, application of IFRS 10 requires a significant amount of judgment to be used in relation to a number of issues.

The Standard is applicable retrospectively from 1 January 2014. The Group has not yet performed an analysis of the impact of this new Standard on its scope of consolidation.

- On 12 May 2011, the IASB issued IFRS 11—Joint arrangements, which will replace IAS 31—Interests in Joint Ventures and SIC-13—Jointly controlled entities—Non-monetary contributions by ventures. Without affecting the criteria for determining whether joint control exists, the new standard provides criteria for use in identifying joint arrangements based on rights and obligations arising from such arrangements rather than on their legal form. It also establishes the equity method as the sole method for use in accounting for interests in jointly controlled entities in consolidated financial statements. Under IFRS11, the existence of a separate vehicle entity is not a sufficient condition for a joint arrangement to be classified as a joint venture. The new standard is applicable retrospectively from 1 January 2014. Since the issue of IFRS 11, IAS 28—Investments in associates has been amended to include interests in jointly controlled entities in its scope of application from the effective date of the standard. The Group has not yet performed an analysis of the effects of applying this new standard.

- On 12 May 2011, the IASB issued IFRS 12—Disclosure of interests in other entities which is a new and complete standard on disclosures required in consolidated financial statements on all types of interest, including those in subsidiaries, joint arrangements, associates and unconsolidated special purpose entities and other vehicle entities. The standard is applicable retrospectively from 1 January 2014.

- On 28 June 2012, the IASB published the document Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). First of all, the document aims to clarify the Board’s intentions with regard to the transition rules for IFRS 10 Consolidated financial reporting. The document clarifies that, for entities whose reporting period coincides with the calendar year and first time application of IFRS 10 to the financial statements for the year ended 31 December 2013, the date of initial application shall be 1 January 2013. If the conclusions reached with regard to the scope of consolidation are the same under IAS 27 and SIC 12 and under IFRS 10 at the date of initial application, the entity shall have no obligations. Likewise, no obligation shall arise if the investment was sold during the comparative period (and was, therefore, no longer present at the date of initial application). The document aims to clarify how an investor must retrospectively restate the comparative period(s) if the conclusions regarding the scope of consolidation are not the same under IAS 27 /SIC 12 and IFRS 10 at the date of initial application. In particular, when a retrospective restatement as defined above is no longer practicable, an acquisition/disposal shall be recorded at the start of the comparative period presented with the resulting adjustment recorded under retained earnings.

- On 16 December 2011, the IASB issued several amendments to IAS 32—Financial instruments: presentation to clarify the application of certain criteria for the offsetting of financial assets and liabilities included in IAS 32, effectively making it more difficult. The amendments are applicable retrospectively for periods commencing on or after 1 January 2014.

- On 31 October 2012, the Board issued amendments to IFRS 10, IFRS 12 and IAS 27 “Investment Entities” which introduce an exception to the consolidation of entities controlled by investment entities, except for cases where the subsidiaries provide services that relate to the investment activities of such entities. When applying these amendments, an investment entity must measure its investments in subsidiaries at fair value through profit and loss. In order to be classified as an investment entity, an entity must:

  - obtain funds from one or more investors for the purpose of providing them with professional investment management services;

  - commit to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and

  - measure and evaluate the performance of substantially all of its investments on a fair value basis.

  These amendments apply to financial statements commencing on or after 1 January 2014 and early application is permitted.

- On 29 May 2013, the Board has published the amendment on the IAS 36—Recoverable Amount Disclosures for Non-Financial Assets, which limits the compel to point out in the disclosures the recoverable amount for non-financial assets or of the cash generating units (CGU); on the point, it should be noted that the IFRS 13 “Fair Value Measurement” had modified the IAS 36, introducing the request to represent in the disclosures the recoverable amount of each (or each group of) cash generating unit which is credited of a relevant part of the net book value of goodwill or intangible assets with an undefined useful life. Moreover, that amendment explicitly requires to provide information about the discount rate used to determinate the impairment loss (or reversal) when the recoverable amount (calculated as fair value less cost to sell) is estimated with the present value’s method.

- On 27 June 2013, the Board issued ‘Novation of Derivatives and Continuation of Hedge Accounting’ (Amendments to IAS 39 ‘Financial Instruments: Recognition and Measurement’). Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2014, with earlier application being permitted.

Accounting standards, amendments and interpretations of IFRS not yet approved by the European Union

At the reporting date, the relevant European Union bodies had not yet completed the approval process required for application of the following accounting standards and amendments:

- On 12 November 2009, the IASB published IFRS 9—Financial instruments: the standard was later amended on 28 October 2010. The standard is applicable retrospectively from 1 January 2015 and represents the first part of a step-by-step process that aims to replace IAS 39 entirely and introduce new criteria for the classification and measurement of financial assets and liabilities. For financial assets, the new standard uses an approach based on the methods of managing financial instruments and on the characteristics of the contractual cash flows of financial assets to determine the valuation method, replacing the different rules provided for by IAS 39. Meanwhile, for financial liabilities, the main change regards the accounting treatment of changes in the fair value of a financial liability designated as a financial liability at fair value through profit and loss if they are due to changes in the creditworthiness of the liability itself. Under the new standard such changes must be recorded in the Statement of Comprehensive Income and will no longer pass through the Income Statement. Steps two and three of the process regarding financial instruments, relating to impairment of financial assets and hedge accounting, respectively, are still in progress. The IASB is also evaluating some limited improvements to IFRS 9 with regard to the Classification and measurement of financial assets.
- On 20 May 2013, the Board issued amendments to IFRIC 21—Levies, which defines the accounting treatment of the taxes paid to the Authorities (on the basis of specific jurisdiction’s law) without receiving any services back (i.e. specific good or service). The event that generates the obligation for the entity is generally specified in the law that introduces the event. A liability should be recognized at the realization of the event that generates the obligation, even if the tax/fee is calculated on a past performance (i.e. revenues of the previous year), the manifestation of past performance is a necessary condition, but not sufficient for the recording of a liability. The interpretation is applicable retrospectively for periods commencing from 1 January 2014.
- On 19 November 2013, the Board has published an amendment to IFRS 9 ‘Financial Instruments’—Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39—incorporating its new general hedge accounting model. The new general hedge accounting model will allow reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. The main changes introduced by the new standard are as follows:
    - increases the scope of hedged items eligible for hedge accounting, in particular increases the risks components of non-financial assets/liabilities eligible for hedge accounting;
    - changes of the accounting method of forward contracts and derivative options if included in hedge accounting transaction in order to reduce the volatility in profit and loss;
    - changes of the current effectiveness assessment, which will require judgment to determine whether an economic relationship exists between the hedged item and hedging instrument;
    - introduces more disclosures requirements than the currently required.
- On 12 December 2013, the Board issued ‘Annual Improvements to IFRSs 2010–2012 Cycle’, a collection of amendments to IFRSs. The main changes introduced by the new standard are as follows:
    - IFRS 2 *Share-based Payment—Definition of ‘vesting condition’*. Amends the definitions of ‘vesting condition’ and ‘market condition’ and adds definitions for ‘performance condition’ and ‘service condition’ (which were previously part of the definition of ‘vesting condition’);
    - IFRS 3 *Business Combination—Accounting for contingent consideration in a business combination*. Clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.
    - IFRS 8 *Operating Segments—Aggregation of operating systems*. Requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments.
    - IFRS 8 *Operating Segments—Reconciliation of total of the reportable segments’ assets to the entity’s assets*. Clarifies that an entity shall only provide reconciliations of the total of the reportable segments’ assets to the entity’s assets if the segment assets are reported regularly.
    - IFRS 13 *Fair Value Measurement—Short term receivables and payables*. Clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
    - IAS 16 *Property, plant and equipment* and IAS 38 *Intangible Assets—Revaluation Method: proportionate restatement of accumulated depreciation/amortization*. Clarifies that when an item of property, plant and equipment and of

intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- IAS 24 *Related Parties Disclosures—Key management personnel*. Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

The amendments are effective for annual periods beginning on or after 1 July 2014, but can be applied earlier.

- On 12 December 2013, the Board issued 'Annual Improvements to IFRSs 2011–2013 Cycle', a collection of amendments to IFRSs. The main changes introduced by the new standard are as follows:

  - IFRS 1 *First-time Adoption of International Financial Reporting Standards—Meaning of "effective IFRS"*. Clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application. An entity is required to apply the same version of the IFRS throughout the periods covered by those first IFRS financial statements.

  - IFRS 3 *Business Combination—Scope exception for joint ventures*. Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

  - IFRS 13 *Fair Value Measurement—Scope of portfolio exception (par. 52)*. Clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32.

  - IAS 40 *Investment Properties—Interrelationship between IFRS 3 and IAS 40*. Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 and investment property as defined in IAS 40 requires the separate application of both standards independently of each other.

  The amendments are effective for annual periods beginning on or after 1 July 2014, but can be applied earlier.

SCOPE AND PRINCIPLES OF CONSOLIDATION

The scope of consolidation includes the financial statements as at 31 December 2013 of Rhiag—Inter Auto Parts Italia S.p.A. and of all its subsidiaries.

Subsidiaries are any entities over which the Group has control, as defined in IAS 27 *Consolidated and Separated Financial Statements*. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power is generally presumed with an ownership of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statements of companies included in the consolidation area are prepared by the Board of Directors for the approval by the Shareholders' Meeting, in accordance with IAS/IFRS.

The application of the consolidation policies has led to the following adjustments:

- the book value of investments in companies included in the consolidation area is discharged against the related net equity;
- the difference between the cost born for the acquisition of the investment and the relevant share of net equity is recognized on the date of purchase and allocated to the specific asset and liability items at fair value. Any positive difference is recognized under goodwill; any negative difference is recognized under income statement;
- consolidated equity amounts, reserves and the financial result attributable to third party non-controlling interests are recognized under separate items in consolidated shareholders' equity and income statement;
- in preparing the consolidated financial statements, receivables and payables, revenues and expenses resulting from transactions between companies included in the consolidation area are discharged as are any unrealized gains or losses on intercompany operations.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position; income and expenses for each consolidated statement of income are translated at average exchange rates and all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The main exchange rates used to convert the foreign companies' financial statements are detailed below:

	Spot rate		Average rate	
	31/12/2013	31/12/2012	12m 2013	12m 2012
Swiss Franc—Switzerland	0.816	0.828	0.813	0.830
Czech Koruna—Czech Republic	0.037	0.040	0.039	0.040
Hungarian Forint—Hungary	0.003	0.003	0.003	0.004
Zloty—Poland	0.241	0.245	0.238	0.239
Leu—Romania	0.224	0.225	0.226	0.224
Hryvnia—Ukraine	0.088	0.094	0.092	0.096

Please refer the Annex 1 for the detail of the Companies included in the scope of consolidation, including the registered office, the share held and the method of consolidation.

Business Combination

Business combinations are recognized using the purchase cost method pursuant to IFRS 3.

Upon acquisition date, assets and liabilities pertaining to the transaction are recognized at fair value, except for any anticipated and deferred taxes, assets and liabilities relating to benefits in favor of employees, liabilities or equity instruments related to payments based upon shares of target company or payments based upon shares related to the Group issued in substitution with target company's contract and held for sale assets or discontinuing operation assets and liabilities, which are valued according to the relevant reference principle.

Accessory charges relating to the transaction are recognized under income statement in the financial year in which they are incurred.

Goodwill represents the difference between acquisition price, non-controlling interests shareholders' equity and the fair value of any interest previously held in the acquired company against the fair value of the net assets and liabilities acquired upon completion of the transaction. When the value of the net assets and liabilities purchased on the acquisition date exceeds the acquisition price, the non-controlling interests shareholders' equity and the fair value of any interest previously held in the acquired company, such excess amount is recognized under income statement in the year in which the acquisition transaction is completed.

Non-controlling interests' equity may be valued, at acquisition date, either at fair value or pro-rata of the net assets recognized for the acquired company. The valuation method is selected on a case-by-case basis.

For the purpose of calculating goodwill, any prices relating to the acquisition subject to the conditions of, and envisaged by business combination contracts, are valued at fair value as at the acquisition date and included in the relevant acquisition price. Any subsequent changes in the fair value referred to as adjustments deriving from additional information provided about facts and circumstances existing on the business combination completion date and in any case identified within the subsequent twelve months, are retroactively included in the value of goodwill.

In case of business combinations accomplished in subsequent steps, the interest previously held in the acquired company is subject to revaluation at fair value from the date of control acquisition and any resulting income or loss is recognized under income statement in the year in which the transaction is completed.

Should the values of the assets and liabilities acquired be incomplete as at the date of drafting of these financial statements, the Group recognizes provisional values that will be later subject to adjustments in the financial year of reference within twelve months thereafter, so as to take into account any new information about facts and circumstances existing at the acquisition date, that, if made available earlier, would have had an impact on the value of the assets and liabilities recognized on that same date.

Business combinations completed before 1 January 2010 are recognized pursuant to the provisions contained in the previous version of IFRS 3.

Business combination under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory

When the significant influence of the future cash flows after the combination can be demonstrated, the operation are accounted as mentioned in the paragraph "Business combination".

Otherwise, the business combinations are accounted with their value.

Management uses its judgment to develop an accounting policy that is relevant and reliable, in accordance with IAS 8.10, also consistently with the common practice both international and national regarding the business combination under common control.

Property, Plant and Equipment

Assets booked to property, plant and equipment are valued at cost, including any accessory charges, and are stated net of depreciation and any impairment.

Costs which arise after the initial purchase are recognized as an increase in cost in direct relation to the extent that these costs can improve the asset yield.

Leasehold improvements are recognized as fixed assets and depreciated over the lower between the residual useful life of the asset and the residual term of the lease contract.

Assets recognized as property, plant and equipment, with the exception of land, are depreciated on a straight line basis during the useful life of the asset from the moment the assets are available for use.

The residual value of assets, useful lives and depreciation criteria applied are reviewed on an annual basis and adjusted, if necessary, at year end.

The depreciation rates that generally reflect the useful lives attributed to Group property, plant and equipment are shown in the table below:

Assets	Rate
Land & buildings	4%
Plant and equipment	10%
Leasehold improvements	lease agreement
Other assets	10%
IT Hardware	33%
Commercial Vehicles	33%
Furniture	20%

Lease contracts in which the lessor substantially retains all the risks and benefits associated with asset ownership are classified as operating leases and the relevant costs are recognized in the income statement for the entire duration of contract term.

Assets acquired under finance leases, which transfer all the relevant risks and benefits to the Group, are recognized at current value or, if lower, at the value of the minimum lease payments, including the amount to be paid for exercising an eventual purchase option.

Liabilities arising from leasing contracts are recognized under financial liabilities.

These assets are classified in the relevant categories under properties, plant and equipment and are depreciated over the lower between the contract term and the useful life of the asset in question.

The carrying value of property and property, plant and equipment is subject to an impairment test whenever it is believed that it will be a loss in value.

Should the value resulting from the impairment test be lower than cost, the loss is recognized as a reduction in the value of the asset and recognized as a cost item in the income statement. In case that the reduction of value is no more sustainable, the original value should be replaced with the only amortization adjustment. Buildings, Plant and equipment are not to be revaluated.

Intangible Assets

When it is probable that costs will generate future economic benefits, intangible assets include the cost, including accessory charges, of the purchase of assets or resources, without any physical form, used in the production of goods or in the supply of services, to rent to third parties or for administrative purposes, on condition that the cost is quantifiable in a reliable manner and that the goods are clearly identifiable and controlled by the company that owns them.

Intangible assets purchased separately and those purchased as part of business combinations that took place before the first adoption of IAS/IFRS are initially recognized at cost, while those purchased as part of business combination operations carried out after the first adoption of IAS/IFRS are initially recognized at fair value.

Intangible assets may have finite or indefinite useful life, including trademarks, software and licenses and are amortized within three years.

Intangible assets with a finite useful life are subject to an impairment test every time there is an indication of a possible loss of value. The period and method of amortization applied are reviewed at the end of each year or more frequently, if necessary.

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's share in the fair value of the assets, liabilities and potential liabilities, as identified at the time of purchase. Goodwill and other intangible assets with an indefinite useful life are not subject to amortization but to an impairment test of their book value at least once a year. This test concerns the value of the individual assets or of cash generating unit and is performed out whenever it is believed that there would be a loss of value and that least once a year. In case of transfer of property of a purchased company while determining the gains or losses it should be considered the residual value of goodwill. The eventual negative difference is recorded in profit and loss at the moment of acquisition.

Impairment

The carrying value of intangible assets, investment property and property, plant and equipment is subject to an impairment test whenever it is believed that it will be a loss in value.

Impairment tests are carried out at least once a year on goodwill, other intangible assets with an indefinite useful life and on other assets that are not available for use, and are performed by comparing the carrying amount whit the higher amount between the fair value minus the sales cost and the value in use of the asset.

The value in use of an asset is determined by discounting the cash flows expected from its use, subjecting forecasts of the relevant financial income on reasonable and sustainable assumptions used by the management to best represent the economic conditions foreseen for the remainder of the life of the asset, giving more weight to external indicators. Discounting rates reflect current market estimates of the time value of money and the specific risks connected to the asset.

The valuation is carried out by individual asset or by the smallest Cash Generating Unit that generates cash flows from asset use.

Should the value resulting from the impairment test be lower than cost, the loss is recognized as a reduction in the value of the asset and recognized as a cost item in the income statement.

If during subsequent financial years, when the impairment test is repeated, the reasons for the impairment no longer exist, the value of the asset, excluding goodwill, is reinstated in order to consider the new recoverable value, which should never exceed the value that would have been stated if had no loss in value been recognized. The restore of a loss in value has to be recognized under income statement immediately.

Financial Assets

Financial assets are valued at fair value, equal to their nominal value. Subsequently, they are valued at the amortized cost based on the original effective rate of return of the assets.

A financial asset is derecognized when the Group still has the right to receive cash flows from the asset but has taken on a contractual obligation to transfer the entire cash flow promptly to a third party and the Group has transferred the right to receive cash flows from an asset.

Receivables due over one year, both earning interests lower than the market and not earning, are discounted.

Inventory

Inventory is valued at the lower between the cost and the net realizable value. Inventory cost includes purchase costs, processing costs and other costs involved in bringing an item to its current location and condition, without taking financial charges into consideration.

Provisions for write-downs for raw materials and finished goods which are considered obsolete or slow moving are computed taking into account their expected future utilization and their realizable value.

Accounts Receivable, Other Receivables and Tax Assets

Accounts receivable, other receivables and tax assets are recognized at the fair value, equal to their nominal value.

The carrying amount of the receivables is reduced through an allowance for doubtful accounts, deemed for each Entity of the Group.

Cash and Cash Equivalent

The cash and cash equivalents are recognized at the nominal value or at the amortized cost, depending on the nature.

Assets and Liabilities available for Sales and Discontinued Operations

Non-current assets and groups of assets and liabilities whose book value is mainly expected to be recovered through disposal instead of continuous use are recognized separately from other assets and liabilities in the Company's balance sheet. Such assets and liabilities are classified as "assets and liabilities held for sale or transferred" and are valued at the lower between their book value and fair value less probable costs of disposal. Income and loss, net of the related tax effect, resulting from the valuation or disposal of such assets or liabilities are recognized in a separate item in the income statement.

In the Consolidated Financial Statements, no Assets and Liabilities available for Sales and no Discontinued Operations were accrued.

Financial Liabilities

All financial liabilities, including bank overdrafts and other financial liabilities, are initially valued at the nominal value, increased by any transaction costs, and are subsequently valued at amortized cost using the interest rate method. Any difference between the nominal value, increased by any transaction costs, and the value at the due date is accrued in profit and loss.

Derivative Financial Instruments

Derivative financial instruments are accounted for in accordance with IAS 39 at the fair value.

For each derivative financial instrument designated as a hedging instrument, the Group documents the relationship between the hedging instrument and the hedged item, as well as the risk management objectives, the hedging strategy and the methodology to measure the hedging effectiveness. The hedging effectiveness of the instruments is assessed both at the hedge inception date and on an ongoing basis. A hedging instrument is considered highly effective when both at the inception date and during the life of the instrument, any changes in fair value of the derivative instrument offset the changes in fair value or cash flows attributable to the hedged items.

If a derivative financial instrument is designated as a hedging instrument against exposure to cash flow variations of an asset or liability included in the financial statements or of a highly probable transaction, the effective portion of profit or loss deriving from fair value adjustment of the derivative instrument is recognized in a special reserve under shareholders' equity. The accumulated income or loss is written off from the equity reserve and recognized under income statement, when the results of the transaction subject to hedge are recognized under income statement. Income and loss associated with the ineffective part of a hedge are recognized under income statement. When a hedging instrument is terminated, but the transaction subject to hedge has not yet been carried out, the accumulated income and loss are kept in the reserve under shareholders' equity and will be reclassified under income statement upon completion of the transaction. Should the transaction subject to hedge be considered as no longer probable, any unrealized income and loss posted under the relevant shareholders' equity reserve are recognized under income statement.

When hedge accounting is not applicable, income and loss deriving from the fair value valuation of the derivative financial instrument are recognized under income statement.

Gain or loss related to the conclusion, substitution or ending of a derivative instrument is recognized according to par. 101 of IAS 39.

At the date the Consolidated Financial Statements, the Group does not hold any derivative financial instruments.

Provisions relating to personnel and agents

The main employment benefit paid at or after termination of employment is the employee leaving indemnity (TFR).

Law number 296 of 27 December 2006 ("Finance Law 2007") and subsequent Decrees and Regulations issued in early 2007 introduced significant amendments to the TFR, including the employee's right to select the destination of the TFR amounts accruing in his/her favor.

For the IFRS purposes this requires a different accounting treatment as follows:

(i) TFR amounts accruing from 1 January 2007: this is a defined contribution plan, both in the case of the supplementary pension plan option and the option of making payments into the INPS Treasury Fund. The accounting treatment is therefore similar to that used for other types of contributions;

(ii) TFR amounts maturing up until 31 December 2006: this remains a defined benefit plan with the consequent necessity for actuarial calculations. The liability is recognized in the consolidated financial statements at the present value of the Group's obligations based on actuarial assumptions using the so-called "project unit credit method". The actuarial gains and losses resulting from changes in assumptions and variations between actual and assumed data are directly recognized through a specific reserve in shareholder's equity.

Provisions related to agents represent the indemnities accrued by agents itself according to the current law and present contracts. These indemnities are paid in case of ending of agency contract, death or pension of the agent.

This liability is determined on actuarial hypothesis basis according to IAS 37.

The liability of the swiss provisions relating to personnel is recognized in the consolidated financial statements at the present value of the Group's obligations based on actuarial assumptions using the so-called "project unit credit method". The actuarial gains and losses resulting from changes in assumptions and variations between actual and assumed data are directly recognized through a specific reserve in shareholder's equity. Service costs and interests costs relating the defined benefit asset/liability are recognized in the profit and loss statement.

Accounts Payables and Other Payables

Accounts payable and other current payables with commercial due date are recognized initially at nominal value and not actualized.

Provisions for Risks

Provisions for risks are recognized when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that the outflow of resources will be required and the amount of the obligation can be reliably estimated.

Provisions are valued at fair value based on each individual liability item: any variance in the estimation is recognized in the income statement.

Current, Pre-Paid and Deferred Taxes

Current taxes include all taxes calculated over Group’s taxable income. Current taxes are recognized under income statement in exceptions with all taxes related to equity’s items that are recognized directly under the shareholder’s equity.

Deferred tax assets and liabilities are calculated on all the temporary differences between the tax base of assets and liabilities and the relevant book values in the financial statements except for goodwill. The book value of deferred tax assets is reviewed at closing and is reduced if it is no longer probable that sufficient taxable income will be available in the future to cover all or part of these assets.

Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to apply in the period in which assets are realized and liabilities are settled, considering the applicable tax rates or the tax rates essentially used at closing. Current and deferred tax assets and liabilities are balanced only if there is a legal title and taxes are applied by the same fiscal authority.

Recognition of Revenues

Revenue is recognized if it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured.

Revenue is recognized when the risks and rewards of ownership are transferred to the customer, the sales price is agreed or determinable and collectability is reasonably assured.

Revenues from services and from construction contracts are recognized when they are rendered by reference to the stage of completion.

Cost of Goods Sold

Cost of goods sold comprises expenses incurred in the purchasing of components, the transportation costs and the packaging costs, accrual of bad debt allowance, changes of products in stock and the labor costs.

Financial Income and Expenses

Financial income and expenses are accounted on accrual basis, depending on the time of accruing on the net value of related financial assets and liabilities, using the internal effective rate of return.

Earnings per Share

Earnings per share refer to the Group’s net profit divided by the weighted average number of outstanding shares in the period of reference.

For the purpose of calculating diluted earnings per share, the weighted average number of outstanding shares is adjusted on the assumption of converting shares with a dilution effect.

Contingent Liabilities

The Group makes provision in connection with pending or threatened disputes or legal proceedings when it is considered probable that there will be an outflow of funds and when the amount can be reasonably estimated.

If an outflow of funds becomes possible but the amount cannot be estimated, the matter is disclosed in the notes to the financial statements.

Use of Estimates

The Consolidated financial statements are prepared in accordance with IFRS which require the use of estimates, judgments and assumptions that affect the carrying amount of assets and liabilities, the disclosures relating to contingent liabilities and the amounts of income and expenses recognized. The estimates and associated assumptions are based on elements that are known when the financial statements are prepared, on historical experience and on any other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed periodically and continuously by the Group. If the items subject to estimates do not perform as assumed, then the actual results could differ from the estimates, which would require adjustment accordingly. The effects of any changes in estimate are recognized in the Income statement in the period in which the adjustment is made, or in future periods.

Following are the items requiring estimates for which there is a risk that a significant difference may arise in respect of the carrying amounts of assets and liabilities in the future. Below are summarized the critical evaluation process and the key assumptions used by the management in order to apply the accounting principles relating to the future.

(a) Goodwill

The value reduction relative to goodwill is tested for impairment by comparing the book value of the Cash Generating Unit and the relevant recoverable value, represented by the higher between fair value and the value in use. This process includes, among others, the application of methods such as discounted cash flow, with the relevant assumptions.

It is pointed out that, in order to test the recoverability of the goodwill in 2013 the Group used specific assumptions regarding the development growth rate of revenues and marginality, assumed to reach the target slower due to the current difficult macro-economic and financial conditions of the automotive market.

Considering the uncertainty, a future worsening in the economic environment could result in actual performance that differs from the original estimates, and might therefore require adjustments to the carrying amounts of certain non-current assets in future periods.

(b) Valuation of Receivables

Receivables from customers are adjusted by the related allowance for doubtful accounts in order to take into account their recoverable amount. The determination of the amount of write-downs requires judgment from management based on available documentation and information, as well as the solvency of the customer, and based on past experience and historical trends. The worsening of actual economical and financial crisis could deteriorate the financial conditions of Group's debtors even more than the effect already considered in the determination of the amount of provisions booked in the consolidated financial statement:

(c) Valuation of Inventories

Inventories which are obsolete and slow moving are periodically evaluated and written down in the case that their recoverable amount is lower than their carrying amount. Write-downs are calculated on the basis of management assumptions and estimates which are derived from experience and historical results. The worsening of actual economical and financial crisis could deteriorate the financial conditions of Group's debtors even more than the effect already considered in the determination of the amount of provisions booked in the consolidated financial statement:

(d) Income Taxes and Deferred Taxes

The determination of tax liabilities for the Group requires the use of assumptions with respect to transactions whose fiscal consequences are not yet certain at the end of the reporting period. The Group recognizes liabilities which could result from future inspections by the fiscal authorities on the basis of an estimate of the amounts expected to be paid to the taxation authorities. If the result of the abovementioned inspections differs from that estimated by Group management, there could be significant effects on both current and deferred taxes.

(e) Contingent Liabilities

The Group is subject to legal and tax proceedings covering a wide range of matters in various jurisdictions. Due to the uncertainty inherent in such matters, it is difficult to predict the outflow of funds which will result from such disputes with any certainty. Moreover, the cases and claims against the Group often derive from complex legal issues which are subject to a differing degree of uncertainty, including the facts and circumstances of each particular case and the manner in which applicable law is likely to be interpreted and applied to such fact and circumstances, and the jurisdiction and the different laws involved. The Group monitors the status of pending legal procedures and consults with experts on legal and tax matters on a regular basis.

1. PROPERTY, PLANT AND EQUIPMENT

Movements on property, plant and equipment are shown in the following table:

	Land & buildings	L/hold improvements	Plant and equipment	Other assets	Total
NBV as at 31/12/2011	**3,930**	**1,429**	**17,679**	**3,434**	**26,472**
Exchange differences	(173)	17	153	24	21
Additions	1	817	3,844	2,450	7,112
Other increases	—	—	—	—	—
Disposals	444	(1)	(246)	(181)	16
Depreciation	(56)	(687)	(3,998)	(2,255)	(6,996)
NBV as at 31/12/2012	**4,146**	**1,575**	**17,432**	**3,472**	**26,625**
Exchange differences	(36)	(39)	(556)	(171)	(802)
Additions	30	967	5,528	3,004	9,529
Other decreases	—	(223)	(7)	—	(230)
Disposals	(528)	(12)	(240)	(84)	(864)
Depreciation	(32)	(752)	(4,132)	(2,388)	(7,304)
NBV as at 31/12/2013	**3,580**	**1,516**	**18,025**	**3,833**	**26,954**

"Disposals" mainly refer for Euro 463 thousand (Land & buildings) to the net value of the building in Baar owned by Rhiag Group Ltd, sold in September 2013. Other decreases in Leasehold improvements and Plant & equipment relates to the closing of Barletta sales store of Centro Ricambi Rhiag.

"Additions" of property, plant and equipment by geographical area are shown below:

	Italy	Switzerland	Eastern Europe	Total
2013				
Land & buildings	0	0	30	30
L/hold improvements	668	0	299	967
Plant and equipment	1,603	990	2,935	5,528
Other assets	66	405	2,533	3,004
Total	**2,337**	**1,395**	**5,797**	**9,529**

Additions to "plant and equipment" mainly refer to purchases of shelving, machinery for the handling of goods, vans and lifting equipment in the entities of Eastern Europe following the opening of the new branches (four in Ukraine, 3 in Slovakia and four in the other countries in Eastern Europe), the work carried out on the central warehouse in Prague, the opening of the new central warehouse in Bucharest (Romania) and the opening of the new branch in Turin and the merge of Bertolotti branch in the Rhiag branch in Rome (Italy).

Regarding Switzerland, the purchases refer to the transferring costs subsequent the sale of the Baar building.

2. INTANGIBLE ASSETS

Movements in intangible assets are shown in the following table:

	Other
NBV as at 31/12/2011	**2,353**
Exchange differences	22
Additions	2,610
Other increases	—
Disposals	(10)
Amortization	(1,931)
NBV as at 31/12/2012	**3,044**
Exchange differences	(111)
Additions	2,824

	Other
Other decreases	(106)
Disposals	(23)
Amortization	(2,296)
NBV as at 31/12/2013	**3,332**

"Other decreases" refers to the devaluations booked as a consequence of the closing of Barletta sales store of Centro Ricambi Rhiag.

"Additions" by geographical area are shown below:

	Italy	Switzerland	Eastern Europe	Total
2013				
Intangible assets	1,287	43	1,494	2,824

Additions of intangible assets mainly refer to the purchase of new software for the ERP systems of the Group and to the development of e-commerce work stations.

3. GOODWILL

Movements in goodwill are shown in the following table:

	Goodwill
NBV as at 31/12/2011	**270,178**
Exchange differences	1,329
Increases	—
Decreases	—
Impairment adjustment	(959)
NBV as at 31/12/2012	**270,548**
Exchange differences	(5,436)
Increases	—
Decreases	—
Impairment adjustment	—
NBV as at 31/12/2013	**265,112**

Goodwill has been allocated to seven cash generating units (CGUs), identified as the companies and sub-groups of companies acquired. They reflect the CGUs monitored at management reporting level by Group management.

The CGUs identified are as follows:

— Rhiag CGU: Rhiag—Inter Auto Parts Italia S.p.A.

— Bertolotti CGU: Bertolotti S.p.A.

— Rhiag Engineering CGU: Rhiag Engineering S.p.A.

— Switzerland CGU: Rhiag Group Ltd, wholly owned subsidiary of Rhiag – Inter Auto Parts Italia S.p.A.

— Elit CGU: comprises companies operating in Eastern Europe—Elit Czech Republic (ECZ), Elit Slovakia (ESK), Elit Ukraine (EUA), Elit Romania (ERO) and Elit Poland (EPL). The shares in these subsidiaries are held by a Swiss holding company—Elit Group Ltd (100%—owned by Rhiag—Inter Auto Parts Italia S.p.A.)

— Hungary CGU: Lang Kft

— Auto Kelly CGU: comprises Auto Kelly AS and Auto Kelly Slovakia s.r.o. and Auto Kelly Bulgaria E.o.o.d.

All the CGUs identified operate in the business of distribution of parts in the independent aftermarket, except for Rhiag Engineering S.p.A., which core business is the intermediation of new original equipment.

In accordance with IAS 36, the Group tested for impairment the net book value of goodwill included in the Consolidated Financial Statements as at 31 December 2013. The test is performed also in event of no circumstances indicate the asset may be impaired.

The expected future cash flows covering the period from 2014 through 2018 have been derived from the Business Plan approved by the Board of Directors of Rhiag—Inter Auto Parts Italia S.p.A. approved on 26 March 2014.

The Business Plan includes expectations regarding economic and financial results for each country the Group operates, prepared by the local Management upon the current and future trend of the country/market, upon the strategic placement of each Company and upon the guide-lines agreed with the Parent Company, which pursues for the Group a steady and sustainable growth strategy, based upon acquisition in the facilities parts of the business (supply chain, logistical and information technology), on development of the products' portfolio, on the trade marketing, on the monitoring of variable and fixed costs, cash flows and on the continued seek for operating synergies within the Group. The Plan have been prepared for first three years upon the business plan of each CGU and for the latest two years upon steady assumptions on historical trends.

The discount rate was defined in terms of Weighted Average Cost of Capital (WACC), excluding taxes upon the theoretical tax rate for the individual Cash Generating Unit/country taken into account (31.4% IRES + IRAP regarding Italy; 21.3% regarding Switzerland; 19.0% regarding Czech Republic). To be consistent with this approach, the operating cash flows have been considered gross of tax effects, i.e. excluding the theoretical fiscal burden on the operating results.

Such parameters used in the WACC calculation are common for all the CGUs:

— *Beta Unlevered*: due to the fact that all the CGUs operates in the same business, the *beta unlevered* value of 0.68 have been considered fixed, as resulting from an univocal panel of comparable entities;

— Financial Structure: a fixed *debt/equity ratio* for all the CGUs have been deemed considering that the *leverage* of the all the Group Companies mainly depends on the business strategies determined to maximize the value for the Parent Company.

Considering the characteristics of the Group and a financial costs consistent with the *leverage* assumed, a sensitivity analysis has been carried out to fulfill a financial structure consistent with the one of the comparable entities.

The financial structure arisen from the *panel*, as at 31 December 2013, highlights the average *debt/equity ratio* of 18.3%, used in the estimation of WACC to discount the operating cash flows for the years 2017 and 2018.

The parameters determined individual for each CGU are the following:

— *Risk free rate* of the country of the individual CGU, deemed as the return of long-term government bonds (10 years): 4.3% regarding Italy, 0.9% regarding Switzerland, 2.1% regarding Czech Republic;

— *Beta Levered*, individual for each country, considering its calculation method (*leveraging*);

— *Market Risk Premium* (MRP): 7.9% regarding Italy, 5.0% regarding Switzerland, 6.0% regarding Czech Republic (source: *web site* Damodaran, January 2014).

The following table shows the WACCs calculated for each CGU:

WACC pre tax	**CGU**				
Year	**RHIAG**	**BERTOLOTTI**	**ELIT**	**SWITZERLAND**	**AUTO KELLY**
2014	13.68%	13.68%	8.82%	7.05%	8.82%
2015	13.70%	13.70%	8.77%	6.98%	8.77%
2016	13.73%	13.73%	8.68%	6.85%	8.68%
2017	13.66%	13.66%	8.22%	6.27%	8.22%
2018	13.66%	13.66%	8.22%	6.27%	8.22%

After completing the analysis, the Directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination.

The following table shows the variances of the key parameters:

CGU	**Sensitivity Analysis**	
Deviation over 5 years	**% decrease in Turnover**	**Increase in WACC**
RHIAG	– 4.1%	8.2%
BERTOLOTTI	– 7.8%	24.0%
ELIT	– 6.0%	48.4%
SWITZERLAND	– 2.0%	6.0%
AUTO KELLY	– 7.1%	36.6%

As at 31 December 2013, the Goodwill amounts to Euro 265.5 million (Euro 270.5 million as at 31 December 2012): the decrease in the value of the goodwill is due to the exchange rate effects arisen on the foreign Companies of the Group.

The following table shows the detailed goodwill as at 31 December 2013 for each CGU:

CGU	**2013**	**2012**
Rhiag	191,321	191,321
Bertolotti	5,351	5,351
Rhiag Engineering	0	0

CGU	2013	2012
Switzerland	13,411	13,611
Elit	8,119	8,848
Hungary	0	0
Auto Kelly	49,397	53,904
Consolidation adjustment	(2,487)	(2,487)
Totale	**265,112**	**270,548**

4. INVESTMENTS

The amount of Euro 10 thousands refers to the share held in the international purchasing group ATR by Rhiag—Inter Auto Parts Italia S.p.A..

5. RECEIVABLES AND OTHER FINANCIAL ASSETS

	31.12.2013	31.12.2012
Guarantee deposits	723	752
Other	542	356
Receivables and other financial assets	**1,265**	**1,108**

Guarantee deposits relate to amounts paid by the Italian companies to guarantee rental payments for leased company premises as well as for the related utilities.

Other receivables refer to third-parties receivables due after more than 12 months, mainly recorded in the Czech Republic, Slovakia and Switzerland.

6. DEFERRED TAXES

Deferred tax assets and liabilities detail is shown below:

	31.12.2013	31.12.2012 restated
Deferred tax assets	5,984	4,407
Deferred tax liabilities	(659)	(689)
Total deferred taxes, net	**5,325**	**3,718**

Movements Deferred Tax Assets	31.12.2013	31.12.2012
Amount as at 1 January	4,407	3,287
Other movements	—	483
Profit/Loss effect	1,577	637
Amount as at 31 December	**5,984**	**4,407**

Movements Deferred Tax Liabilities	31.12.2013	31.12.2012
Amount as at 1 January	(689)	(794)
Other movements	—	—
Profit/Loss effect	30	105
Amount as at 31 December	**(659)**	**(689)**

The detail of the Deferred Tax is provided below:

	31.12.2013	31.12.2012	31.12.2013
	Financial Figures		Profit & Loss
Italy			
Inventory obsolescence provision	142	152	(10)
Bad debt provision	3,156	1,968	1,188
Provisions for risk and charges	274	280	(7)
Agents' leaving indemnity provision	743	809	(65)
Risk of goods returns accrual	208	204	4
Directors' Compensation to be paid	130	15	115

	31.12.2013	31.12.2012	31.12.2013
	Financial Figures		Profit & Loss
Costs deductible in next years	32	22	10
Accelerated depreciation Italy	(157)	(263)	106
Minors	(138)	(162)	24
Eastern Europe			
Provisions for risk, charges and bad debt	1,118	826	292
Other timing differences	108	74	34
Switzerland			
Other timing differences	368	483	(115)
Deferred tax assets	**5,984**	**4,407**	**1,577**
Switzerland			
Start up costs Rhiag Group Ltd	(249)	(304)	55
Inventory obsolescence provision	(406)	(381)	(25)
Other timing differences	(4)	(4)	—
Eastern Europe			
Other timing differences	—	—	—
Deferred tax liabilities	**(659)**	**(689)**	**30**
Deferred tax assets and liabilities	**5,325**	**3,718**	**1,607**

7. INVENTORIES

	31.12.2013	31.12.2012
Goods for sale (spare parts)	133,395	130,093
Promotional materials	1,853	2,383
Other material	337	340
Inventory obsolescence provision	(5,029)	(5,066)
Inventory	**130,556**	**127,750**

"Goods for sale" includes engine spare parts, chassis, bodywork, electrical and electronic components of automobiles and industrial vehicles. These items are accrued at the "weighted average cost" valuation.

"Promotional materials" includes goods other than goods for sale which are used for sales operations and campaigns.

"Other materials" mainly consists of advertising materials, printed catalogues and heating fuel.

The amounts shown are stated net of the inventory obsolescence provision. Inventories were written down by analyzing the potential future sales of each product for sale, taking into account sales over the last twelve months.

The increase in goods for sale of the period is due to the growth in the Eastern Europe operative segment, in order to increase the availability of products to support the rise in sales.

8. TRADE RECEIVABLES

Trade receivables as at 31 December 2013 are analyzed as follows:

	31.12.2013	31.12.2012
Gross trade receivables—third party	159,850	140,725
Bad debt provision—third party	(19,147)	(14,193)
Net trade receivables—third party	**140,703**	**126,532**

The increase in trade receivables from third parties is mainly due to the increase in the sales of the Companies in Eastern Europe and to a slight increase in the days of collection from the Italian customers in order to support the rise in sales.

In comparison with the previous year, the Group accrued a slight increase of the days of collection (64 days in 2013, 61 days in 2012).

Trade receivables are analyzed by geographical area as follows:

	31.12.2013				
	Italy	**Switzerland**	**Eastern Europe**	**Intersegment adjustments**	**Total**
Gross trade receivables—third party	131,703	7,921	20,226	—	159,850
Bad debt provision—third party	(14,472)	(1,118)	(3,557)	—	(19,147)
Net trade receivables	**117,231**	**6,803**	**16,669**	**—**	**140,703**

	31.12.2012				
	Italy	**Switzerland**	**Eastern Europe**	**Intersegment adjustments**	**Total**
Gross trade receivables—third party	114,808	7,804	18,113	—	140,725
Bad debt provision—third party	(10,009)	(947)	(3,237)	—	(14,193)
Net trade receivables	**104,800**	**6,857**	**14,876**	**—**	**126,532**

The bad debt provision was calculated according to Group criteria, based on a detailed analysis of overdue receivables. The accrual booked regarding the fiscal year 2013 amounts to Euro 6.5 million.

Movements on the bad debt provision are shown in the following table:

	31.12.2012	**Increases**	**Other movements**	**Utilization**	**31.12.2013**
Bad debt provision	(14,193)	(6,452)	—	1,499	(19,147)
Total	**(14,193)**	**(6,452)**	**—**	**1,499**	**(19,147)**

The increases mainly refer to the accrual of the allowance of the period of Rhiag—Inter Auto Parts Italia S.p.A. (Euro 4.4 million) and of Bertolotti S.p.A. (Euro 0.6 million), of which Euro 3 million refer to the valuation of bad debt of Autoscocca Italiana S.r.l., as described in the Directors' Report.

There are no trade receivables due within five years pursuant to the article 2427 n. 6 ter Italian Civil Code.

Regarding the credit risk management of the Group, please refer to the paragraph "Credit Risk" in the Directors' Report.

9. OTHER CURRENT RECEIVABLES

This item includes the following amounts as at 31 December 2013:

	31.12.2013	**31.12.2012**
Advances and bonuses from suppliers	13,381	6,619
Advances to customers (for investment in tangible assets)	2,451	1,529
Charges on pool bank loan	—	157
VAT receivable, VAT refund requested and IRAP Italy	231	1,644
Receivables from personnel & agents	202	212
Prepaid rental expenses	357	389
Prepaid insurance costs	267	339
WIR-Switzerland circuit receivables	426	565
Sundry	4,655	4,486
Other current receivables	**21,970**	**15,940**

The increase in the 2013 is due to the accrual of receivables to international purchasing group ATR, regarding the contributions accrued upon the purchases made during the year. The collection of those receivables will occur in the first semester of 2014.

No receivables due over 5 years have been accrued as at 31 December 2013.

10. TAX RECEIVABLES

	31.12.2013	**31.12.2012**
Italy	1,375	329
Switzerland	—	—
Eastern Europe	397	162
Tax receivables	**1,772**	**491**

This caption includes current tax receivables to be recovered or for which a refund request was made in previous years.

11. CASH AND CASH EQUIVALENTS

As at 31 December 2013, the Group's cash and cash equivalents by geographical area was as follows:

	31.12.2013	31.12.2012
Italy	19,514	29,640
Switzerland	3,318	10,810
Eastern Europe	12,039	15,503
Cash and cash equivalents	**34,871**	**55,953**

Cash and cash equivalents are not subject to restrictions on use.

Regarding the detailed change of the caption, please refer to the Cash Flow Statement included in the Directors' Report.

12. SHAREHOLDERS' EQUITY

Consolidated Shareholders' Equity as at 31 December 2013 amounts to Euro 243.9 million against a Consolidated Shareholders' Equity restated of Euro 217.4 thousand as at 31 December 2012 (Euro 0.1 million attributable to non-controlling interests). The changes in Shareholders' Equity are shown in the "Statement of Changes in Consolidated Shareholders' Equity".

The Ordinary Shareholders' Meeting of the Parent Company Rhiag—Inter Auto Parts Italia S.p.A. on 24 April 2013 approved the allocation of the net profit for the year 2012 (Euro 22,616,270) as follows: Euro 522,500 to be distributed as a dividend to parent company Lanchester S.A. and Euro 22,093,770 to Retained Earnings as the Legal Reserve has reached the limits provided for by Article 2430 of the Italian Civil Code.

Share capital

As at 31 December 2013, the share capital was fully paid and amounted to Euro 25.5 million, as follows:

Number of ordinary shares:	102,040,000
Nominal value per share:	Euro 0.25
Type of shares:	ordinary, no preference shares

At 31 December 2013, the above shares were entirely held by Rhino Bidco S.p.A., the company that provides management and coordination.

Other capital reserves

Other capital reserves include the share premium reserve and the legal reserve.

During the period, there were no changes in the composition of Other capital reserves, as shown in the following table:

	Share Premium Reserve	Legal Reserve	Consolidation Reserves	Other Reserves
As at 31 December 2011	**110,749**	**5,102**	**(11,048)**	**104,803**
Increases	—	—	—	—
Decreases	—	—	—	—
Other movements	—	—	11,048	11,048
Distribution of prior year earnings	—	—	—	—
As at 31 December 2012	**110,749**	**5,102**	**0**	**115,851**
Increases	—	—	—	—
Decreases	—	—	—	—
Other movements	—	—	—	—
Distribution of prior year earnings	—	—	—	—
As at 31 December 2013	**110,749**	**5,102**	**0**	**115,851**

Translation reserve

The item includes translation differences relating to the financial statements of subsidiaries whose functional currency is not the Euro.

The change for the period mainly regards the translation reserve for the goodwill allocated to the Elit CGU and the Switzerland CGU.

Non-controlling interests

This item includes the amount of Shareholders' Equity held by third parties in Consorzio Insiamo Scarl i.e. 75.6%. Parent company Rhiag—Inter Auto Parts Italia S.p.A. owns the remaining 24.4% and exercises *de facto* control as a result of the right of appointment of a majority of the members of the Board of Directors granted to it by the articles of association of Consorzio Insiamo Scarl.

13. BANK BORROWINGS—NON-CURRENT

This caption is composed as follows:

	31.12.2013	31.12.2012
ING Bank Loan	—	213,173
Final Maturity fee ING Bank	—	11,328
ING Bank loan arrangement costs	—	(3,209)
Bank borrowings—non-current	**—**	**221,292**
Borrowing ING Bank	—	—
ING Bank loan—due within a year	—	13,203

As described in the Directors' Report, on 16 December 2013, within the acquisition of Rhiag Group, the loan from ING Bank, stipulated on 2007, has been entirely repaid, with also the Final Maturity Fee accrued up to this date.

The income statement includes the accrual of the net book value of the accessory financial costs.

It should be also pointed out that, within the complete repayment of the Loan, all the guarantees issued by the companies of the Group have been released, as follows:

i. Pledge over 100% shares of controlled entity Rhiag—Inter Auto Parts Italia S.p.A.;

ii. Pledge over 100% shares of controlled entity Bertolotti S.p.A.;

iii. Pledge over 100% shares of controlled entity Rhiag Group Ltd;

iv. Pledge over 100% shares of controlled entity Auto Kelly AS;

v. Pledge over ING Loan bank account;

vi. Special privilege over stock and instrumental goods of Rhiag—Inter Auto Parts Italia S.p.A. and of Bertolotti S.p.A.;

vii. Corporate Guarantee in favor of the Companies of the Group, part of loan agreement in event of insolvency of one of them.

14. OTHER FINANCIAL LIABILITIES

	31.12.2013	31.12.2012
Dividends to be paid	2,894	3,655
Loan received from Parent Company	171,300	—
Finance leases	2,888	2,446
Total	**177,082**	**6,101**

"Dividends to be paid" represents dividends approved for distribution to the former shareholder of Auto Kelly AS and payable after more than 12 months. The original assigned dividend amounted to CZK 191.2 million, to be paid in 10 annual installment fixed at CZK 15.8 million (except for the last installment in fiscal year 2012, amounting to CZK 10.5 million). The amount payable after more than 12 months has been discounted at a rate of 2.75%, equal to the Pribor as at 31 December 2010 increased of an average spread of 1.75%. The initial effect of discounting (Euro 0.8 million) has been accrued decreasing the goodwill of the CGU Auto Kelly.

As at 31 December 2013, the residual installments to be paid over twelve months amount to Euro 2.9 million. The amount falling due in the next 12 months, equal to Euro 0.6 million, has been recorded in current liabilities under "Other financial liabilities".

The "Loans received from Parent Company" refer to the Loans issued by the parent company Rhino Bondco S.p.A., on 16 December 2013, for the total amount to Euro 191.8 million to Rhiag—Inter Auto Parts Italia S.p.A., to Bertolotti S.p.A. and to Auto Kelly A.s., in order to provide the necessary financial availability to reimburse the ING Loan, stipulated in 2007.

Specifically, six loans have been issued:

i. Three loans at fixed interest rate, for the total amount of Euro 99.4 million, due on 15 November 2020, financial interests to be paid each semester;

ii. Three loans at variable interest rate, for the total amount of Euro 92.4 million, due on 15 December 2019, financial interests to be paid each quarter.

Financial interests on these loans are determined applying a spread to the financial interests paid by the indirect controlling entity Rhino Bondco S.p.A. on the bond loan issued on 5 November 2013.

The best estimate of the nominal capital to be reimbursed up to 31 December 2014 amounts to Euro 20.5 million and it has been accrued in "Other Financial Liabilities".

For further details, please refer to the comments included in the Directors' Report.

"Finance leases" refers to obligations under finance lease agreements entered by subsidiaries in Eastern Europe, primarily to purchase shelving, lifting equipment, automobiles and commercial vehicles.

The following table shows the financial leases detailed by due date:

Finance leases Due	31.12.2013	31.12.2012
Up to 1 year	1,672	1,391
Up to 5 years	2,888	2,446
Over 5 years	—	—
Total	**4,559**	**3,838**

As at 31 December 2013, the utilization of the goods under financial leases is not restricted.

15. PROVISIONS RELATING TO EMPLOYEES AND AGENTS

	31.12.2012 restated	Accrued during the period	Other movements	Utilized during the period	31.12.2013
Employee leaving indemnity ("TFR") provision (IAS 19)	6,925	1,480	414	(1,968)	6,851
Switzerland pension plan (IAS 19)	2,842	121	(796)	—	2,167
Agents' leaving indemnity provision (IAS 37)	3,285	340	(242)	(266)	3,117
Provisions relating to personnel and agents	**13,052**	**1,941**	**(624)**	**(2,234)**	**12,135**

This caption mainly includes the liability of the Italian companies (Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A., Centro Ricambi Rhiag S.r.l., Rhiag Engineering S.p.A.) for employee leaving indemnities ("T.F.R.—trattamento di fine rapporto"), as well as amounts provided by the same companies for agents' termination indemnities.

It includes also the net liability related to the pension plan of the subsidiary Rhiag Group Ltd. The controlled entity has entered into Collective Foundation plan entirely reinsured. The application of the IAS 19 revised has determined a net deficit between pension plan liabilities and fair value of plan asset as described below:

	at 31.12.2013	at 31.12.2012 restated	at 1.1.2012 restated
Defined Benefit Obligation	14,687	15,637	13,949
Fair value of plan asset	(12,520)	(12,795)	(11,526)
Deficit/(surplus)—Switzerland Pension Plan	**2,166**	**2,842**	**2,423**

In Italy the actuarial variation has been performed on the following parameters:

Italy Actuarial parameters	at 31.12.2013	at 31.12.2012 restated
Discount rate	3.25%	3.25%
Long-term expected rate of salary increase	3.0%	3.0%
Expected inflation	2.0%	2.0%
Retirement probability	Law 01.01.2012	
Mortality decrement	ISTAT 2010	ISTAT 2009
Disability decrement	INPS 1998	INPS 1998
Turnover rates	3/4%	3/4%
Long-term interest on retirement accounts	3.3%	2.0%

In Switzerland the actuarial variation has been performed on the following parameters:

Switzerland Actuarial parameters	at 31.12.2013	at 31.12.2012
		restated
Discount rate	2.4%	2.0%
Long-term expected rate of salary increase	1.0%	1.0%
Long-term expected benefit increase	0%	0%
Retirement probability	65(m)/64(f)	65(m)/64(f)
Mortality decrement	BVG 2010 tables	BVG 2010 tables
Disability decrement	BVG 2010 tables	BVG 2010 tables
Turnover rates	BVG 2010 tables	BVG 2010 tables
Long-term interest on retirement accounts	2.4%	2.0%

Furthermore, the Group has performed the sensitivity analysis to take into account the possible effects deriving from the reasonable changes of the most important assumptions for any actuarial valuation performed.

In particular, with the reference to TFR actuarial valuation, it has been considered a change of discount rate equal to +/– 0.5% and, on the basis of this assumption, the liability would have been lower of Euro 0.3 million (with +0.5% of discount rate) or higher of Euro 0.3 million (with –0.5% of discount rate). Considering a change in the expected inflation rate of +/–0.5%, the liability would have been lower of Euro 0.2 million (with –0.5% of discount rate) or higher of Euro 0.2 million (with +0.5% of discount rate)

Regarding the Swiss pension plan, applying a possible increase of the discount rate by 0.25%, the net liability would have been –/+ Euro 0.5 million; applying a possible increase of long-term expected rate of salary for +/–0.25%, net liability would have been +/– Euro 0.1 million.

The provision for the agents' termination indemnity as at 31 December 2013 includes the indemnities accrued by the sales agents based upon the Italian laws.

The allowance for the agents' termination indemnity has been determined by applying an actuarial method in compliance with IAS 37.

The actuarial effect, equal to Euro –0.1 million has been accrued in the income statement, within the "Direct Selling Costs".

16. TRADE PAYABLES

	31.12.2013	31.12.2012
Trade payables—third party	109,742	106,409
Trade payables	**109,742**	**106,409**

Trade payables are determined on the various payment terms negotiated with suppliers and vary across the countries in which the Group operates. Most suppliers are common to the various Group companies and are prevalently based in the European Union.

For further details on the payables detailed upon the due date, please refer to the Directors' Report.

Trade payables are analyzed by geographical area as follows:

	31.12.2013				
	Italy	Switzerland	Eastern Europe	Intersegment adjustments	Total
Trade payables—third party	58,675	3,466	47,593	8	109,742

	31.12.2012				
	Italy	Switzerland	Eastern Europe	Intersegment adjustments	Total
Trade payables—third party	59,691	2,781	43,937	—	106,409

The average days of payables of the fiscal year 2013 amounts to 78 days, decreasing in comparison with the data of fiscal year 2012, equal to 84 days.

17. OTHER CURRENT LIABILITIES

As at 31 December 2013, this item was analyzed as follows:

	31.12.2013	31.12.2012
Payables to sundry suppliers	36,672	29,204
Indirect taxes (VAT), other taxes and duties payable	3,366	1,377
Customer bonuses payable	12,998	10,888

	31.12.2013	31.12.2012
Other payables	1,650	858
Other current liabilities	**54,686**	**42,327**

"Payables to sundry suppliers" mainly refer to payables for distribution and administrative services and other operating costs, purchase of goods other than those for resale by Group companies, amounts due to employees, agents and social security and welfare institutions.

18. TAX PAYABLES

As at 31 December 2013, this item was analyzed by geographical area as follows:

	31.12.2013	31.12.2012
Italy	38	16
Eastern Europe	499	625
Switzerland	951	787
Tax payables	**1,488**	**1,428**

The Italian entities of the Group agreed with the Italian Group Tax Consolidation so called "Consolidato Fiscale Nazionale", under article 117, c. 1 of the *Testo Unico delle Imposte sul Reddito* (T.U.I.R.) over the period 2011-2013. Rhiag—Inter Auto Parts Italia S.p.A. is the consolidating entity for the taxation purposes and the participating entities are the controlled entities Rhiag Engineering S.p.A. and Bertolotti S.p.A.. On 28 May 2013, Centro Ricambi Rhiag S.r.l. also joined the Group Tax Consolidation in place.

The participating entities in the group taxation transfer to the consolidating entity the taxable income or loss to the consolidating entity. The consolidating entity recognizes a receivable from the entities that contribute taxable income equal to IRES (corporation tax) to be paid. Conversely, the consolidating entity recognizes a payable equal to IRES on the loss effectively offset at the Group Tax Consolidation level in relation to companies that contributed tax losses.

19. CURRENT BANK PAYABLES

As at 31 December 2013, this item was analyzed as follows:

	31.12.2013	31.12.2012
Bank borrowing—commercial credit facilities	1,856	690
ING Bank loan—due within a year	—	13,203
Current bank payables	**1,856**	**13,893**

Bank borrowing is broken down by geographical area as follows:

	31.12.2013			
	Italy	Switzerland	Eastern Europe	Total
Bank borrowing—commercial credit facilities	—	—	1,856	1,856
ING Bank loan—due within a year	—	—	—	—
Total	**—**	**—**	**1,856**	**1,856**

Bank borrowing consisting of commercial credit facilities regards short-term facilities granted to Elit Group companies in the Czech Republic and credit facilities utilized by Lang Kft and primarily secured by a mortgage on real estate assets.

20. OTHER FINANCIAL LIABILITIES—CURRENT

As at 31 December 2013, this item included the following:

	31.12.2013	31.12.2012
Finance lease payable	1,672	1,391
Loan received from Parent Company	20,500	—
Dividends to be paid	567	618
Interest and commission payable to third parties	—	361
Other financial liabilities	**22,739**	**2,370**

Details of “Finance lease” and “Dividends to be paid” are provided above under “Other financial liabilities—non-current”.

21. PROVISIONS FOR RISKS AND CHARGES

This item and movements during the period are analyzed below:

	31.12.2012	Accrued during the year	Utilized during the year	Other movements in year	31.12.2013
Provision for returned goods	1,670	1,507	(1,239)	(87)	1,851
Provision for sundry risks	1,075	154	(197)	—	1,032
Provision for future charges	4,726	5,400	(4,726)	—	5,400
Provisions for risks & charges	**7,472**	**7,062**	**(6,162)**	**(87)**	**8,284**

The “Provision for returned goods” covers the value of goods that is expected to be returned in future periods against sales made during the current period and estimated liabilities for product warranties.

The “Provision for sundry risks” mainly regards amounts relating to disputes with former Group employees and with service providers.

The “Provision for future charges” mainly regards amounts estimated in relation to customer loyalty programs and provisions for promotional campaigns.

22. FINANCIAL RISK MANAGEMENT AND OTHER INFORMATION REQUIRED PURSUANT TO IFRS 7

Categories of Financial Assets and Liabilities (IAS 39)

	Fiscal Year 2013				
	IAS 39 Categories				
Balance Sheet	**Financial Instruments Held for Trading**	**Receivables and Loan**	**Financial Instruments Held to Maturity**	**Financial Instruments Held for Sales**	**Book Value**
Non Current Assets					
Receivables and other financial assets	—	1,265	—	—	1,265
Hedge derivative financial instruments	—	—	—	—	—
Non hedge derivative financial instruments	—	—	—	—	—
Current Assets					
Trade receivables from third parties	—	140,703	—	—	140,703
Trade receivables from intragroup parties	—	—	—	—	—
Receivables and other financial assets from intragroup parties	—	—	—	—	—
Other current assets	—	21,970	—	—	21,970
Cash and cash equivalent	—	34,871	—	—	34,871
Total Financial Assets	—	198,809	—	—	198,809

	IAS 39 Categories		
Balance Sheet	**Financial Instruments Held for Trading**	**Amoritzed Cost Liabilities**	**Book Value**
Non Current Liabilities			
Bank liabilities	—	—	—
Other non current liabilities	—	—	—
Other non current financial liabilities	—	177,082	177,082
Hedge derivative financial instruments	—	—	—
Non hedge derivative financial instruments	—	—	—
Current Liabilities			
Trade payables to third parties	—	109,742	109,742
Other current liabilities	—	54,686	54,686
Bank liabilities	—	1,856	1,856
Hedge derivative financial instruments	—	—	—

Balance Sheet	IAS 39 Categories: Financial Instruments Held for Trading	IAS 39 Categories: Amoritzed Cost Liabilities	Book Value
Non hedge derivative financial instruments	—	—	—
Bank loan—current	—	—	—
Other financial liabilities	—	22,739	22,739
Total Financial Liabilities	—	366,105	366,105

Balance Sheet	Fiscal Year 2012 — IAS 39 Categories: Financial Instruments Held for Trading	Receivables and Loan	Financial Instruments Held to Maturity	Financial Instruments Held for Sales	Book Value
Non Current Assets					
Receivables and other financial assets	—	1,108	—	—	1,108
Hedge derivative financial instruments	—	—	—	—	—
Non hedge derivative financial instruments	—	—	—	—	—
Current Assets					
Trade receivables from third parties	—	126,532	—	—	126,532
Trade receivables from intragroup parties	—	—	—	—	—
Receivables and other financial assets from intragroup	—	—	—	—	—
Other current assets	—	15,940	—	—	15,940
Cash and cash equivalent	—	55,953	—	—	55,953
Total Financial Assets	—	199,534	—	—	199,534

Balance Sheet	IAS 39 Categories: Financial Instruments Held for Trading	IAS 39 Categories: Amoritzed Cost Liabilities	Book Value
Non Current Liabilities			
Bank liabilities		221,292	221,292
Other non current liabilities	—	—	—
Other non current financial liabilities	—	6,101	6,101
Hedge derivative financial instruments	—	—	—
Non hedge derivative financial instruments	—	—	—
Current Liabilities			
Trade payables to third parties	—	106,409	106,409
Other current liabilities	—	42,327	42,327
Bank liabilities	—	690	690
Hedge derivative financial instruments	—	—	—
Non hedge derivative financial instruments	—	—	—
Bank loan—current	—	13,203	13,203
Other financial liabilities	—	2,370	2,370
Total Financial Liabilities	—	392,392	392,392

Fair Value of Financial Assets and Liabilities and Calculation Models

The fair value of the categories included in the current assets and liabilities, considering the due date up to twelve months, has not been determined because of estimating their current value is equal to the book value. The other non-current liabilities and the other non-current financial liabilities have been evaluated at their nominal value, representing their fair value.

Pursuant to the IFRS 7, the fair value hierarchy introduces three levels of inputs based on the lowest level of input significant to the overall fair value:

(i) Level 1—quoted prices for similar instruments;

(ii) Level 2—directly observable market inputs other than Level 1 inputs;

(iii) Level 3—inputs not based on observable market data.

As at 31 December 2013, the Group does not hold any derivative financial instruments.

Financial Gains and Losses accrued upon IAS 39

	Fiscal Year 2013				
	IAS 39 Categories				
IAS 39 Categories	**Financial Interests**	**Fair Value evaluation**	**Shareholders Equity Reserve**	**Exchange Rate Effect**	**Gain/(Losses) Net**
Financial Instruments Held for Trading	—	—	—	—	—
Amortized Cost Liabilities	(15,160)		—	(4,811)	(19,971)
Financial Instruments Held to Maturity	—	—	—	—	—
Receivables and Loan	267	—	—	—	267
Financial Instruments Held for Sale	—	—	—	—	—
TOTAL IAS 39	(14,893)	—	—	(4,811)	(19,704)
Other	—	—	—	—	—
TOTAL	(14,893)	—	—	(4,811)	(19,704)

	Fiscal Year 2012				
	IAS 39 Categories				
IAS 39 Categories	**Financial**	**Fair Value evaluation**	**Shareholders Equity Reserve**	**Exchange Rate Effect**	**Gain/(Losses) Net**
Financial Instruments Held for Trading	—	—	—	—	—
Amortized Cost Liabilities	(11,884)		—	383	(11,501)
Financial Instruments Held to Maturity	—	—	—	—	—
Receivables and Loan	243	—	—	—	243
Financial Instruments Held for Sale	—	—	—	—	—
TOTAL IAS 39	(11,641)	—	—	383	(11,258)
Other	—	—	—	—	—
TOTAL	(11,641)	—	—	383	(11,258)

Capital Management

The Management of Rhiag Group is focused on the safeguard of the Shareholders' return and on the improvement of the capital structure, within the commitments the entities of Rhiag Group and the controlling entities Rhino Bidco S.p.A. and Rhino Bondco S.p.A. kept with all the holders.

Categories of Financial Risks and Related Hedging Activities

The Group adopted a policy regarding the management of financial risk.

As at 31 December 2013, the Group does not hold any derivative financial instruments, thus the sensitivity analysis regarding the change in the net result of the year and in the shareholders' equity, applying a change in the financial interests of +/– 0.50%, is not applicable.

Currency Risk

The Group is exposed to the risks from fluctuations in foreign currency exchange.

Purchases of materials are mainly made from foreign suppliers in Euro currency, while the sales occur in the national market in local currency. Thus, when possible and after the approval of the parent company, in order to balance the negative effect from fluctuations in currency exchange, "forward" agreements are signed.

Credit Risk

The Group operates in such different foreign markets, with main customers represented by small/medium regional and national distributors. Thus the Group faces the credit risk related to the capability of the customers to obtain financial support from the financial institutions.

Each Company of the Group applies *policies* to collect the outstanding receivables and to prevent from risk of insolvency.

The bad debt allowance is accrued at the nominal value of the receivable, less the value added tax and any eventual pledge or guarantees issued by the customer. The allowance is calculated by a specific analysis of the overdue exposures and of all the customers information available highlight financial difficulties: it includes, above the specific accrual for risk exposures, also the exposures under a legal claim and all the exposure overdue of 365 days for Italy and of 90 days for the other Companies of the Group.

The table below shows the detail of the trade and financial receivables by due date, and the related bad debt allowance.

	Fiscal Year 2013							
	Receivables							
		Overdue Gross						
Clusters	**Tot Receivables Gross**	**0-30 wds**	**30-60 wds**	**60-90 wds**	**90-120 wds**	**120-180 wds**	**over**	**Bad Debt Allowance**
Trade Receivables								
Trade receivables to customers	159,850	5,223	2,839	2,039	1,655	4,927	18,397	(19,147)
Other current receivables	21,970	—	—	—	—	—	—	—
	181,820	5,223	2,839	2,039	1,655	4,927	18,397	(19,147)

	Fiscal Year 2012							
	Receivables							
		Overdue Gross						
Clusters	**Tot Receivables Gross**	**0-30 wds**	**30-60 wds**	**60-90 wds**	**90-120 wds**	**120-180 wds**	**over**	**Bad Debt Allowance Crediti**
Trade Receivables								
Trade receivables to customers	140,725	3,611	2,607	1,907	1,469	1,930	13,898	(14,193)
Other current receivables	15,940	—	—	—	—	—	—	—
	156,665	3,611	2,607	1,907	1,469	1,930	13,898	(14,193)

Liquidity Risk

Liquidity risk arises if the Group is unable to obtain the funds needed to carry out its operations under economic conditions.

The continuation of a difficult economic situation in the markets in which the Group operates and the uncertainties that characterize the financial markets, necessitate giving special attention to the management of liquidity risk. In that sense measures taken to generate funds through operations and to maintain a conservative level of available liquidity are an important factor for ensuring operational flexibility and addressing strategic challenges over the next few years, considering the maximum financial leverage ratio permitted by the bond loan issued by the controlling entity Rhino Bidco S.p.A. on 5 November 2013.

In order to grant financial balance between financial inflows and outflows, special attention is paid to the improvement of the Group net working capital.

The table below shows the main financial obligation of the Group, detailed by due date.

	Fiscal Year 2013							
	Due Categories							
Balance Sheet	**Book Value**	**0-30 wds**	**30-60 wds**	**60-90 wds**	**due over 90 wds**	**due over 360 wds**	**due over 720 wds**	**Total Financial Flows**
Financial Liabilities								
Other non current liabilities	—	—	—	—	—	—	—	—
Bank liabilities—non current	—	—	—	—	—	—	—	—
Bank loan—current	—	—	—	—	—	—	—	—
Bank liabilities—current	1,856	—	—	—	—	—	—	1,856

	Fiscal Year 2013							
	Due Categories							
Balance Sheet	Book Value	0-30 wds	30-60 wds	60-90 wds	due over 90 wds	due over 360 wds	due over 720 wds	Total Financial Flows
Other financial liabilities—non current	174,194	—	—	—	—	549	173,645	174,194
Other financial liabilities—current	567	48	48	48	423	—	—	567
Financial leases	4,560	—	—	—	1,672	—	2,888	4,560
Trade Liabilities								
Trade Payables	109,742	57,582	33,598	16,598	1,964	—	—	109,742
Other current liabilities	54,686	—	—	—	—	—	—	54,686
	345,605	57,629	33,646	16,646	4,059	549	176,533	345,605

	Fiscal Year 2012							
	Due Categories							
Balance Sheet	Book Value	0-30 wds	30-60 wds	60-90 wds	due over 90 wds	due over 360 wds	due over 720 wds	Total Financial Flows
Financial Liabilities								
Other non current liabilities	—	—	—	—	—	—	—	—
Bank liabilities—non current	221,292	—	—	—	—	13,203	208,089	221,292
Bank loan—current	13,203	—	—	—	13,203	—	—	13,203
Bank liabilities—current	690	—	—	—	—	—	—	690
Other financial liabilities—non current	3,655	—	—	—	—	599	3,056	3,655
Other financial liabilities—current	979	52	52	52	823	—	—	979
Financial leases	3,837	—	—	—	1,391	—	2,446	3,837
Trade Liabilities								
Trade Payables	106,409	53,845	31,859	18,841	1,863	—	—	106,409
Other current liabilities	42,327	—	—	—	—	—	—	42,327
	392,392	53,897	31,912	18,893	17,291	13,802	213,591	392,392

Significant role is assumed, regarding the trade liabilities, by the capability of Rhiag Group to maintain solid and long-lasting commercial relationships with its suppliers.

The profitability of the Group also depends on the capability to purchase materials at economic conditions in the geographical area it operates. This capability is influenced by such factors, main by the importance of purchases volumes.

In the geographical area it operates, the Group signs purchase agreements with purchase targets, that when achieved grant discounts and contributions.

Those agreements, with several different duration, mainly in Italy could have been signed with reciprocal exclusivity. Other current liabilities are represented by different counterparts (services' suppliers, personnel, agents, fiscal authorities) and the principal due dates are mainly included from 30 to 90 days.

The table below shows the credit lines available for the Group as at 31 December 2013 and 2012 and the related used amount.

	2013			
	Italy	Eastern Europe	Switzerland	Total
Current Credit Lines				
Given real guarantees—disposable amount	—	11,672	1,632	13,304
Given real guarantees—used amount	—	1,856	—	1,856
Not given real guarantees—disposable amount	42,000	—	—	42,000
Not given real guarantees—used amount	—	—	—	—
Non Current Credit Lines				
Given real guarantees—disposable amount	—	—	—	—
Given real guarantees—used amount	—	—	—	—
Not given real guarantees—disposable amount	—	—	—	—
Not given real guarantees—used amount	—	—	—	—
Total credit lines—disposabile	42,000	11,672	1,632	55,304

	2013			
	Italy	Eastern Europe	Switzerland	Total
Total credit lines—used	—	1,856	—	1,856

	2012			
	Italy	Eastern Europe	Switzerland	Total
Current Credit Lines				
Given real guarantees—disposable amount	20,000	6,387	—	26,387
Given real guarantees—used amount	—	—	—	—
Not given real guarantees—disposable amount	38,850	—	—	38,850
Not given real guarantees—used amount	—	—	—	—
Non Current Credit Lines				
Given real guarantees—disposable amount	191,203	—	—	191,203
Given real guarantees—used amount	191,203	—	—	191,203
Not given real guarantees—disposable amount	—	—	2,485	2,485
Not given real guarantees—used amount	—	—	—	—
Total credit lines—disposabile	250,053	6,387	2,485	258,925
Total credit lines—used	191,203	—	—	191,203

It should be pointed out that, on March, some entities of the Group have joined as borrower the Revolving Credit Facility line for the total amount of Euro 75 million, initially drawn by the sole shareholder Rhino Bidco S.p.A. and by the indirect controlling entities Rhino Bondco S.p.A. and Rhino Midco 2 UK Ltd.

23. COMMITMENTS AND GUARANTEES GIVEN

The main commitments and guarantees given by the Group to third parties are as follows:

Pledges on shares

Following the complete reimbursement of the ING Loan, the pledged 100% of the shares held in Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A., Auto Kelly AS and Rhiag Group Ltd, are no more effective, thus as at 31 December 2013 no pledge on shares are in place.

On March 2014, within the guarantees issued in favor of the bond holders of the loan issued by the indirect controlling entity Rhino Bondco S.p.A. and the guarantees issued in favor of the lenders of the Revolving Credit Facility for the total amount of Euro 75 million, pledge over 100% of the shares held in Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A., Auto Kelly AS, Rhiag Group Ltd, Elit Group Ltd and Elit CZ spol have been given.

In event of absence of default conditions, the voting right persist on the controlling Entity.

Special pledge

The other companies of the Group (Elit CZ Spool, Lang Kft, Auto Kelly a.s. and Auto Kelly Sro, respectively for CZK 690.9 million, HUF 2,135.2 million, CZK 1,019.7 million and Euro 4.6 million) have given a special pledge over their stock and trade receivables to guarantee commercial credit lines in place.

Auto Kelly Sro further gives other pledges over other assets for the total amount of Euro 1.0 million.

Other secured guarantees

Lang has granted a mortgage on its real estate property in Budapest as security for the credit facility from HVB bank (a Unicredit group company).

Other guarantees

Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A. have issued bank guarantees to third parties as security for rental contracts for warehouses and branch premises where they conducts business (Euro 2.1 million).

Rhiag—Inter Auto Parts Italia S.p.A. has guaranteed a bank surety issued by Intesa San Paolo to CIB Bank for a credit facility granted to Lang Kft (Euro 1.0 million).

Rhiag—Inter Auto Parts Italia S.p.A. has issued a comfort letter to Lang Kft as a guarantee for the credit facility of HUF 451.2 million Hungarian Forint granted by Unicredit Hungary (ex HVB Bank).

The other companies of the Group have further issued bank guarantees for the total amount of Euro 1.3 million.

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

24. NET SALES

Net sales are analyzed as follows:

	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Gross sales—third party	749,258	684,975
Commission income—third party	1,661	2,841
Customer bonuses	(18,389)	(14,793)
Non recurring (expenses)/income	224	(487)
Gross sales	**732,754**	**672,536**
Transport on sales	(19,866)	(18,443)
Agents' commission	(14,498)	(13,593)
Allocation to bad debt provision & bad debts	(3,419)	(2,496)
Early payment discounts	(271)	(255)
Non-recurring (expenses) / income	(3,142)	(110)
Direct selling costs	**(41,196)**	**(34,897)**
Net sales	**691,558**	**637,639**

In the fiscal year 2013, the Group recorded gross sales to third parties for Euro 732.8 million (Euro 672.5 million as at 31 December 2012), showing an increase of Euro 60.2 million, or 9.0%.

The increase is mainly attributable to the growth in all the operating segments the Group operates, mainly driven by the improvement of products' portfolio and by the opening of new branches (in Eastern Europe). For further details, please refer to Note 32 "Segment Reporting".

The commissions income from third parties refers to the commissions in the intermediation activity in sales of the original equipment, earned mainly by Rhiag Engineering S.p.A. and in a second way by Bertolotti S.p.A. and Rhiag Group Ltd.

Customer bonuses, for the total amount of Euro 18.4 million (Euro 14.8 million as at 31 December 2012), increase of Euro 3.6 million and increase from 2.2% in 2012 to 2.5% in 2013 as incidence of gross sales, mainly due to the achievement of the minimum sales targets.

The direct selling costs amounted to 5.6% of gross sales against 5.2% in 2012: the increase is related to the higher accrual for the bad debt allowance.

The non-recurring income mainly refer to the commissions granted by Bertolotti S.p.A. to the sales agents laid off during the fiscal year and to the net result of Barletta Centro Ricambi Rhiag facility, not included in the core business result.

The consolidate Net Sales for the fiscal year 2013 show an improvement, on year to date basis, of Euro 53.9 million, or +8.5%.

25. COST OF GOODS SOLD

Cost of goods sold includes the following items:

	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Purchases of goods for resale	(474,371)	(432,145)
Change in inventory	8,327	6,194
Change in inventory provision	(211)	251
Transport on purchases	(11,880)	(10,863)
Personnel costs	(81,000)	(76,032)
Non recurring (expenses)/income	(3,413)	(582)
Cost of goods sold	**(562,548)**	**(513,177)**

The cost of goods sold amounts to Euro 562.6 million, with an increase of Euro 49.5 million if compared with 2012 (+9.6%).

The total amount of the cost of sales in relation to gross sales increased with respect to the previous year from 76.3% in 2012 to 76.8% in 2013.

Such worsening is mainly due to combined effect of the following several factors: the incidence of the cost of goods (including changes in inventories) on gross sales increases compared to the 2012 due to increasing competition on selling prices in all markets in which the Group operates; the personnel cost increases in absolute value of Euro 5.1 million, mainly due to the increase in the number of employees as a consequence of the opening of new branches in Eastern Europe; the non-recurring costs of the Italian entities Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A. within the personnel restructuring plan occurred in 2013.

Personnel costs and non-recurring related expenses are analyzed below:

	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Wages and salaries	(56,874)	(53,420)
Other personnel costs	(24,125)	(22,612)
Personnel costs	**(81,000)**	**(76,032)**
Non-recurring (expenses) / income	(3,072)	(401)
Total Personnel costs	**(84,072)**	**(76,432)**

As at 31 December 2013, the number of employees amounts to 2,995 headcounts, increased of 183 headcounts in comparison with the previous year:

Number of Employees	2013	2012
Sales	855	785
Marketing	196	186
Purchase Management	77	68
Warehouse and distribution	1,622	1,529
Finance	85	86
Information Technology	57	52
Human Resources	19	22
Other Administrative	84	84
Total Employees	**2,995**	**2,812**

The personnel costs (including the non-recurring expenses), equal to Euro 84.2 million, increase of Euro 7.7 million if compared to the previous year, mainly due to the increase of employees consequently the opening of new branches in Eastern Europe and to the personnel restructuring plan in Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A. occurred in the fiscal year 2013.

26. DISTRIBUTION COSTS

Distribution costs are analyzed as follows:

	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Travel and subsistence expenses	(4,549)	(4,513)
Rent and operating leases	(15,415)	(14,876)
Advertising, promotional and catalogue costs	(12,617)	(11,856)
Non-recurring (expenses) / income	(281)	(281)
Distribution costs	**(32,862)**	**(31,526)**

Distribution costs of the 2013 increase of Euro 1.3 million, or + 4.2%, if compared to the fiscal year 2012, amounting to Euro 32.9 million in 2013 from Euro 31.5 million in 2012.

The incidence on the gross sales, otherwise, reduces to 4.5% in 2013, decreasing from 4.7% in 2012: the decrease is due the costs rationalization occurred within the Group, mainly regarding the advertising and promotional expenses.

The variation (in absolute value) of the item “Rent and operating leases” is due to the opening of new branches in Eastern Europe.

The table below shows the future operating lease and rent commitments.

	31.12.2013	31.12.2012
Future rent commitments		
Up to 1 year	11,707	11,108
Up to 5 years	27,404	28,417
Over 5 years	9,563	11,098
Total future rent commitments	**48,674**	**50,623**

	31.12.2013	31.12.2012
Future operating lease commitments		
Up to 1 year	1,612	1,594
Up to 5 years	1,439	2,117
Over 5 years	—	—
Total future operating lease commitments	**3,051**	**3,711**

27. ADMINISTRATIVE COSTS

Administrative costs include the following items:

	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Outsourced services	(8,752)	(8,246)
Legal and consulting fees	(2,443)	(2,244)
Other income	3,595	4,431
Administrative and operating costs	(7,493)	(6,695)
Amortization of intangible assets	(2,298)	(1,931)
Non-recurring (expenses) / income	(2,398)	(406)
Administrative costs	**(19,789)**	**(15,091)**

In 2013, the administrative costs amount to Euro 19.7 million (Euro 15.1 million in 2012), showing an increase of Euro 4.6 million, or +23.4%.

The incidence on the gross sales increases to 2.7% in 2013 from 2.2% in 2012. The increase is mainly due to the higher non-recurring expenses related to the legal and consulting costs sustained by the Group's companies in the bond issuing.

The outsourced services, amounting to Euro 8.8 million (Euro 8.3 million in 2012), mainly refer to the logistical services in the warehouses and branches in the Italian segment: specifically, those costs regards the stock management, the picking, the packing and the expeditions to the customers.

The other income, equal to Euro 3.6 million (Euro 4.4 million in 2012), mainly refer to the contribution from suppliers granted to the Group: those contribution includes reimbursement of promotional activity, promotional campaign, penalties on the customer service level (e.g. delay in goods to the branches) and warranty returns (e.g. on technical returns), packing and transportation expenses paid by customers, other sundry income.

The administrative and operating costs (Euro 7.4 million in 2013 against Euro 6.7 million in 2012) mainly regard fixed and mobiles phones lines, sending invoices to customers, management and statutory auditors compensation.

28. OTHER OPERATING COSTS

Other operating costs are analyzed as follows:

	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Headquarters and branch costs (utilities and maintenance)	(4,088)	(3,700)
Insurance	(1,095)	(1,066)
Disposals of PPE and intangible assets	269	195
Depreciation of PPE	(7,303)	(6,996)
Non-recurring (expenses) / income	1,266	(283)
Other operating costs	**(10,951)**	**(11,850)**

Other operating costs decreased by Euro 0.9 million (–7.6%) if compared with previous year, due to the gain accrued from the sales of building settled in Baar, occurred in September 2013.

The non-recurring expenses substantially refer to the devaluations of assets booked as a consequence of the closing of Barletta sales store of Centro Ricambi Rhiag.

The headquarter and branch costs, amounting to Euro 4.1 million in 2013 (Euro 3.7 million in 2012), mainly include costs for utilities and maintenances. The increase is attributable to the opening of new branches in Eastern Europe.

The insurance expenses, substantially in line with the previous year, mainly refer to the fees to be paid to cover risks on goods in stock and on transportation. The companies of the Group hold insurances regarding risks of damages to buildings owned or rent, risks of transportation of goods from suppliers and/or to customers and/or to warehouses and branches, risks of damage to commercial vehicles and risks on the management and directors as benefits for their services.

Depreciation of tangible assets amount to Euro 7.3 million (Euro 7.0 million in 2012), increasing of Euro 0.3 million. For further details, please refer to the paragraph "Property, plant and equipment".

29. IMPAIRMENT ADJUSTMENTS TO GOODWILL AND OTHER ASSETS

	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Goodwill Amortization		(959)
Goodwill Amortization	**—**	**(959)**

After completing the analysis, the Directors did not identify any need for impairment on the activities belonging to the Cash Generating Unit under examination. For further details, please refer to Note 3 "Goodwill".

30. FINANCIAL INCOME / (EXPENSES)

This item includes the following amounts:

	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Financial income	6,437	7,159
Financial expenses	(26,141)	(18,417)
Financial income / (expenses)	**(19,704)**	**(11,258)**

"Financial income" includes the following items:

	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Interest income from third parties	267	243
Exchange gains (realized and unrealized)	6,170	4,671
Non-recurring income	—	2,245
Financial income	**6,437**	**7,159**

The decrease of the figure in 2013, in comparison with the 2012, amounts to Euro 0.7 million, or –10.1%.

The exchange gains realized mainly refers to the effects of the fluctuations in exchange rates on sales and purchase transactions. Specifically, the companies of the Eastern Europe and of the Switzerland segment partially use the Euro currency in the purchase transaction, while the sales operations occur with the local currency. The exchange gains unrealized mainly refer, otherwise, to the valuation at the spot rate of the sales and purchase currency operations over the counter at the end of the year.

"Financial expenses" includes the following items:

	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Interest expenses on m/l term loans	(9,168)	(10,998)
Commission and charges on m/l term loans	(650)	(605)
ING Loan arrangement costs	(3,209)	(1,193)
Interest expenses on intragroup loans	(556)	—
Bank interest expenses	(1,415)	(1,283)
Actualization effect of long term debt and divide	(162)	(50)
Exchange losses (realized and unrealized)	(10,981)	(4,288)
Non-recurring expenses	—	—
Financial expenses	**(26,141)**	**(18,417)**

The increase of the figure in 2013, in comparison with the 2012, amounts to Euro 7.7 million, or +41.9%.

The figure "interest expenses on m/l term loans", equal to Euro 9.2 million, refers to the financial interests accrued on the ING Loan stipulated in 2007. The decrease, in comparison with the previous year, mainly refers to the reduction in the net financial position occurred in the year and to the decrease of the Euribor 1 month and Euribor 6 months at the end of the year, that allowed a lower financial disbursement for the Group, further than the lower period of interest accrual following the complete reimbursement of the loan occurred on 16 December 2013.

Following the reimbursement, the accrued accessory costs on the loan have been released, for the total amount of Euro 3.2 million.

The interest expenses on intragroup loans refer to the accrued financial interests on the loan issued by the indirect controlling entity Rhino Bondco S.p.A., on 16 December 2013, for the total amount of Euro 191.8 million, to Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A. and Auto Kelly a.s..

The exchange losses realized mainly refers to the effects of the fluctuations in exchange rates on sales and purchase transactions. Specifically, the companies of the Eastern Europe and of the Switzerland segment partially use the Euro currency in the purchase transaction, while the sales operations occur with the local currency. The exchange losses unrealized mainly refer, otherwise, to the valuation at the spot rate of the sales and purchase currency operations over the counter at the end of the year.

The increase of the figure is due to the devaluation of the Czech Koruna, regarding the reimbursement of the ING Loan issued to Auto Kelly a.s.. For further details, please refer to the Directors' Report.

31. INCOME TAXES

Income taxes are analyzed as follows:

	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Current taxes	(13,690)	(14,227)
Deferred taxes relating to period	1,607	742
Non-recurring (expenses) / income	—	1,867
Income taxes	**(12,083)**	**(11,618)**

The increase in the income taxes mainly refer to the increased taxable income of the Group.

The reconciliation between the theoretical fiscal burden, determined using the nominal Italian tax rate (IRES 27.5%), and the financial statement burden is the following:

	2013	2012
Income tax based on fiscal theoretical rate Italy[(1)]	(12,568)	(14,789)
Foreign countries rates effect	2,000	3,053
Productivity rate (IRAP) effect Italy	(2,645)	(2,583)
Goodwill Amortization effect	—	—
Non deductible costs effect	(477)	92
Current Income Taxes	**(13,690)**	**(14,227)**
(1) Italy fiscal theoretical rate	*27.50%*	*27.50%*

32. SEGMENT INFORMATION

Segment information has been prepared to provide enough information to evaluate the nature of the operating activities and economic environments and their influence on the financial statements (Paragraph 1 IFRS 8).

The operating segments for which separate information has been provided were identified on the basis of internal reporting and the operating activities that generate revenues and costs and whose results are reviewed on a regular basis at the highest operational decision-making levels in order to decide on allocation of resources and evaluation of results and for which separate financial information is available. All Group companies operate in the distribution of spare parts for cars and trucks with the exception of Rhiag Engineering S.p.A. which operates in the intermediation of products for the first plant.

The segments for which a segment information is provided are the following:

- Italy: Rhiag Group activities in Italy are mainly carried out by Rhiag—Inter Auto Parts Italia S.p.A. and subsidiaries Bertolotti S.p.A., Centro Ricambi Rhiag S.r.l. and Rhiag Engineering S.p.A.;
- Eastern Europe: Rhiag Group activities in Eastern Europe (Czech Republic, Slovakia, Hungary, Romania and Ukraine) are mainly carried out by Elit (Elit CZ spol s.r.o., Elit Slovakia s.r.o., Lang Kft, S.C. Elit Romania Piese Auto Originale S.r.l., Elit Ukraine Ltd. And Elit Polska Spolka), and Auto Kelly (Auto Kelly AS, Auto Kelly Bulgaria Eood and Auto Kelly Slovakia s.r.o.). All of the Rhiag Group operating companies in Eastern Europe are controlled by Elit Group Ltd., a non-operating holding company incorporated under Swiss law, that is wholly controlled by Rhiag—Inter Auto Parts Italia S.p.A..
- Switzerland: Rhiag Group activities in Switzerland are mainly carried out by Rhiag Group Ltd.

In particular, Rhiag Group Ltd is one of the market's leader in the independent *aftermarket* in Switzerland.

The key financial information for the operating segments is shown below:

	2013				
	Italy	**Eastern Europe**	**Switzerland**	**Intersegment adjustments**	**Total**
Income Statement information as at 31.12.2013					
Gross sales	350,154	352,063	44,474	(13,936)	732,754
EBITDA Adjusted(*)	48,632	29,574	4,610	(65)	82,751
Balance Sheet information as at 31.12.2013					—
Inventory	49,224	73,538	7,802	(9)	130,556
Trade receivables	118,662	16,717	7,071	(1,748)	140,703
Trade payables	58,745	48,985	3,513	(1,502)	109,742
Net Working Capital	**109,142**	**41,270**	**11,360**	**(255)**	**161,517**

	2012				
	Italy	**Eastern Europe**	**Switzerland**	**Intersegment adjustments**	**Total**
Income Statement information as at 31.12.2012					
Gross sales	331,953	308,316	42,703	(10,437)	672,536
EBITDA Adjusted(*)	48,078	24,181	4,820	(8)	77,071
Balance Sheet information as at 31.12.2012					
Inventory	49,766	70,664	7,329	(8)	127,750
Trade receivables	106,128	15,113	7,103	(1,812)	126,532
Trade payables	59,940	45,250	2,782	(1,564)	106,409
Net Working Capital	**95,953**	**40,527**	**11,650**	**(256)**	**147,874**

(*) Adjusted EBITDA includes gross sales, net of direct selling costs, cost of goods sold, distribution costs, administrative costs, other operating costs, with non-recurring costs, and restructuring costs excluded. Adjusted EBITDA is not identified as an accounting measure under IAS/IFRS accounting standards as adopted by the European Union.

The operating segment Italy, composed by Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A., Centro Ricambi Rhiag S.r.l. and Rhiag Engineering S.p.A., accrued an increased level of turnover in comparison with the previous year; the EBITDA increased in respect of fiscal year 2012, mainly due to the continuing costs rationalization. The net trade working capital increased mainly for the effect of the increase in the days of collection from customers and of the decrease in the days of payables to suppliers, in order to support the turnover growth, focusing on maximizing the economic result through payment conditions which would allow to obtain higher discounts from suppliers.

The operating segment Eastern Europe, composed by Elit CZ Spol s.r.o. (Czech Republic), Elit Slovakia s.r.o. (Slovakia), Elit Romania S.R.L. (Romania), Elit Ukraine LTD (Ukraine), Lang Kft (Hungary), Auto Kelly AS (Czech Republic), Auto Kelly Bulgaria (Bulgaria) and Auto Kelly s.r.o. (Slovakia), increased the sales volumes in all the companies of the segment, substantially due to the opening of new branches and to the improvement of the products' portfolio. Regardless the increase in the price competition which determined the decrease in the product margins, the EBITDA of the segment increased over the year. The net trade working capital is substantially in line with the previous year, considering the mixed effect of the increase in the stock and in the trade receivables, as a consequence of the increase in turnover, and in trade payables.

The operating segment Switzerland, regardless the increasing turnover in comparison with the previous year, due to the improvement of the products' portfolio, highlights an EBITDA lower than that in the fiscal year 2012, as a consequence of the price competition. The net trade working capital, thanks to the efficient stock management, is substantially in line with the 2012.

33. DISCLOSURE ON DIRECTORS, STATUTORY AUDITORS AND EXTERNAL AUDITORS COMPENSATION

The table below shows the compensation of External Auditors granted by the Group for the fiscal year 2013.

Services	**Company**	**Euro/thousand**
Audit	Deloitte	308
Certification	Deloitte	55
		363

It is pointed out that the audit compensation of Deloitte & Touche S.p.A. amounts to Euro 95 thousand.

The table below shows the compensation of Directors, Strategic Management and Statutory Auditors granted by the Group for the fiscal year 2013.

Directors and Strategic Management	2,858
Statutory Auditors	101
	2,959

34. RELATED PARTIES

The Group did not done any transactions with related parties over the year 2012 and 2013, except for what regarding the financial loan issued by the indirect controlling entity Rhino Bondco S.p.A. on 16 December 2013, for the total amount of Euro 191.8 million, to Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A. and Auto Kelly A.s..

It should be pointed out that, between the Companies of the Group, several intragroup financing and services agreements are effective.

Intragroup Loan Agreements

Rhiag—Inter Auto Parts Italia S.p.A. and the other companies of the Group signed the following intragroup loan agreements:

- Loan from Rhiag Engineering S.p.A. to Bertolotti S.p.A. for the total amount of Euro 1 million;
- Loan from Elit Czech Republic to Elit Slovakia for the total amount of Euro 3.7 million;
- Loan from Elit Slovakia to Elit Romania for the total amount of Euro 6 million;
- Loan from Rhiag Group Ltd to Elit Group for the total amount of Euro 17.3 million.

Intragroup services agreement between Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A.

The intragroup agreement refers to services regarding *(a) supporting*, with particular respect to *(i)* administrative support for the fiscal and corporate matters, *(ii)* organizational support in the corporate structure and in organizing the shareholders' meetings (ordinary and extraordinary) and the board of directors' meetings, *(iii)* support in coordinating the audit activities; regarding *(b) organizing*, with particular respect to *(i)* management of the directors and auditors compensation, *(ii)* management of the administrative and account activities, *(iii)* management of the human resources, *(iv)* management of the marketing activities, *(v)* management of the general financial activities, *(vi)* management of files records and databases, *(vii)* management of the insurances, *(viii)* management of all the logistical activities, also with the support of third parties. The agreement, expired on 31 December 2010, has been tacitly renewed and it is yearly renewable, if not written resolution by the counterparties.

Intragroup services agreement between Rhiag—Inter Auto Parts Italia S.p.A. and Rhiag Engineering

The intragroup agreement refers to services regarding the support in issuing the annual financial statements, the support in fiscal and corporate matters, the support in management the administrative and account activities, the legal support, the support in insurance management. The agreement, expired on 31 December 2008, has been tacitly renewed and it is yearly renewable, if not written resolution by the counterparties.

Transfer Pricing

The Group operates, through direct and indirect controlled entities by Rhiag—Inter Auto Parts Italia S.p.A., in foreign countries with individual fiscal legislation and procedures on income taxes.

The companies of Rhiag Group have commercial and, in residual way, financial relationships both with each other and with other related parties: thus it is not completely ruled out that the Public Tax Authority of single country, regarding individual Companies of the Group, should challenge the transfer pricing matters.

Despite that, the Group assumes that the prices are representative of the normal value of transfers to related parties and it has took in place actions to avoid any challenges. In particular, in event of significant economic transactions, as the ones occurred in Eastern Europe (Czech Republic and Slovakia), the companies of the Group asked support to third independent parties that issued economic studies and analysis supporting the transfer prices applied.

It is pointed out that, at the date of approving the Consolidated Financial Statements, no challenges on transfer pricing are in place.

35. OTHER INFORMATION

The management and coordination activity is provided by Rhino Bidco S.p.A., Italian registered office company, controlling 100% of Rhiag—Inter Auto Parts Italia S.p.A..

Rhino Bidco S.p.A. has been constituted on 22 October 2013, thus its first Annual Statement has not yet been approved.

The Consolidated Financial Statements gives a true and fair view of the financial position and of the result of the Group.

For THE BOARD OF DIRECTORS
The Chairman
Luca Zacchetti

ANNEX 1

Company	Registered Office	Capital Stock (local currency)	Holders	Share hold	Group Share	Consolidating Method
Elit Group Ltd	Baar—Switzerland	CHF 13,315,000	Rhiag S.p.A	100.0%	100.0%	Line by line
Rhiag Group Ltd	Baar—Switzerland	CHF 4,000,000	Rhiag S.p.A	100.0%	100.0%	Line by line
Rhiag Engineering S.p.A.	Bergamo—Italy	Euro 1,809,500	Rhiag S.p.A	100.0%	100.0%	Line by line
Bertolotti S.p.A	Bergamo—Italy	Euro 5,170,000	Rhiag S.p.A	100.0%	100.0%	Line by line
Centro Ricambi Rhiag S.r.l.	Bergamo—Italy	Euro 100,000	Rhiag S.p.A	100.0%	100.0%	Line by line
InSiamo S.C.A.R.L.	Pero (MI)—Italy	Euro 193,551	Rhiag S.p.A	24.4%	24.4%	Line by line
Lang Kft	Budapest—Hungary	HUF 1,270,000,000	Rhiag S.p.A	0.01%	100.0%	Line by line
			Elit Group Ltd	99.99%		
S.C. Elit Romania S.r.l.	Bucharest—Romania	RON 10,839,400	Rhiag S.p.A	0.01%	100.0%	Line by line
			Elit Group Ltd	99.99%		
Elit Ukraine Ltd	Kiev—Ukraine	UAH 26,991,299	Elit Group Ltd	100.0%	100.0%	Line by line
Auto Kelly AS	Praga—Czech Republic	CZK 2,000,000	Elit Group Ltd	100.0%	100.0%	Line by line
Auto Kelly Slovakia s.r.o	Bratislava—Slovakia	Euro 272,190	Auto Kelly AS	100.0%	100.0%	Line by line
Auto Kelly Bulgaria EOOD	Sofia—Bulgaria	Euro 5,113	Auto Kelly AS	100.0%	100.0%	Line by line
Elit Slovakia s.r.o	Bratislava—Slovakia	Euro 298,746	Elit Group Ltd	100.0%	100.0%	Line by line
Elit PL spolka	Katowice—Poland	PLN 5,000	Elit Group Ltd	100.0%	100.0%	Line by line
Elit Cz spol	Praga—Czech Republic	CZK 18,750,000	Elit Group Ltd	100.0%	100.0%	Line by line

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

— **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

— **CONSOLIDATED INCOME STATEMENT**

— **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

— **CONSOLIDATED CASH FLOW STATEMENT**

— **STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY**

— **EXPLANATORY NOTES**

RHIAG—INTER AUTO PARTS ITALIA S.p.A.
Registered office in Bergamo, via Tiraboschi 48

Board of Directors

Chairman	Edoardo Lanzavecchia
Chief Executive Officer	Luca Zacchetti
Directors	Thomas Mulliez Neil Fryer Valentina Pippolo Josef Koller Marco Riva Luigi Ponzo

Board of Statutory Auditors

Chairman	Raoul F. Vitulo
Statutory Auditors	Maurizio Salom Giovanni Tedeschi
Alternate Auditors	Monica A. Castiglioni Guido Riccardi

External Auditors	Deloitte & Touche S.p.A.

AUDITORS' REPORT
PURSUANT TO ART. 14 OF LEGISLATIVE DECREE NO. 39 OF JANUARY 27, 2010

To the Sole Shareholder of
RHIAG—INTER AUTO PARTS ITALIA S.p.A.

1. We have audited the consolidated financial statements of Rhiag—Inter Auto Parts Italia S.p.A. ("the Company") and its subsidiaries (the "Rhiag Group") which comprise the consolidated statement of financial position as of December 31, 2012, and the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 11, 2012.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Rhiag Group as of December 31, 2012, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

4. As required by law, the Group has disclosed, in the notes to the consolidated financial statements, key financial data from the most recent financial statements of Lanchester S.A. that exercises management and coordination over it. Our opinion on the consolidated financial statements of Rhiag Group does not extend to such data.

5. The directors of Rhiag—Inter Auto Parts Italia S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable law. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the report on operations is consistent with the consolidated financial statements of Rhiag Group as of December 31, 2012.

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Marnati
Partner

Milan, Italy
April 9, 2013

This report has been translated into the English language solely for the convenience of international readers. International readers should be aware that (i) the paragraph 5 of the report is required by Italian Law, (ii) the relating audit procedures have been performed under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB, and (iii) the report on operations is not included in the Offering Memorandum.

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31.12.2012	31.12.2011
		(amounts in thousands of Euro)	
ASSETS			
Non-current assets			
Property, plant & equipment	1	26,625	26,472
Intangible assets	2	3,044	2,353
Goodwill	3	270,548	270,178
Investments	4	10	5
Receivables and other financial assets	5	1,108	1,162
Deferred tax assets	6	3,924	3,287
		305,259	**303,457**
Current assets			
Inventory	7	127,750	119,672
Trade receivables	8	126,532	119,239
Other current receivables	9	15,940	12,296
Tax receivables/credits	10	491	436
Cash and cash equivalents	11	55,953	34,417
		326,666	286,060
Total Assets		**631,925**	**589,517**
Shareholders' equity			
Share capital	12	25,510	25,510
Other reserves	12	115,851	104,803
Translation reserves	12	8,263	6,555
Retained earnings / (Accumulated losses)	12	27,802	6,857
Profit / (Loss) for the year	12	42,160	32,522
		219,586	176,247
Profits / (Losses) of Non-controlling interests	12	148	149
Total shareholders' equity		**219,734**	**176,396**
LIABILITIES			
Non-current liabilities			
Bank borrowing	13	221,292	231,099
Other non-current liabilities	14	—	3,108
Other financial liabilities	15	6,101	6,782
Deferred tax liabilities	6	689	794
Provisions relating to personnel and agents	16	10,210	10,389
		238,292	**252,172**
Current liabilities			
Trade payables	17	106,409	86,505
Other current liabilities	18	42,327	48,856
Tax payables	19	1,428	1,642
Bank borrowing	20	13,893	13,538
Other financial liabilities	21	2,370	2,215
Provisions for risks and charges	22	7,472	8,193
		173,899	160,949
Total liabilities		**412,191**	**413,121**
Total liabilities & shareholders' equity		**631,925**	**589,517**

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR

	Note	2012	2011
		(amounts in thousands of Euro)	
Gross sales	25	672,536	649,628
Direct selling costs	25	(34,897)	(33,767)
Net sales		**637,639**	**615,861**
Cost of goods sold	26	(513,177)	(488,449)
Gross profit		**124,462**	**127,412**
Distribution costs	27	(31,526)	(31,538)
Administrative costs	28	(15,091)	(19,649)
Other operating costs	29	(11,850)	(11,627)
Impairment of goodwill and other assets	30	(959)	—
Operating profit		**65,036**	**64,598**
Financial income / (expenses)	31	(11,258)	(18,473)
Profit before taxation		**53,778**	**46,125**
Taxes on income	32	(11,618)	(13,603)
Net profit for year from continuing operations		**42,160**	**32,522**
Net result from discontinued operations		—	—
Net profit for year		**42,160**	**32,522**
Attributable to:			
Non-controlling shareholders		—	—
Controlling shareholders		42,160	32,522
		(amounts in Euro)	
Basic earnings/(loss) per share		0.41	0.36
Diluted earnings/(loss) per share		0.41	0.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2012	2011
Net profit for the year (A)	**42,160**	**32,522**
Gains / (Losses) from translation of financial statements of foreign entities	1,708	(1,121)
Gains / (Losses) from cash flow hedges	—	2,648
Total other gains / (losses) net of tax effect (B)	**1,708**	**1,527**
Total net comprehensive income (A+B)	**43,868**	**34,049**

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2012	2011
		(amounts in thousands of Euro)	
Income before taxes—Net of discontinued operations		**53,778**	**46,125**
Changes:			
Depreciation of property, plant & equipment		6,996	7,243
Amortization of intangible assets		1,931	1,711
(Gains) / Losses from sale of property, plant & equipment		(195)	(142)
(Financial income)		(2,351)	(201)
(Income) / Expense from fair value measurement of derivative instruments (IRS)		—	(1,142)
Financial expenses		14,130	19,480
Impairment of goodwill		959	—
Realized and unrealized exchange (gains) / losses		(384)	2,353
Changes in Net Working Capital items			
—Trade receivables		(7,293)	(2,781)
—Other current receivables		(3,590)	106
—Trade receivables from minority owned companies		—	142
—Inventory		(8,078)	(7,626)
—Trade payables		19,904	13,174
—Other current liabilities		(5,124)	(2,503)
—Trade payables and other payables to associated companies		—	—
—Provisions for risks and charges		(721)	(67)
—Provisions relating to personnel and agents		(179)	59
Cash flows generated by operating activities		**69,783**	**75,931**
Interest received		243	201
Interest (paid)		(10,689)	(15,218)
Income taxes (paid)		(12,629)	(15,176)
Net cash flows generated by operating activities		**46,708**	**45,738**
Acquisition of Auto Kelly Group and earn out		(2,500)	(2,500)
Acquisition of investments		(10)	—
Capex on property, plant & equipment		(7,113)	(8,780)
Capex on intangible assets		(2,610)	(1,858)
Sale of property, plant & equipment		188	712
Net cash flows generated by investing activities		**(12,045)**	**(12,426)**
Loans received/(repaid)—current		(13,203)	(7,698)
Bank overdrafts arranged / (repaid)		356	(4,356)
Dividends paid		(1,151)	(2,547)
Cash flows generated by financing activities		**(13,998)**	**(14,601)**
Exchange rate effect		871	(1,565)
Total cash flows generated / (absorbed) by continuing activities		**21,536**	**17,146**
Change in cash and cash equivalents			
Opening cash and cash equivalents from continuing activities		34,417	17,271
Opening cash and cash equivalents from discontinued operations		—	
Total opening cash and cash equivalents	11	**34,417**	**17,271**
Total cash flows generated / (absorbed) by continuing activities		21,536	17,146
Total cash flows generated /(absorbed) by discontinued operations		—	
Closing cash and cash equivalents from continuing activities		55,953	34,417
Closing cash and cash equivalents from discontinued operations		—	—
Total closing cash and cash equivalents	11	**55,953**	**34,417**

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share Capital	Other Capital Reserves	Retained Earnings / (Accumulated Losses)	Profit for year	Cash flow hedge reserve	Translation reserves	Non-Controlling interests	Total
				(amounts in thousands of Euro)				
As at 31 December 2010	**25,510**	**106,559**	**(6,351)**	**12,638**	**(2,648)**	**8,388**	**141**	**144,237**
Share capital increases							8	8
Allocation/distribution of profit for year		360	12,278	(12,638)				—
Net profit for the year				32,522	2,648	(1,121)		34,049
Other changes		(210)	930			(711)		9
Distribution of prior year earnings		(1,906)						(1,906)
As at 31 December 2011	**25,510**	**104,803**	**6,857**	**32,522**	**—**	**6,555**	**149**	**176,396**
Share capital increases							(1)	(1)
Allocation/distribution of profit for year			31,998	(32,522)				(524)
Net profit for the year				42,160		1,708		43,868
Other changes		11,048	(11,053)					(5)
Distribution of prior year earnings								—
As at 31 December 2012	**25,510**	**115,851**	**27,802**	**42,160**	**—**	**8,263**	**148**	**219,734**

for THE BOARD OF DIRECTORS
The Chairman
Edoardo Lanzavecchia

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

Registered office in Bergamo, Via Tiraboschi 48

Share Capital €25,510,000

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2012

EXPLANATORY NOTES

GENERAL INFORMATION

The Group companies mainly operate as distributors of spare parts of equivalent quality to the originals, for automobiles and industrial vehicles.

It operates in Italy through four companies and a distribution network comprising 18 distribution centers and one central warehouse that covers the whole country. Abroad, it has nine companies, including two in Switzerland and the remainder in Eastern Europe (the Czech Republic, Slovakia, Hungary, Romania and Ukraine).

The parent company Rhiag—Inter Auto Parts Italia S.p.A. is a joint stock company governed by Italian law and registered with the Bergamo Registry. Its registered office is in Bergamo, at via Tiraboschi 48. Rhiag—Inter Auto Parts Italia S.p.A. is wholly owned by Lanchester S.A., a company incorporated in Luxembourg.

The current Group structure has changed compared to 31 December 2011 as a result of the following transactions during the year:

- 20 April 2012: incorporation of Centro Ricambi Rhiag S.r.l. (CRR S.r.l.) with quota capital of Euro 100,000, wholly controlled by Rhiag—Inter Auto Parts Italia S.p.A.;
- 1 July 2012: merger through incorporation of Cargo Kft into Lang Kft with the aim of simplifying the organizational structure of the two companies and achieving savings on operating and administrative costs.

STANDARDS USED TO PREPARE THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2012 were prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) which have been endorsed by the European Union. IFRS also include all revised International Accounting Standards ("IAS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC").

These consolidated financial statements present comparative information for prior year which has been prepared in compliance with IFRS.

The consolidated financial statements have been prepared on the basis of the historical cost convention, amended as required for measurement of several financial instruments, and on a going concern basis. The Group concluded that, despite the difficult economic and financial situation, there are no significant doubts (as defined in IAS 1) over its ability to operate as a going concern, also thanks to the steps that have already been taken to adapt to the current macroeconomic and market scenarios in which the Group is operating.

In application of IFRS 8, Operating Segments ("IFRS 8"), we note that the Group operates in the "Distribution of spare parts for automobiles and industrial vehicles" industry and is organized into three operating segments: Italy, Eastern Europe and Switzerland, as described in more detail in Note 36. Reference should be made to the Directors' Report on Operations for details of the performance of the business in 2012.

There have been no departures from the IFRS in the preparation of these Consolidated Financial Statements.

STRUCTURE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND BASIS OF PREPARATION

The consolidated financial statements consist of the consolidated statement of financial position, the consolidated income statement for the year, the consolidated statement of comprehensive income, the consolidated statement of cash flow and the statement of changes in consolidated shareholders' equity.

The consolidated statement of financial position as prepared with current and non-current assets and liabilities shown separately.

The consolidated income statement is classed by function (otherwise known as "the cost of goods sold" method), as this is considered to be more representative than the "nature of expense" method. The chosen form reflects internal reporting and how the business is managed, and is in line with international practice in the automobile and automotive sector.

The Consolidated Statement of Comprehensive Income includes all changes in shareholders' equity that took place during the year, as a result of transactions other than those with the shareholders. The Group has elected to represent such changes in a statement separate from the income statement.

The changes in consolidated shareholders' equity are presented before the related tax effects showing in a single item the comprehensive amount of income tax relating to those changes.

The consolidated statement of cash flows was prepared using the indirect method.

The statement of changes in consolidated Shareholders' Equity shows separately the results for the year and any other changes that did not pass through the Income Statement but were allocated directly to Consolidated Shareholders' Equity based on specific IAS/IFRS standards and transactions with shareholders.

All amounts shown in the consolidated financial statements are in thousands of Euro, unless otherwise specified.

ACCOUNTING STANDARDS ADOPTED

The Group's consolidated financial statements were prepared measuring all items at cost.

The areas that required a higher level of discretion and the use of significant assumptions and estimates are set out in the "Use of Estimates" section.

Accounting standards, amendments and interpretations effective from 1 January 2012 but not relevant to the Group

The following amendments, improvements and interpretations in effect from 1 January 2012 regulate matters and circumstances that did not apply within the Group at the date of these financial statements but which could have accounting effects on future transactions or agreements:

- On 7 October 2010, the IASB published several amendments to IFRS 7—Financial instruments: Disclosures. The amendments were issued with the aim of increasing information on the derecognition of financial assets. In particular, the amendments require greater transparency about exposure to risk in cases where a financial asset has been transferred but the transferor continues to maintain some form of continuing involvement in that asset. The amendments also require further disclosures where a disproportionate amount of such transactions takes place at the end of a reporting period. Adoption of this amendment had no effect on the information provided in the financial statements.
- On 20 December 2010, the IASB issued a minor amendment to IAS 12—Income taxes requiring entities to measure the deferred taxes relating to an asset based on how the carrying amount of the underlying asset will be recovered (through continuous use or through sale). Specifically, the amendment establishes a presumption whereby the carrying amount of an investment property measured at fair value in accordance with IAS 40 is realised in full through sale and the computation of deferred taxes, in jurisdictions where tax rates are different, reflects the rate applying to the sale. Adoption of this amendment had no effect on the deferred taxes reported at 31 December 2012.

Accounting standards, amendments and interpretations which are not yet applicable and have not been adopted in advance by the Group

- On 12 May 2011, the IASB issued IFRS 10—Consolidated Financial Statements which will replace SIC-12 Consolidation—Special purpose entities and parts of IAS 27—Consolidated and separate financial statements which will be renamed Separate financial statements and will regulate the accounting treatment of investments in Separate financial statements. The main changes introduced by the new standard are as follows:
  - Under IFRS 10, there is a sole basic principle for the consolidation of all types of entity and that principle is based on control. This change removes the perceived inconsistency between the former IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);
  - An improved definition of control has been introduced, as based on three factors: (a) power over the entity acquired; (b) exposure, or rights, to variable returns from involvement with the entity acquired; (c) ability to use power to influence the amount of such returns;
  - IFRS 10 requires an investor, when determining if it has control over the entity acquired, to focus on activities that significantly influence returns from the investee entity;
  - IFRS 10 states that when the existence of control is being evaluated, only substantive rights shall be considered i.e. those rights that are exercisable in practice when decisions relevant to the entity acquired must be taken;
  - IFRS 10 provides guidelines for use in determining whether control exists in complex situations such as de facto control, potential voting rights, situations where it must be established if the party with decision making power is acting as agent or principal, etc.

  In general terms, application of IFRS 10 requires a significant amount of judgment to be used in relation to a number of issues.

  The Standard is applicable retrospectively from 1 January 2014. The Group has not yet performed an analysis of the impact of this new Standard on its scope of consolidation.
- On 12 May 2011, the IASB issued IFRS 11—Joint arrangements, which will replace IAS 31—Interests in Joint Ventures and SIC-13 –Jointly controlled entities—Non-monetary contributions by venturers. Without affecting the criteria for

determining whether joint control exists, the new standard provides criteria for use in identifying joint arrangements based on rights and obligations arising from such arrangements rather than on their legal form. It also establishes the equity method as the sole method for use in accounting for interests in jointly controlled entities in consolidated financial statements. Under IFRS11, the existence of a separate vehicle entity is not a sufficient condition for a joint arrangement to be classified as a joint venture. The new standard is applicable retrospectively from 1 January 2014. Since the issue of IFRS 11, IAS 28—Investments in associates has been amended to include interests in jointly controlled entities in its scope of application from the effective date of the standard. The Group has not yet performed an analysis of the effects of applying this new standard.

- On 12 May 2011, the IASB issued IFRS 12—Disclosure of interests in other entities which is a new and complete standard on disclosures required in consolidated financial statements on all types of interest, including those in subsidiaries, joint arrangements, associates and unconsolidated special purpose entities and other vehicle entities. The standard is applicable retrospectively from 1 January 2014.
- On 12 May 2011, the IASB issued IFRS 13—Fair value measurement which clarifies how fair value must be determined for financial reporting purposes and applies to all circumstances where IFRS require or permit fair value measurement or the presentation of information based on fair value, with some limited exceptions. The standard also requires more extensive disclosures about fair value measurement (fair value hierarchy) than currently required by IFRS 7. The standard is applicable prospectively from 1 January 2013.
- On 16 December 2011, the IASB issued several amendments to IAS 32—Financial instruments: presentation to clarify the application of certain criteria for the offsetting of financial assets and liabilities included in IAS 32, effectively making it more difficult. The amendments are applicable retrospectively for periods commencing on or after 1 January 2014.
- On 16 December 2011, the IASB issued several amendments to IFRS 7—Financial instruments: disclosures. The amendments require further information on the effects or potential effects of the offsetting of financial assets and liabilities on the statement of financial position of an entity. The amendments are applicable to periods commencing on or after 1 January 2013. Information must be provided retrospectively.
- On 16 June 2011, the IASB issued an amendment to IAS 1—Presentation of financial statements which requires entities to group together all items presented as Other comprehensive income/(losses) based on whether or not they can subsequently be reclassified to the income statement. The amendment is applicable to periods commencing on or after 1 July 2012.
- On 16 June 2011, the IASB issued an amendment to IAS 19—Employee benefits which eliminates the option to defer recognition of actuarial gains and losses under the corridor method, requiring that all actuarial gains and losses must be recorded immediately in *Other Comprehensive Income* so that the entire net amount of provisions for employee benefits (net of available plan assets) is shown in the consolidated statement of financial position. The amendments also require that changes from one year to the next in the provision for employee benefits and plan assets must be divided into three components: costs relating to employee service during the period must be recorded in the income statement as "*service costs*"; net financial expenses calculated applying the appropriate discount rate to the net amount of the provision for defined benefits less assets at the start of the period must be recorded in the income statement as such; and actuarial gains and losses arising from the remeasurement of assets and liabilities must be recorded in Other Comprehensive Income. Moreover, the return on plan assets included in net financial expenses as above must be calculated based on the discount rate of the liabilities and no longer based on the expected return. Finally, the amendment introduces additional new disclosures that must be provided in the notes to the financial statements. The amendment is applicable retrospectively from the period commencing on or after 1 January 2013.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine was published in October 2011 and applies to waste removal costs incurred in surface mining activities in the production phase of the mine. This interpretation applies to annual reporting periods commencing on or after 1 January 2013.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS OF IFRS NOT YET APPROVED BY THE EUROPEAN UNION

At the reporting date, the relevant European Union bodies had not yet completed the approval process required for application of the following accounting standards and amendments:

- On 12 November 2009, the IASB published IFRS 9—Financial instruments: the standard was later amended on 28 October 2010. The standard is applicable retrospectively from 1 January 2015 and represents the first part of a step-by-step process that aims to replace IAS 39 entirely and introduce new criteria for the classification and measurement of financial assets and liabilities. For financial assets, the new standard uses an approach based on the methods of managing financial instruments and on the characteristics of the contractual cash flows of financial assets to determine the valuation method, replacing the different rules provided for by IAS 39. Meanwhile, for financial liabilities, the main change regards the accounting treatment of changes in the fair value of a financial liability designated as a financial liability at fair value through profit and loss if they are due to changes in the creditworthiness of the liability itself. Under the new standard such changes must be recorded in the Statement of Comprehensive Income and will no longer pass through the Income Statement.

Steps two and three of the process regarding financial instruments, relating to impairment of financial assets and hedge accounting, respectively, are still in progress. The IASB is also evaluating some limited improvements to IFRS 9 with regard to the Classification and measurement of financial assets.

- On 17 May 2012, the IASB published the document *Annual Improvements to IFRSs: 2009-2011 Cycle* which includes IFRS amendments resulting from the annual improvement process and concentrating on those amendments considered necessary but not urgent. Details of those amendments that will lead to a change in the presentation, recognition and measurement of items reported are described below while those that will merely lead to changes of terminology or editorial differences with a minimal effect in accounting terms have been omitted, as have those that affect standards or interpretations not applicable by the Group:

  - IAS 1 Presentation of financial statements—Comparative information: clarifies that in cases where additional comparative information is provided, it shall be presented in accordance with IAS/IFRS. Also clarifies that when an entity changes its accounting policies or makes retrospective restatements or reclassifications, it shall also present an opening statement of financial position at the start of the comparative period ("third balance sheet") while the notes to the financial statements need not include comparative disclosures for this "third balance sheet", except for the items affected.

  - IAS 16 Property, plant and equipment—Classification of servicing equipment: clarifies that servicing equipment shall be classified as Property, plant and equipment if used for more than one reporting period and as Inventory.

  - IAS 32 Financial instruments: presentation—income taxes on distributions to equity holders and on transaction costs on equity instruments: clarifies that income taxes in such cases shall follow the rules laid down by IAS 12.

  - IAS 34 Interim financial reporting—Total assets and liabilities for a reportable segment: clarifies that total assets and liabilities for a particular reportable segment need only be disclosed if such information is regularly provided to the chief operating decision maker of the entity and there has been a material change in the total assets and liabilities of that reportable segment compared to the amount disclosed in the last annual financial statements.

  The effective date for the proposed amendments is planned for reporting periods commencing on or after 1 January 2013; early application is permitted.

- On 28 June 2012, the IASB published the document *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)*. First of all, the document aims to clarify the Board's intentions with regard to the transition rules for IFRS 10 Consolidated financial reporting. The document clarifies that, for entities whose reporting period coincides with the calendar year and first time application of IFRS 10 to the financial statements for the year ended 31 December 2013, the date of initial application shall be 1 January 2013. If the conclusions reached with regard to the scope of consolidation are the same under IAS 27 and SIC 12 and under IFRS 10 at the date of initial application, the entity shall have no obligations. Likewise, no obligation shall arise if the investment was sold during the comparative period (and was, therefore, no longer present at the date of initial application). The document aims to clarify how an investor must retrospectively restate the comparative period(s) if the conclusions regarding the scope of consolidation are not the same under IAS 27 /SIC 12 and IFRS 10 at the date of initial application. In particular, when a retrospective restatement as defined above is no longer practicable, an acquisition/disposal shall be recorded at the start of the comparative period presented with the resulting adjustment recorded under retained earnings.

  Furthermore, the Board has amended IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* in order to facilitate the presentation or restatement of comparative information relating to periods prior to "*the immediately preceding period*" (i.e. the comparative period presented in the financial statements). IFRS 12 has been further amended with regard to the requirement to present comparative information for disclosures relating to "structured entities" not consolidated in periods prior to the date of application of IFRS 12.

  These amendments are applicable, together with the related standards, for reporting periods commencing from 1 January 2014, unless they are applied early.

- On 31 October 2012, the Board issued amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities" which introduce an exception to the consolidation of entities controlled by investment entities, except for cases where the subsidiaries provide services that relate to the investment activities of such entities. When applying these amendments, an investment entity must measure its investments in subsidiaries at fair value through profit and loss. In order to be classified as an investment entity, an entity must:

  - obtain funds from one or more investors for the purpose of providing them with professional investment management services;

  - commit to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and

  - measure and evaluate the performance of substantially all of its investments on a fair value basis.

  These amendments apply to financial statements commencing on or after 1 January 2014 and early application is permitted.

- On 19 March 2011, the IASB published an amendment to IFRS 1 First-time adoption of *International Financial Reporting Standards—Government Loans* which amends the treatment of government loans when adopting IFRS.

SCOPE AND PRINCIPLES OF CONSOLIDATION

The scope of consolidation includes the financial statements as at 31 December 2012 of Rhiag—Inter Auto Parts Italia S.p.A. and its subsidiaries.

Subsidiaries are companies in which the Group exercises control, as defined by IAS 27—Consolidated and Separate Financial Statements. Such control exists when the Group has the power, directly or indirectly, to determine the financial and operating policies of an entity so as to obtain benefits from its operations. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control was assumed and up to the time that such controls ceases. Non-controlling interests in capital and reserves and non-controlling interests in the profits and losses of consolidated subsidiaries are identified separately in the consolidated statement of financial position and income statement.

The financial statements of each consolidated company are prepared and approved by the respective Boards of Directors, in accordance with IFRS. The statutory financial statements of each company are prepared according to local Gaap (generally accepted accounting principles) and are approved by the respective Shareholder‘s Meeting. The reconciliation between statutory and IAS/IFRS statements are approved by each Board of Directors.

The financial statements of subsidiaries were consolidated on a line by line basis.

That method involves including the full amounts of assets, liabilities, costs and revenues (regardless of the percentage equity investment held) and attributing to non-controlling interests, in specific line items in the consolidated financial statements, their share of equity and the result for the year.

When preparing the consolidated financial statements, all balances and significant transactions between Group companies were eliminated, as were unrealized profits and losses on intercompany transactions. Unrealized profits and losses from transactions with associated undertakings or jointly controlled companies are eliminated based on the size of the Group’s interest in those entities.

Unrealized losses between subsidiaries are also eliminated unless the transaction indicates the impairment of an asset.

Transactions denominated in currency other than Euro (foreign currency) are recorded at the spot exchange rate at the transaction date. Monetary assets and liabilities denominated in a foreign currency at the reporting date are translated at the spot exchange rate on that date. Exchange differences arising from settlement of monetary items or their translation at rates different than those at which they were translated on initial recognition during the year or in the financial statements of previous years are recognized in the income statement.

All assets and liabilities of subsidiaries denominated in foreign currencies are translated at the exchange rates prevailing at the reporting date. Revenues and costs are translated at the average exchange rate for the year. Translation differences arising from application of this method are classified under equity until disposal of the equity investment.

Goodwill and adjustments to fair value generated upon the acquisition of a foreign entity are recognized in the relevant currency and translated using the year end exchange rate.

The exchange rates used to translate into Euro the 2012 and 2011 financial statements of foreign companies were as follows:

	Spot rate		Average rate	
	31/12/2012	31/12/2011	2012	2011
Swiss Franc—Switzerland	0.8283	0.8218	0.8297	0.8111
Czech Koruna—Czech Rep.	0.0399	0.0391	0.0398	0.0407
Hungarian Forint—Hungary	0.0032	0.0032	0.0035	0.0036
Zloty—Poland	0.2450	0.2239	0.2391	0.2427
Leu—Romania	0.2250	0.2312	0.2243	0.2359
Hryvnia—Ukraine	0.0941	0.0964	0.0962	0.0899

See Annex 1 for a list of entities included in consolidation, their registered offices, the percentage interests held and the consolidation method adopted.

Business combinations

Business combinations are recognized using the acquisition method. Under this method, the consideration transferred in a business combination is measured at fair value, calculated as the amount of the fair value of the assets transferred and liabilities assumed by the Group on the acquisition date and of the equity instruments issued in exchange for control of the company acquired. Acquisition-related costs are recognized in the income statement when they are incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at fair value; the following items constitute an exception as they are measured as required by the relevant standard:

- Deferred tax assets and liabilities;
- Assets and liabilities for employee benefits;
- Liabilities or capital instruments relating to share based payments in shares of the entity acquired or share based payments relating to Group shares issued in replacement of the contracts of the entity acquired;
- Assets held for sale or discontinued assets and liabilities.

Goodwill is determined as the surplus deriving from the sum of the consideration paid in the business combination, the equity pertaining to non-controlling interests and the fair value of any investment previously held in the entity acquired compared to the fair value of the net assets acquired and liabilities assumed on the acquisition date. If the value of the net assets acquired and liabilities assumed on the acquisition date exceeds the sum of the consideration paid, the value of equity pertaining to non-controlling interests and the fair value of any investment previously held in the entity acquired, this surplus is directly recognized in the income statement as bargain purchase gain.

Equity pertaining to non-controlling interests at the acquisition date can be measured at fair value or the value of the net assets is recognized as a proportionate share for the entity acquired. The valuation method is selected for each individual transaction.

Any contingent consideration provided by the business combination agreement is measured at fair value on the acquisition date and included in the value of the consideration transferred as part of the business combination for determination of the goodwill. Any subsequent changes in that fair value, that may be classed as adjustments arising during the measurement period, are included in goodwill retrospectively. Changes in fair value classed as adjustments arising during the measurement period are those resulting from additional information about facts and circumstances that existed at the acquisition date, obtained during the measurement (which cannot exceed a period of one year from the business combination).

For business combinations achieved in stages, the investment previously held by the Group in the entity acquired is restated at fair value on the date control is acquired and any gain or loss arising is recognized in the income statement. Any amounts resulting from investments already held and recognized under Other Comprehensive Income or Losses are reclassified to the income statement as if the investment had been disposed of.

If the initial amounts relating to a business combination are incomplete at the end of the reporting period during which the business combination took place, the Group reports provisional amounts in its consolidated financial statements for those items whose recognition cannot be finalized. These provisional amounts are adjusted during the measurement period to take account of the new information obtained on facts and circumstances existing at the acquisition date which, had they been known, would have affected the amount of the assets and liabilities and recognized at that date.

Business combinations that took place prior to 1 January 2010 have been accounted for in accordance with the previous version of IFRS 3.

Transactions under common control

A business combination involving entities or groups under common control (a transaction under common control) is a combination in which all the entities or businesses are ultimately controlled by the same entity or the same entities both before and after the business combination and that control is not of a temporary nature.

If significant influence over future cash flows after the transfer of all entities is demonstrated, these transactions are dealt with as described under “business combinations and goodwill”.

If, however, this cannot be demonstrated, such transactions are recognized according to the principle of consistent carrying amounts.

In particular, the accounting policies, in application of the principle of continuity, as indicated in IAS 8, in line with international practices and according to the guidelines of the Italian accounting profession in regard to business combinations under common control, provide that the purchaser must recognize the assets acquired at their historical book values as determined on based on their cost where the transfer amounts are greater than historical amounts.

Property, plant and equipment

Property, plant and equipment is recognized at acquisition cost, including related charges (such as transport and installation costs), as adjusted for accumulated depreciation.

Improvement costs are allocated as increases to such assets only when they produce increases in productivity.

Repair and maintenance costs are recorded in the income statement for the period in which they are incurred.

Maintenance expenses are capitalized if they increase the value or useful life of the related asset and are depreciated over the estimated useful life of that asset.

Property, plant and equipment is systematically depreciated each year on a straight-line basis over the estimated useful life of the assets.

Depreciation begins when the asset is available and ready for use.

The annual depreciation rates applied are as follows:

Asset category	Rate
Buildings	4%
Plant and equipment	10%
Leasehold improvements	Contract
Other assets:	10%
– IT equipment, software & office machinery	33%
– Commercial vehicles	33%
– Furniture	20%

Costs for leasehold improvements are depreciated over the shorter of the useful life of the asset and the duration of the related contracts.

Leases in which the lessor maintains essentially all risks and benefits of ownership of the assets are classified as operating leases. Costs relating to operating leases are recorded on a straight-line basis in the income statement over the duration of the lease.

Assets acquired under finance leases are recognized at their acquisition date under “Property, plant and equipment” and measured at the lower of fair value and the present value of future payments. The corresponding liabilities are recognized in the statement of financial position under “Other financial liabilities” current or non-current. Installments paid are recorded as reductions to these liabilities with the interest element recorded in the income statement under “Financial income/(expenses)”.

When, regardless of the depreciation already recorded, the value of an asset is impaired, it is adjusted accordingly by means of a specific provision. If the reasons for the impairment adjustment cease to exist in future years, the original value is restored as adjusted only for depreciation and had no impairment loss been recognized in prior years.

Property, plant and equipment is not revalued.

Intangible assets

Intangible assets acquired separately are recorded under assets at the purchase cost when it is probable that use of the asset will generate future economic benefits and when the cost of that asset can be reliably determined. Intangible assets acquired through business combinations are recorded at fair value at the acquisition date if that value can be reliably determined.

Intangible assets may have a determinate or indeterminate useful life and, in particular, they include trademarks (registration expenses), software and software licenses amortized over three years.

All intangible assets with a determinate useful life are amortized on a straight-line basis over their estimated useful life and subjected to an impairment test if there are indicators of possible impairment.

Goodwill

Goodwill arising from business combinations is initially recorded at cost at the acquisition date, as defined in the above paragraph on Business combinations. Goodwill is not amortized but subjected to an impairment test annually or more frequently if specific events or altered circumstances indicate that impairment may have occurred. After initial recognition, goodwill is measured at cost net of any accumulated impairment losses.

At the time of disposal of all or part of a previously acquired entity whose acquisition resulted in goodwill, the residual value of the goodwill is taken into account when determining the gain or loss on disposal.

Any negative difference (“bargain purchase gain”) is recognized in the income statement at the time of acquisition.

Impairment of assets

The Group periodically checks the recoverability of the carrying amount of intangible assets, goodwill and property, plant and equipment, in order to determine whether there are any indicators of impairment of these assets. If there are any such indicators, the carrying amount of the asset is reduced to the related recoverable amount. An intangible asset with an indeterminate useful life is subjected to impairment testing each year, or more frequently, whenever there is an indication that the asset may have been impaired.

When the recoverable value of an individual asset cannot be estimated, the Group estimates the recoverable value of the cash generating unit to which the asset belongs.

The recoverable amount of an asset is the greater of fair value less costs to sell and value in use. To determine the value in use of an asset the Group calculates the present value of the estimated future cash flows, gross of taxes, applying a discount rate, before taxes, that reflects the current market values of the time value of money and the specific risks of the asset. An impairment loss is recorded if the recoverable value is lower than carrying amount.

If, subsequently, impairment of an asset other than goodwill no longer applies or decreases, the carrying amount of the asset or the cash generating unit is increased up to the new estimate of recoverable value and cannot exceed the carrying amount that would have been determined if no impairment had been recorded.

Reversal of an impairment loss is recognized directly in the income statement.

Receivables and other financial assets

Receivables and other financial assets are initially recognized at fair value which corresponds to their nominal value. Subsequently they are valued at amortized cost on the basis of the original effective rate of return of the financial asset. Financial assets are derecognized from the statement of financial position when the contractual right to receive cash flows has been transferred and the entity no longer has control over those financial assets.

Receivables due after more than one year, that are non-interest bearing or mature interest at less than market rates, are discounted.

Inventory

Inventory is measured at the lower of weighted average cost and estimated realizable value as indicated by market performance, with account taken of any write-downs.

Cost includes direct and indirect costs and related charges insofar as they can be reasonably allocated to inventory.

Obsolete or slow moving inventory is written down based on its possibility of use or realization by creating a specific allowance which directly reduces the value of the corresponding asset. Write downs made in order to bring cost into line with market value are reversed in future years if the reason for the write-down ceases to exist.

Trade receivables, other current receivables and tax credits

Trade receivables, other current receivables and tax credits are recorded in the consolidated financial statements at their fair value, represented by nominal value adjusted for any impairment through the creation of a specific bad debt provision. The amount of the provision depends on the size of the risks relating to specific "non-performing" debts and debts that are overdue by specific lengths of time as identified by the Group for each individual country.

Cash and cash equivalents

Cash and cash equivalents are recorded, depending on their nature, at their nominal value or at amortized cost.

Assets and liabilities destined for sale and Discontinued Operations

Assets and Liabilities destined for sale and Discontinued Operations are classified as such if their carrying amount will be recovered primarily through sale rather than through continued use. These conditions are considered satisfied at the time when the sale or discontinuation of the group of assets in question is considered highly probable and the assets and liabilities are immediately available for sale in their current condition.

When the Group is involved in a disposal process that involves the loss or control over a subsidiary, all of the assets and liabilities of that subsidiary are classified as destined for sale when the conditions described above are satisfied, also in the case where, after disposal, the Group continues to hold a non-controlling investment in the subsidiary.

In the consolidated financial statements, these assets and liabilities are classified under balance sheet items "Assets held for sale" and "Liabilities associated with assets held for sale" and under "Profit (loss) from discontinued operations" in the income statement. They are measured at the lower of net carrying amount and fair value less selling and disposal costs.

In these financial statements, the Group has not recorded any assets and liabilities destined for sale and Discontinued Operations.

Bank borrowing and other financial liabilities

Bank borrowing and other financial liabilities are initially measured at the nominal value of the loan received net of any related charges. Subsequently they are measured at amortized cost using the effective interest method. Any difference between the nominal amount less related charges and the amount upon maturity is recognized to profit and loss.

Derivative financial instruments

All derivative financial instruments are measured at fair value, as required by IAS 39.

In line with the provisions of IAS 39, derivative financial instruments can be accounted for using the hedge accounting method only when, at the onset of the hedge, the hedge itself is formally designated and documented, the hedge is considered to be highly effective, effectiveness can be reliably measured and the hedge itself is highly effective in the various reporting periods for which it is designated.

When financial instruments have the characteristics needed for hedge accounting to be used and, in particular, when the fall into the cash flow hedge category, changes in fair value for the effective portion of these instruments are recognized through shareholders' equity while changes in net value relating to the ineffective portion are recognized through the income statement under borrowing costs/financial expenses. The accumulated gains or losses are written back from equity and accounted for through the income statement in the same period when the related transaction that is being hedged is recognized. The gains or losses associated with a hedge (or part of a hedge) that has become ineffective are recognized directly in income. If a hedging instrument or a hedging relationship are terminated but the transaction for which the hedge was created has not yet taken place, the accumulated gains and losses recorded up to that time in equity are recognized through the income statement at the same time the hedged transaction is recognized. If it is no longer considered probable that the hedged transaction will take place the unrealized gains or losses that have been reflected in equity are immediately recognized through the income statement.

If hedge accounting cannot be applied, the gains or losses from the valuation at fair value of the derivative financial instruments are recognized directly through the income statement under financial income and expenses.

The gain or loss resulting from the conclusion, replacement or disposal of a hedging instrument is recognized as required by IAS 39.

At the reporting date, the Group did not have any derivative financial instruments.

Provisions relating to personnel and agents

The main employment benefit paid at or after termination of employment is the employee leaving indemnity (TFR).

Law number 296 of 27 December 2006 ("Finance Law 2007") and subsequent Decrees and Regulations issued in early 2007 introduced significant amendments to the TFR, including the employee's right to select the destination of the TFR amounts accruing in his/her favor.

For IFRS purposes this requires a different accounting treatment as follows:

a) TFR amounts accruing from 1 January 2007: This is a defined contribution plan , both in the case of the supplementary pension plan option and the option of making payments into the INPS Treasury Fund. The accounting treatment is therefore similar to that used for other types of contributions.

b) TFR amounts maturing up until 31 December 2006: This remains a defined benefit plan with the consequent necessity for actuarial calculations. to be carried out by independent actuaries, that exclude the component regarding future wage increases. The liability is recognized in the consolidated financial statements at the present value of the Group's obligations based on actuarial assumptions using the so-called "projected unit credit method." The actuarial gains and losses resulting from changes in assumptions and variations between actual and assumed data are directly recognized through the income statement. The present value of the obligation is determined by discounting future cash flows at an interest rate equivalent to the EURDE rate with a duration equal to duration of the group of employees in question.

Provisions for agents represent the cumulative indemnities due to agents in compliance with applicable legislative and contractual provisions. These indemnities are payable upon termination of the agency relationship if the relationship is terminated by the Company or in the case of death/retirement of the agent.

This future liability is determined on the basis of actuarial assumptions in accordance with IAS 37.

Trade payables and other current liabilities

Trade payables and other current liabilities, subject to normal commercial terms of payment, are initially recognized at cost, identified as the nominal value, and are not discounted.

Provisions for risks and charges

The Group records a provision for risks and charges when it has a legal or constructive obligation towards third parties and it is probable that Group resources will have to be used to fulfill the obligation and a reliable estimate of the amount of the obligation can be made.

Changes in estimates are reflected in the income statement for the period in which the change occurs.

Deferred taxes and income taxes

Income taxes include all taxes calculated on the Group's taxable income. Income taxes are recognized in the income statement, except for those relating to items that are directly debited or credited to shareholders' equity, in which case the tax effect is recognized directly through equity.

Other taxes not related to income are included among operating expenses.

Deferred taxes are allocated using the liability method. Deferred tax liabilities are calculated on all temporary differences arising between the tax base of an asset or liability and the book value in the consolidated financial statements, except for goodwill non-deductible for tax purposes.

Deferred tax assets on tax losses and unused tax credits brought forward, and on temporary differences, are recognized to the extent that it is probable that there will be future taxable income against which they can be utilized.

Current and deferred tax assets and liabilities are offset when the income taxes are applied by the tax authority and when the legal right to offset exists. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable in the years in which the temporary differences will be realized or settled.

Revenue recognition

Revenues are recognized to the extent that it is probable that the Group will obtain economic benefits whose value may reliably be determined.

Revenues from the sale of goods are recognized when the risks and benefits connected to the ownership of such goods are transferred to the purchaser, the selling price is agreed or can be determined and collection of the amount due is expected; this moment generally corresponds with the delivery date to the customer.

Revenues from services are recognized according to the stage of completion of the services.

Cost of goods sold

Cost of goods sold includes the cost of purchasing products and goods that have been sold, directly related costs such as transport and packaging, allocations to the provision for obsolete inventory and changes in inventory.

Cost of goods sold also includes costs relating to Group employees.

Financial income and expenses

Financial income and expenses are recognized on an accruals basis according to the interest earned on the carrying value of the related financial assets and liabilities using the effective interest rate.

Earnings per share

Basic earnings per share is calculated dividing the Profit/(Loss) attributable to the shareholders of the holding company by the weighted average number of shares in issue during the period. In order to calculate diluted earnings per share, the weighted average number of shares in issue is adjusted assuming the conversion of all shares and financial instruments with a potential diluting effect.

Contingent liabilities

The Group recognizes a liability against those disputes for which it is considered probable that a cash outflow will be required and when the amount of the losses can be reasonably estimated. If a cash outflow becomes possible but its amount cannot be determined, this is disclosed in the notes to the consolidated financial statements.

Use of estimates

The preparation of the consolidated financial statements and related explanatory notes in application of IFRS requires management to use estimates and assumptions that affect the values of the assets and liabilities of the financial statements and the information relating to the assets and contingent liabilities at the reporting date. The estimates and assumptions used are based on experience and other factors that are considered relevant. The actual results could therefore differ from such estimates. The estimates and assumptions are reviewed periodically and the effects of each change to them is reflected in the income statement in the period in which the estimate is revised if the estimate affects only that period, or in subsequent periods if the revision affects both the current year and future years.

It is noted that the situation caused by the current economic and financial crisis has made it necessary for assumptions regarding future performance to be made that are characterized by significant uncertainty. As such, actual results may differ significantly from the estimates in future years, requiring potentially significant adjustments to the carrying amount of the relevant items, which can currently neither be anticipated nor estimated. The major financial statement items affected by such situations of uncertainty are the bad debt provisions, the inventory obsolescence provision, non-current assets (intangible assets and tangible assets), deferred tax assets, pension funds and other post-employment benefits.

The valuation processes and key assumptions used by management in applying the accounting standards to the future and which may significantly affect the measurement of items in the financial statements or for which there exists a risk of impairment in subsequent years are summarized below.

(a) Goodwill impairment

The Group checks goodwill impairment at least annually by means of an impairment test whereby the recoverable value generated by cash generating units is determined as their value in use through the discounted cash flow method. In applying this method the Group uses various assumptions, including the estimate of future increases in sales, gross margin, operating costs, growth rates of terminal values, investments, changes in operating capital and the weighted average cost of capital (discount rate).

Finally, it should be noted that in order to verify the recoverability of the value of goodwill in 2012, the Group made specific forecasts about revenue and profit growth rates, considering that sales and profit objectives would be achieved more slowly and taking account of the difficult economic and financial environment and uncertainty on the automotive market. Should the major estimates and assumptions made for preparation of the plan change, resulting in a change in the impairment test, the value in use could change as could the result that will be achieved regarding the value in use of the recognized assets. Therefore the Group cannot be certain that the goodwill and other assets will not suffer impairment in future years.

(b) Bad debt provision

The bad debt provision reflects management's estimate of losses relating to the portfolio of trade receivables from end customers and the sales network. The estimate of the bad debt provision is based on the losses expected by the Group, which are determined on the basis of past experience for similar receivables, current and historical overdue amounts, losses and collections, careful monitoring of credit quality and projections regarding economic and market conditions. The extension or possible worsening of the current economic and financial crisis could result in further deterioration of the financial conditions of the Group's debtors over and above the deterioration already taken into consideration when estimating the bad debt provision for the consolidated financial statements.

(c) Inventory obsolescence provision

The inventory obsolescence provision reflects management's estimate of impairment expected by the Group, as determined according to past experience and the historical and expected performance of the spare parts market. The current economic and financial crisis could result in further deterioration of conditions in the spare parts market over and above the deterioration already taken into consideration when estimating the provision in the consolidated financial statements.

(d) Current and deferred taxes

The Group recognizes assets and liabilities for taxes generated based on estimates reflecting the higher future tax effect. Where the final outlay or refund relating to these amounts differs from the amount originally recognized, these differences are allocated to current and deferred taxes in the year in which the determination was made. In particular, budgeted profits and forecasts for future years, consistent with those used for the impairment tests, have been considered when recognizing deferred tax assets; the recoverability of these taxes is therefore subject to the risk of a deterioration of the assumptions used in those forecast.

The estimates are reviewed periodically and the effects are reflected in the income statement.

(e) Estimates regarding compliance with covenants

The Group has loans subject to covenants based on parent company financial data. Management periodically collects financial information to check compliance with these covenants and their effects on the Group's finances.

(f) Contingent liabilities

The Group may be subject to legal and tax proceedings referring to a wide array of issues. Given the uncertainty regarding such issues, it is difficult to predict with certainty the outflow that may derive from such disputes. Lawsuits and claims against the Group often result from legal issues that are complex and difficult and subject to a varying level of uncertainty, including specific facts and circumstances regarding each lawsuit and the different applicable laws. In the normal course of business, management receives the opinions of its legal consultants and experts in legal and tax affairs.

COMMENTS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. PROPERTY, PLANT AND EQUIPMENT

Movements on property, plant and equipment are shown in the following table:

	Land & buildings	L/hold improvements	Plant and equipment	Other assets	Total
NBV as at 31/12/2010	4,280	1,626	16,646	3,647	26,199
Exchange differences	(414)	(24)	(241)	(15)	(694)
Additions	151	404	5,564	2,661	8,780
Other increases	—	—	—	—	—
Disposals	(33)	(5)	(353)	(178)	(569)
Depreciation	(53)	(572)	(3,937)	(2,681)	(7,243)
NBV as at 31/12/2011	3,930	1,429	17,679	3,434	26,472
Exchange differences	(173)	17	153	24	21
Additions	1	817	3,844	2,450	7,112
Other increases	—	—	—	—	—
Disposals	444	(1)	(246)	(181)	16
Depreciation	(56)	(687)	(3,998)	(2,255)	(6,996)
NBV as at 31/12/2012	4,146	1,575	17,432	3,472	26,625

"Purchases" of property, plant and equipment by geographical area are shown below:

	Italy	Switzerland	Eastern Europe	Total
2012				
Land & buildings	0	–8	9	1
L/hold improvements	669	0	149	818
Plant and equipment	1,294	942	1,607	3,843
Other assets	115	596	1,739	2,450
Total	**2,078**	**1,530**	**3,504**	**7,112**

Additions to "Leasehold improvements" mainly refer to maintenance, structural works and works performed to comply with legal regulations at locations where the Rhiag Group's distribution activities are carried out. They also include the cost of improvements to the facilities of the two spare parts centers of CRR S.r.l. in Modena and Barletta and to the new branches opened in Eastern Europe.

Additions to plant and equipment mainly refer to shelving and equipment to handle inventory in the various Group warehouses, primarily regarding companies in the Eastern Europe operating segment following the opening of new branches.

Additions to other assets mainly refer to purchases of cars, vans and lifting equipment for warehouses.

The property, plant and equipment of Italian companies Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A. are encumbered by a special lien as security for the loan granted by ING Bank on 12 July 2007.

2. INTANGIBLE ASSETS

Movements on intangible assets are as follows:

	Other
NBV as at 31/12/2010	2,252
Exchange differences	(45)
Additions	1,858
Other increases	—
Disposals	(1)
Amortization	(1,711)
NBV as at 31/12/2011	2,353
Exchange differences	22

	Other
Additions	2,610
Other increases	—
Disposals	(10)
Amortization	(1,931)
NBV as at 31/12/2012	3,044

"Purchases" by geographical area are analyzed below:

	Italy	Switzerland	Eastern Europe	Total
2012				
Intangible assets	1,165	50	1,395	2,610

Increases for the year in Italy and Eastern Europe mainly refer to the purchase of software to manage the booking of goods into and out of inventory, management and financial reporting, technical databases of spare parts for automobiles and industrial vehicles, applications for the network of "*A posto*" repair shops and the e-catalogue of Rhiag—Inter Auto Parts Italia S.p.A. plus the implementation of inventory management software to optimize the level of inventory carried by the Group.

3. GOODWILL

Movements on goodwill are as follows:

	Goodwill
Amount as at 31.12.2010	**271,226**
Exchange differences	(1,048)
Increases	—
Decreases	—
Impairment adjustment	—
Amount as at 31.12.2011	**270,178**
Exchange differences	1,329
Increases	—
Decreases	—
Impairment adjustment	(959)
Amount as at 31.12.2012	**270,548**

Goodwill has been allocated to seven cash generating units (CGUs), identified as the companies and sub-groups of companies acquired. They reflect the CGUs monitored at management reporting level by Group management.

The CGUs identified are as follows:

- Rhiag CGU: Rhiag—Inter Auto Parts Italia S.p.A.
- Bertolotti CGU: Bertolotti S.p.A.
- Rhiag Engineering CGU: Rhiag Engineering S.p.A.
- Switzerland CGU: Rhiag Group Ltd, wholly owned subsidiary of Rhiag—Inter Auto Parts Italia S.p.A.
- Elit CGU: comprises companies operating in Eastern Europe—Elit Czech Republic (ECZ), Elit Slovakia (ESK), Elit Ukraine (EUA), Elit Romania (ERO). The shares in these subsidiaries are held by a Swiss holding company—Elit Group Ltd (100%-owned by Rhiag—Inter Auto Parts Italia S.p.A.).
- Hungary CGU: Lang Kft.
- Auto Kelly CGU: comprises Auto Kelly AS and Auto Kelly Slovakia s.r.o.

All CGUs operate in the automobile and industrial vehicle spare parts distribution market, except for Rhiag Engineering S.p.A. which is a dealer in original components for manufacturers of new cars.

As required by IAS 36, the Rhiag Group has verified the recoverability of the carrying amount of the goodwill recorded in the consolidated financial statements as at 31 December 2012. Specifically, the goodwill is subjected to an impairment test at least once a year, even when there are no indicators of impairment.

The recoverable value of the goodwill of each CGU is tested based on an Asset side approach, comparing the value in use of the CGU with its carrying amount. The value in use of each CGU was determined by discounting estimated cash flows.

Estimated cash flows are based on forecast figures included in the 2013-2017 Business Plan, approved by the Board of Directors of Rhiag—Inter Auto Parts Italia S.p.A. on 25 March 2013.

The five-year duration of the plan (2013-2017) is in line with the residual period of the loan arranged by the Group with ING Bank to finance the Group's acquisition in 2007. The Business Plan covers the entire residual period of this loan in order to highlight the Group's capacity to generate sufficient cash flow to fulfill its commitments towards the lending bank each year.

The plan includes the income statement and cash flow forecasts each country, as prepared by local management based on the current and forecasted performance, divided by market/country, the strategic positioning of each individual company and guidelines agreed with the Parent Company. The Parent Company pursues a strategy of constant, sustainable growth, based on investment in the business infrastructure (supply chain, logistics and IT systems), on investment in the product range, trade marketing and on control of variable and fixed costs and cash flows and a constant search for operating synergies within the Group. The plan was drawn up for the first three years based on the business plans of the CGUs and, for the remaining two years, using constant assumptions inferred from the historical trends of previous years.

The discount rate used for operating cash flows is the WACC rate before taxation. It is derived by grossing up the post-tax WACC with the theoretical tax rate in force in each country (31.4%,—IRES + IRAP—for Italy; 21.3% for Switzerland; 19.0% for Czech Republic). In line with the above, operating cash flows are stated including taxes, i.e. without considering the theoretical tax expenses on operating revenues as a cash out.

Some parameters on which the WACC calculation is based are common to all CGUs:

- Unlevered Beta: given that all CGUs operate in the same industry sector, the same Unlevered Beta (0.69) taken from a single panel of comparable companies was considered when calculating the rate.
- Financial structure: the adoption of one single debt/equity ratio for all CGUs is based on the assumption that the leverage rate of the companies in a group largely depends on the strategies and policies implemented centrally and aimed at maximizing value for the Parent Company.

Given the particular characteristics of the Group and taking into account the fact that the cost of much of its debt depends on the level of financial leverage, it is appropriate to estimate various financial structures and, therefore, various WACC, as part of a process leading towards an average financial structure typical of the sector as shown by a panel of comparable companies.

The average financial structure of the panel of comparable companies shows a Debt/Equity ratio of 19.2 as at 31 December 2012. This ratio was used in the WACC estimate to discount cash flows for 2016 and 2017.

The specific parameters calculated separately for each CGU are as follows:

- risk free rate of the country of each CGU. This rate was inferred from market yields on government bonds with a ten-year residual period: 5.5% for Italy, 0.6% for Switzerland, 2.8% for the Czech Republic;
- levered beta, which is different for each country due to the different tax rates included in the leveraging formula;
- market risk premium (MRP): varies from country to country: 8.4% for Italy; 5.8% for Switzerland; 7.08% for Czech Republic (source: Damodaran, January 2013, website);
- "g" growth rate used: equal to zero.

Details of the WACC used for each single CGU are shown in the following table:

	CGU					
WACC pre tax Year	**RHIAG**	**BERTOLOTTI**	**RHIAG ENGINEERING**	**ELIT**	**SWITZERLAND**	**AUTO KELLY**
2013	14.67%	14.67%	14.67%	9.55%	6.82%	9.55%
2014	14.91%	14.91%	14.91%	9.58%	6.76%	9.58%
2015	15.62%	15.62%	15.62%	9.61%	6.46%	9.61%
2016	15.23%	15.23%	15.23%	9.84%	6.78%	9.84%
2017	15.23%	15.23%	15.23%	9.84%	6.78%	9.84%

Based on the test performed on all CGUs, an impairment loss adjustment of Euro 959 thousand was made to the goodwill relating to the Rhiag Engineering CGU. No goodwill impairment issues were identified in relation to the other CGUs.

The following table shows the variances in the level of sales and WACC assumed in the Business Plan that, taking account of the resulting changes, would bring the recoverable amount of the CGU into line with carrying amount:

CGU Variance applied over five years of BP	Sensitivity analysis % decrease in sales	 Increase in WACC
RHIAG	–3.92%	8.10%
BERTOLOTTI	–3.35%	12.71%
ELIT	–5.79%	44.96%
SWITZERLAND	–4.41%	14.97%
AUTO KELLY	–6.52%	32.37%

It should also be noted that the specific parameters calculated to determine the WACC have been negatively impacted by recent trends on the financial markets, especially with regard to the estimated risk free rate and the Market Risk Premium. Indeed, since the second half of 2011, these parameters have recorded exponential increases on the Italian market primarily and also on the Eastern Europe with a "*flight to quality*" tendency that has led, on the one hand, to lower yields on ten-year government bonds considered "safer" (e.g. Swiss government bonds) and, on the other hand, to accompany exponential increases in yields on Italian and Czech government bonds. At the same time, the higher yields on government bonds of those countries and the increased spread compared to "safer" bonds has also led to an increase in the Market Risk Premium associated with Italy and the Czech Republic, essentially leading to a dual negative effect on these countries. The Group has, therefore, performed a further sensitivity analysis applying interest rates that take account of these effects—the sensitivity analysis confirmed the results of the impairment test performed.

As at 31 December 2012, the goodwill allocated to the various CGUs amounted to Euro 270,548 thousand (Euro 270,178 thousand as at 31 December 2011). The decrease in the value of goodwill is due to the impairment loss adjustment of Euro 959 thousand to the Rhiag Engineering CGU goodwill which is partially offset by exchange differences arising between the date of allocation of goodwill to the foreign CGUs and the reporting date.

As at 31 December 2012, goodwill by CGU was as follows:

CGU	2012	2011
Rhiag	191,321	191,321
Bertolotti	5,351	5,351
Rhiag Engineering	0	959
Switzerland	13,611	13,505
Elit	8,848	8,678
Hungary	0	0
Auto Kelly	53,904	52,851
Consolidation adjustments	(2,487)	(2,487)
Total	**270,548**	**270,178**

4. INVESTMENTS

The change compared to 31 December 2011 regards the acquisition by Rhiag—Inter Auto Parts Italia S.p.A. of a stake in international group purchasing organization ATR for Euro 10 thousand. During the year, Rhiag Group Ltd sold its investment in Carl Vogt.

5. RECEIVABLES AND OTHER FINANCIAL ASSETS

	As at 31.12.2012	As at 31.12.2011
Guarantee deposits	752	881
Other	356	281
Receivables and other financial assets	**1,108**	**1,162**

Guarantee deposits relate to amounts paid by the Italian companies to guarantee rental payments for leased company premises as well as for the related utilities.

Other receivables refer to third-party receivables due after more than 12 months, mainly recorded in the Czech Republic, Slovakia and Switzerland.

6. DEFERRED TAXES

Deferred tax assets and liabilities and movements thereon are shown below:

	As at 31.12.2012	As at 31.12.2011
Deferred tax assets	3,924	3,287
Deferred tax liabilities	(689)	(794)
Total deferred taxes, net	**3,235**	**2,493**

Movements on deferred tax assets	As at 31.12.2012	As at 31.12.2011
Opening balance	3,287	2,892
Other changes	—	—
Income statement effect	637	395
Closing balance	**3,924**	**3,287**

Movements on deferred tax liabilities	As at 31.12.2012	As at 31.12.2011
Opening balance	(794)	(849)
Other changes	—	—
Income statement effect	105	55
Closing balance	**(689)**	**(794)**

Deferred taxes are broken down as follows:

	Statement of Financial Position		Income Statement	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Italy:				
Inventory obsolescence provision	152	231	(79)	13
Bad debt provision	1,970	1,671	299	47
Provisions for risks and charges	280	276	4	(92)
Agent's leaving indemnity provision	809	929	(120)	106
Product warranty provision	204	258	(54)	43
Entertainment expenses	—	—	—	(62)
Period costs deductible in future fiscal years	61	217	(156)	50
Profits taxable in future fiscal years (gains on sale of buildings)	—	(186)	186	186
Gain on investment in Rhiag SA (Lux)	—	—	—	—
Change of IRAP tax rules in Italy	(21)	(42)	21	21
Effect of accelerated depreciation in Italy	(263)	(404)	141	146
Sundry	(167)	(156)	(11)	(36)
Eastern Europe:				
Provisions for risks and charges/Bad debt provision	826	446	380	(32)
Other temporary differences	74	49	25	6
Deferred tax assets	**3,924**	**3,287**	**637**	**395**
Switzerland				
Rhiag Group Ltd start-up costs	(304)	(359)	55	55
Inventory obsolescence provision	(381)	(381)	—	—
Other temporary differences	(4)	(54)	50	—
Eastern Europe				
Other temporary differences				
Deferred tax liabilities	**(689)**	**(794)**	**105**	**55**

7. INVENTORIES

Inventories are analyzed as follows:

	As at 31.12.2012	As at 31.12.2011
Goods for sale (spare parts)	130,093	122,658
Promotional materials	2,383	1,899
Other material	340	359
Inventory obsolescence provision	(5,066)	(5,244)
Inventory	**127,750**	**119,672**

"Goods for sale" includes engine spare parts, chassis, bodywork, electrical and electronic components of automobiles and industrial vehicles. These items are recognized at weighted average cost.

"Promotional materials" include goods other than goods for sale which are used for sales operations and campaigns.

"Other materials" mainly consists of advertising materials, printed catalogues and heating fuel.

The amounts shown are stated net of the inventory obsolescence provision. Inventories were written down by analyzing the potential future sales of each product for sale, taking into account sales over the last twelve months.

Inventories in Italy are subject to special lien in favor of ING Bank BV—Milan Branch, as security for the medium/long-term facility arranged in 2007.

The increase in "Goods for sale" mainly regarded increased inventories in Eastern Europe, especially in the Czech Republic, Romania and Hungary, due to higher sales as a result of the opening of new branches and greater market penetration.

8. TRADE RECEIVABLES

Trade receivables as at 31 December 2012 are analyzed as follows:

	As at 31.12.2012	As at 31.12.2011
Gross trade receivables—third party	140,725	131,426
Trade receivables—associated companies	—	—
Bad debt provision—third party	(14,193)	(12,187)
Net trade receivables—third party	**126,532**	**119,239**

The increase in trade receivables from third parties is primarily due to higher sales recorded by the companies operating in Eastern Europe.

Compared to prior year, the Group has seen a slight deterioration in its average collection periods (DSO of 61 days in 2012 compared to 59 days in 2011).

Trade receivables are analyzed by geographical area as follows:

	2012				
	Italy	Switzerland	Eastern Europe	Intersegment adjustments	Total
Gross trade receivables—third party	114,808	7,804	18,113	—	140,725
Bad debt provision—third party	(10,009)	(701)	(3,237)	(246)	(14,193)
Net trade receivables	**104,800**	**7,103**	**14,876**	**(246)**	**126,532**

The bad debt provision was calculated according to Group criteria, based on a detailed analysis of overdue receivables. An additional allowance of Euro 2.5 million was created during the year.

Movements on the bad debt provision were as follows:

	31.12.2011	Increases	Other mvmnts	Utilization	31.12.2012
Bad debt provision	(11,343)	(2,466)	—	472	(13,337)
Provision for late payment interest	(844)	(30)	—	18	(856)
Total	**(12,187)**	**(2,496)**	—	**490**	**(14,193)**

"Increases" mainly refers to additional allowances created by Italian companies Rhiag—Inter Auto Parts Italia S.p.A and Bertolotti S.p.A (Euro 713 thousand and Euro 675 thousand, respectively) and by Eastern European companies Elit CZ Spool and Auto Kelly AS (Euro 120 thousand and Euro 321 thousand, respectively).

Pursuant to Art. 2427 (6) *ter*, there are no receivables relating to transactions that require reconveyance by the purchaser.

Information on the Group's credit risk management policy is provided in the "Credit risk" section of the Directors' Report.

9. OTHER CURRENT RECEIVABLES

This item includes the following amounts:

	At 31.12.2012	At 31.12.2011
Advances and bonuses from suppliers	6,619	4,522
Advances to customers (for investment in tangible assets)	1,529	1,492
Charges on pool bank loan	157	236
VAT receivable, VAT refund requested and IRAP Italy	1,644	768
Receivables from personnel & agents	212	258
Prepaid rental expenses	389	444
Prepaid insurance costs	339	272
Costs incurred in relation to planned IPO in Milan	—	—
WIR-Switzerland circuit receivables	565	796
Sundry	4,486	3,508
Other current receivables	**15,940**	**12,296**

At 31 December 2012, there were no receivables due after more than five years.

10. TAX RECEIVABLES

	31.12.2012	31.12.2011
Italy	329	235
Switzerland	—	—
Eastern Europe	162	201
Tax receivables	**491**	**436**

This account includes current tax receivables to be recovered or for which a refund request was made in previous years.

11. CASH AND CASH EQUIVALENTS

As at 31 December 2012, the Group's cash and cash equivalents by geographical area were as follows:

	At 31.12.2012	At 31.12.2011
Italy	29,640	19,931
Switzerland	10,810	7,427
Eastern Europe	15,503	7,059
Cash and cash equivalents	**55,953**	**34,417**

As at 31 December 2012, cash and cash equivalents were not subject to any restrictions on use.

Please refer to the Statement of Cash Flows for details of the increase in the balance compared with prior year.

12. SHAREHOLDERS' EQUITY

Shareholders' Equity as at 31 December 2012 amounted to Euro 219,734 thousand against Euro 176,396 thousand as at 31 December 2011 (including Euro 148 thousand and Euro 149 thousand, respectively, attributable to non-controlling interests). The changes in Shareholders' Equity are shown in the "Statement of Changes in consolidated Shareholders' Equity".

The Ordinary General Meeting of parent company Rhiag—Inter Auto Parts Italia S.p.A. on 27 April 2012 approved the allocation of the net profit for 2011 (Euro 15,399,252) as follows: Euro 523,932 to be distributed as a dividend to parent company Lanchester S.A. and Euro 14,875,320 to Retained Earnings as the Legal Reserve has reached the limited provided for by Article 2430 of the Italian Civil Code.

Share capital

As at 31 December 2012, share capital was wholly paid and amounted to Euro 25,510 thousand, as follows:

Number of ordinary shares:	102,040,000
Nominal value per share:	Euro 0.25
Type of shares:	ordinary, no preference shares

At 31 December 2012, the above shares were entirely held by Lanchester S.A., the Luxembourg-based company that provides management and coordination.

Other capital reserves

Other capital reserves include the share premium reserve and the legal reserve.

Movements during the year were as follows:

	Share Premium Reserve	Legal Reserve	Consolidation Reserve	Total other capital reserves
As at 31 December 2010	**117,217**	**223**	**–10,881**	**106,559**
Increases		360		360
Decreases				0
Other movements	–4,562	4,519	–167	–210
Distribution of prior year earnings	–1,906			–1,906
As at 31 December 2011	**110,749**	**5,102**	**–11,048**	**104,803**
Increases				0
Decreases				0
Other movements			11,048	11,048
Distribution of prior year earnings				0
As at 31 December 2012	**110,749**	**5,102**	**0**	**115,851**

Translation reserve

The item includes translation differences relating to the financial statements of subsidiaries whose functional currency is not the Euro.

The change for the year mainly regards the translation reserve for the goodwill allocated to the Elit CGU and the Switzerland CGU.

Non-controlling interests

This item includes the amount of shareholders' equity held by third parties in Consorzio Insiamo Scarl i.e. 76.48%. Parent company Rhiag—Inter Auto Parts Italia S.p.A. owns the remaining 23.62% and exercises *de facto* control as a result of the right of appointment of a majority of the members of the Board of Directors granted to it by the articles of association of Consorzio Insiamo Scarl.

13. BANK BORROWING—NON-CURRENT

This item may be analyzed as follows:

	At 31.12.2012	At 31.12.2011
ING Bank Loan	213,173	226,376
Final Maturity fee—ING Bank Loan	11,328	9,046
ING Bank Loan arrangement costs	(3,209)	(4,323)
Bank borrowing—non-current	**221,292**	**231,099**
ING Bank loan	—	—
Amount due within 12 months	13,203	13,203

"ING Bank N.V.—Milan Branch Loan", amounting to Euro 213,173 thousand, includes amounts repayable after more than 12 months in accordance with the Multicurrency Term and Revolving Facilities Agreement ("Loan Contract"). The portion of this loan repayable in 2013—Euro 13,203 thousand—is included in current liabilities, under item "Bank borrowing".

"Final maturity fee" refers to fees payable at the maturity date of the ING loan, or on a *pro rata* basis in case of advance repayment, and attributed to each year in accordance with the terms of the loan agreement.

The Loan Contract involves the following credit facilities:

(i) a senior multicurrency facility for a maximum amount of Euro 75 million (Facility A) with a duration of seven years, to be paid back in fixed installments on 30 June and 31 December every year;

(ii) a senior multicurrency facility for a maximum amount of Euro 75 million (Facility B) with a duration of eight years (expiry in 2015);

(iii) a senior multicurrency facility for a maximum amount of Euro 75 million (Facility C) with a duration of nine years (expiry in 2016);

(iv) a senior second line credit facility for a maximum amount of Euro 10 million (Facility D) with a duration of nine years and six months (expiry 2017);

(v) a subordinated credit facility for a maximum amount of Euro 40 million (Facility E) with a duration of ten years (expiry in 2017);

(vi) a revolving multicurrency credit facility for a maximum amount of approximately Euro 20 million (Revolving Facility) with a duration of seven years (expiry in 2014).

The interest payable on borrowing under the above credit facilities is calculated based on the sum of the following:

(i) Margin, as specified below:

- Facility A, 2.25% per annum;
- Facility B, 2.75% per annum;
- Facility C, 3.25% per annum;
- Facility D, 5.00% per annum;
- Facility E, 4.50% per annum;
- Revolving Facility, 2.00% per annum, with 0.625% commission per year if the facility is not used;

(ii) LIBOR or, for disbursements in Euro, EURIBOR;

(iii) any mandatory costs.

The interest is payable every month, except for Tranche E on which interest is payable semi-annually (on 30 June and 31 December each year). The Loan Contract includes a "margin ratcheting" mechanism whereby the margin applicable to credit facilities A and B and the Revolving Facility can be reduced based on the ratio between the net financial indebtedness and EBITDA (leverage ratio) measured during the term of the Loan Contract.

The margins currently applied on credit facilities A and B and on the Revolving Facility are 1.50%, 2.50% and 1.50%, respectively.

The following table shows movements during the year on the facilities arranged by the Group companies:

	31.12.2011			Repayments			31.12.2012		
Facility	**Rhiag S.p.A.**	**Bertolotti S.p.A.**	**Auto Kelly as**	**Rhiag S.p.A.**	**Bertolotti S.p.A**	**Auto Kelly as**	**Rhiag S.p.A.**	**Bertolotti S.p.A.**	**Auto Kelly as**
A	36,180	—	9,012	(10,570)	—	(2,633)	25,610	—	6,379
B	57,797	—	14,397	—	—	—	57,797	—	14,397
C	52,983	4,813	14,397	—	—	—	52,983	4,813	14,397
D	6,000	4,000	—	—	—		6,000	4,000	—
E	40,000	—	—	—	—		40,000	—	—
Total	**192,960**	**8,813**	**37,806**	**(10,570)**	**—**	**(2,633)**	**182,390**	**8,813**	**35,173**

Repayments made during the year included amounts of Euro 13,203 thousand falling due by contract on Facility A (Euro 2,633 thousand for Auto Kelly AS and Euro 10,570 thousand for Rhiag—Inter Auto Parts Italia S.p.A.).

The borrowing entities within the Rhiag Group have provided the following guarantees for the loan facilities:

Rhiag—Inter Auto Parts Italia S.p.A.:

(i) pledge on 100% of the shares of subsidiary Bertolotti S.p.A. ;

(ii) pledge on 100% of the shares of subsidiary Rhiag Group Ltd;

(iii) pledge on 100% of the shares of subsidiary Auto Kelly AS;

(iv) pledge on the current account opened with ING Bank for the loan;

(v) special lien on inventories and tangible assets;

(vi) a first ranking corporate guarantee under UK law in favor of the Rhiag Group entities that are party to the Loan Agreement in the event of insolvency of one of them.

Bertolotti S.p.A.:

(i) pledge on receivables;

(ii) pledge on the current account opened with ING Bank for the loan;

(iii) special lien on inventories and tangible assets;

(iv) a first ranking corporate guarantee under UK law in favor of the Rhiag Group entities that are party to the Loan Agreement in the event of insolvency of one of them.

The voting rights associated with the pledged shares remain with the company owning the shares.

The Loan Agreement provides for compliance with covenants on a quarterly basis (March, June, September, December) and on an annual basis (Leverage Ratio, Interest Cover, Cash Flow Cover). The above covenants are calculated based on the consolidated financial statements of the Group headed by Lanchester S.A.. Based on the quarterly consolidated financial statements prepared in accordance with the reporting requirements of the Loan Agreement signed with ING Bank, the above covenants were met in the first three quarters of 2012. As at 31 December 2012, based on the as yet unapproved and unaudited preliminary consolidated financial statements of Lanchester S.A., the covenants were met.

14. OTHER NON-CURRENT LIABILITIES

	At 31.12.2012	At 31.12.2011
"Earn out" liabilities	—	2,108
Payables to sundry suppliers	—	1,000
Total	**—**	**3,108**

"Earn out" liabilities included the amount due after 12 months in relation to the earn out regarding the Auto Kelly Group acquisition which took place in August 2010. After the contractual target for 2012 was not achieved, the final earn out installment (recorded under non-current liabilities as at 31 December 2011) was reversed to the profit and loss for the year in "financial income / (expenses)" as non-recurring item.

"Sundry trade payables" included the amount due to Rhifim S.p.A., owner of the former headquarters and Milan branch of Rhiag—Inter Auto Parts Italia S.p.A. In 2009, as a result of the early termination of the lease agreement by Rhiag—Inter Auto Parts Italia S.p.A, Rhifim S.p.A. took legal action in Milan to have the said early termination declared unlawful. In November 2010, the parties reached a final settlement agreement whereby Rhiag—Inter Auto Parts Italia S.p.A. agreed to pay Euro 4.9 million plus VAT. Euro 1.5 million, plus VAT, was paid when the settlement agreement was finalized and Euro 3.4 million, plus VAT, will be paid in monthly installments of Euro 0.1 million until 31 October 2013. As at 31 December 2012, the residual liability of Euro 1.0 million was classified under "Other current liabilities".

15. OTHER FINANCIAL LIABILITIES

	At 31.12.2012	At 31.12.2011
Dividends payable	3,655	4,130
Finance lease payables	2,446	2,652
Total	**6,101**	**6,782**

"Dividends payable" represents dividends approved for distribution to the former shareholders of Auto Kelly AS and payable after more than a year. The total dividends approved for distribution amounted to CZK 191.2 million (Euro 7,420 thousand, including Euro 1,113 thousand of withholding taxes and Euro 210 thousand in dividends already paid in 2010). The remaining liability of Euro 6,097 thousand at 31 December 2010 will be paid in ten equal annual installments of CZK 15.8 million each (except for the final installment of CZK 10.5 million payable in 2020). The amount payable after more than a year has been discounted at a rate of 2.75%, equal to the Pribor as at 31 December 2010 plus a 1.75% average spread (average benchmark rate for short-term debt on the Czech market). The initial effect of discounting (Euro 791 thousand) reduced the goodwill allocated to the Auto Kelly CGU.

As at 31 December 2012, following payment of the installments due during the year, residual amounts due after more than a year totaled Euro 3,655 thousand. The amount of Euro 618 thousand falling due in 2013 has been recorded in current liabilities under "Other financial liabilities". Discounting of the liability at 31 December 2012 led to a financial expense of Euro 50 thousand that was recorded in the Income Statement.

"Finance leases" refers to obligations under finance lease agreements entered by subsidiaries in Eastern Europe, primarily to purchase shelving, lifting equipment, automobiles and commercial vehicles.

The following table contains a breakdown of finance lease payables by maturity:

	At 31.12.2012	At 31.12.2011
Finance lease payables due:		
Within a year	1,391	1,282
After between 1 and 5 years	2,446	2,652
After more than 5 years	—	—
Total finance lease payables	**3,838**	**3,934**

As at 31 December 2012, there were no agreements restricting the use of assets held under finance leases.

16. PROVISIONS RELATING TO EMPLOYEES AND AGENTS

This item primarily includes the liability of the Italian companies (Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A., Centro Ricambi Rhiag S.r.l., Rhiag Engineering S.p.A) for employee leaving indemnities ("T.F.R.—*trattamento di fine rapporto*"), as well as amounts provided by the same companies for agents' termination indemnities. Details of this item and movements thereon are as follows:

	At 31.12.2011	Allocated for year	Effect of discounting	Utilized in year	At 31.12.2012
Employee leaving indemnity ("TFR") provision (IAS 19)	7,184	1,492	(327)	(1,424)	6,925
Agents' leaving indemnity provision (IAS 37)	3,205	482	(13)	(389)	3,285
Provisions relating to personnel and agents	**10,389**	**1,974**	**(340)**	**(1,813)**	**10,210**

The employee leaving indemnity provision represents the actual liability of Group companies at 31 December 2012 to employees of the Italian companies at that date, in accordance with applicable laws and regulations.

The employee leaving indemnity provision at the reporting date falls within the definition of defined benefit plan and, in accordance with the provisions of IAS 19, this liability has been discounted back using the Projected Unit Credit method.

The actuarial assumptions used to discount the employee leaving indemnity obligations at 31 December 2012 are as follows:

	2012
Rate of inflation	2%
Discount rate	Based on EURDE curve at 31.12 (Source Bloomberg)
Employee turnover	3%
Pensionable age	In accordance with current legislation
Mortality rate	ISTAT Tables 2009

The actuarial gain of Euro 327 thousand has been recognized in the income statement as personnel costs under "Cost of goods sold".

The decreases for the period relate to employee turnover and advance payments requested by employees.

The provision for agents' leaving indemnities as at 31 December 2012 includes the total amount of such indemnities accruing in favor of agents in accordance with applicable law and contracts in Italy. This provision has been discounted in accordance with IAS 37.

The effect of discounting of Euro +13 thousand has been recognized in the income statement under "Direct selling costs".

17. TRADE PAYABLES

	At 31.12.2012	At 31.12.2011
Trade payables—third party	106,409	86,505
Payables to associated companies	—	—
Trade payables	**106,409**	**86,505**

Trade payables are determined based on the various payment terms negotiated with suppliers and vary across the countries in which the Group operates. Most suppliers are common to the various Group companies and are prevalently based in the European Union.

Further information on trade payables by due date is provided in the note "Information on financial instruments and risk management policies".

Trade payables are analyzed by geographical area as follows:

	2012				
	Italy	**Switzerland**	**Eastern Europe**	**Inter segment adj.**	**Total**
Trade payables—third party	59,703	2,781	43,937	(11)	106,409

Average Days Purchases Outstanding stood at 84 days in 2012, more than the figure of 72 days for 2011.

18. OTHER CURRENT LIABILITIES

As at 31 December 2012, this item was analyzed as follows:

	At 31.12.2012	**At 31.12.2011**
Payables to sundry suppliers	29,204	32,445
Indirect taxes (VAT), other taxes and duties payable	1,377	1,640
Customer bonuses payable	10,888	11,536
"Earn out" liabilities	—	2,500
Other payables	858	735
Other current liabilities	**42,327**	**48,856**

"Sundry trade payables" mainly include liabilities for distribution and administrative services and other operating costs, purchases of goods other than those for resale by Group companies, amounts due to employees, agents and social security and welfare institutions.

19. TAX PAYABLES

As at 31 December 2012, this item was analyzed by geographical area as follows:

	At 31.12.2012	**At 31.12.2011**
Italy	16	28
Eastern Europe	625	913
Switzerland	787	701
Tax payables	**1,428**	**1,642**

The decrease mainly regards companies in the Italy and Eastern Europe operating segments.

Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A. and Rhiag Engineering S.p.A. have joined the Italian Group Tax Consolidation under Art. 117/129 of the "*Testo Unico delle Imposte sul Reddito*" (T.U.I.R.)—(Consolidated Income Tax Act)—with the Rhiag—Inter Auto Parts Italia S.p.A. as the consolidating entity. Participating companies transfer their taxable income or loss to the consolidating entity. The consolidating entity recognizes a receivable from the companies that contribute taxable income equal to IRES (corporation tax) to be paid. Conversely, the consolidating entity recognizes a payable equal to IRES on the loss effectively offset at Group Tax Consolidation level in relation to companies that contributed tax losses.

20. BANK BORROWING—CURRENT

As at 31 December 2012, this item was analyzed a follows:

	At 31.12.2012	**At 31.12.2011**
Bank borrowing—commercial credit facilities	690	335
ING Bank loan—due within a year	13,203	13,203
Bank borrowing	**13,893**	**13,538**

Bank borrowing is broken down by geographical area as follows:

	2012			
	Italy	Switzerland	Eastern Europe	Total
Bank borrowing—commercial credit facilities	—	—	690	690
ING Bank loan—due within a year	10,570	—	2,633	13,203

Bank borrowing consisting of commercial credit facilities regards short-term facilities granted to Elit Group companies in the Czech Republic and credit facilities utilized by Lang Kft and primarily secured by a mortgage on real estate assets.

21. OTHER FINANCIAL LIABILITIES—CURRENT

As at 31 December 2012, this item included the following:

	At 31.12.2012	At 31.12.2011
Finance lease payables	1,391	1,282
Dividends payable	618	616
Interest and commission payable to third parties	361	317
Other financial liabilities	**2,370**	**2,215**

Details of "Finance leases" and "Dividends payable" are provided above under "Other financial liabilities—non-current".

Interest and commissions payable to third parties mainly refer to commissions and management charges regarding the loan from ING Bank.

22. PROVISIONS FOR RISKS AND CHARGES

This item and movements during the year are analyzed below:

	At 31.12.2011	Allocated during the year	Utilized in year	Other movements in year	At 31.12.2012
Provision for returned goods	1,858	1,770	(1,529)	(428)	1,670
Provision for sundry risks	983	161	(68)	(1)	1,075
Provision for future charges	5,352	4,665	(5,291)	—	4,726
Provisions for risks & charges	**8,193**	**6,596**	**(6,887)**	**(429)**	**7,472**

The "Provision for returned goods" covers the value of goods that is expected to be returned in future periods against sales made during the current year and estimated liabilities for product warranties.

The "Provision for sundry risks" mainly regards amounts relating to disputes with former Group employees and with service providers.

The "Provision for future charges" mainly regards amounts estimated in relation to customer loyalty programs and provisions for promotional campaigns.

23. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

The following schedules provide the additional information required by IFRS 7, for the two years under comparison, for use in measuring financial instruments with reference to the Group statement of financial position, statement of cash flows and income statement.

Categories of financial assets and liabilities

The following table shows a breakdown of financial assets and liabilities for 2011 and 2012 based on the categories provided for by IAS 39.

	2012				
	IAS 39 Categories				
	Financial instruments held for trading	Loans & receivables	Assets held to maturity	Financial instruments available for sale	Carrying amount
Balance Sheet					
Non-current assets					
Receivables and other financial assets	—	1,108	—	—	1,108

	2012				
	IAS 39 Categories				
	Financial instruments held for trading	Loans & receivables	Assets held to maturity	Financial instruments available for sale	Carrying amount
Hedge derivative financial instruments	—	—	—	—	—
Non hedge derivative financial instruments	—	—	—	—	—
Current assets					
Trade receivables—third party	—	126,532	—	—	126,532
Trade receivables—associated companies	—	—	—	—	—
Receivables & other financial assets—assoc companies	—	—	—	—	—
Other current receivables	—	15,940	—	—	15,940
Cash and cash equivalents	—	55,953	—	—	55,953
Total financial assets	**—**	**199,534**	**—**	**—**	**199,534**

	IAS 39 Categories		
	Financial instruments held for trading	Liability at amortized cost	Carrying amount
Balance Sheet			
Non-current liabilities			
Bank borrowing		221,292	221,292
Other non-current liabilities	—	—	—
Other financial liabilities	—	6,101	6,101
Hedge derivative financial instruments	—	—	—
Non-hedge derivative financial instruments	—	—	—
Current liabilities			
Trade payables—third party	—	106,409	106,409
Other current liabilities	—	42,327	42,327
Bank borrowing	—	690	690
Hedge derivative financial instruments	—	—	—
Non-hedge derivative financial instruments	—	—	—
Bank loans—current portion	—	13,203	13,203
Other financial liabilities	—	2,370	2,370
Other financial liabilities	**—**	**392,392**	**392,392**

	2011				
	IAS 39 Categories				
	Financial instruments held for trading	Loans & receivables	Assets held to maturity	Financial instruments available for sale	Carrying amount
Balance Sheet					
Non-current assets					
Receivables and other financial assets	—	1,162	—	—	1,162
Hedge derivative financial instruments	—	—	—	—	—
Non hedge derivative financial instruments	—	—	—	—	—
Current assets					
Trade receivables—third party	—	119,239	—	—	119,239
Trade receivables—associated companies	—	—	—	—	—
Receivables & other financial assets—assoc companies	—	—	—	—	—
Other current receivables	—	12,296	—	—	12,296
Cash and cash equivalents	—	34,417	—	—	34,417
Total financial assets	**—**	**167,115**	**—**	**—**	**167,115**

	IAS 39 Categories		
	Financial instruments held for trading	Liability at amortized cost	Carrying amount
Balance Sheet			
Non-current liabilities			
Bank borrowing		231,099	231,099
Other non-current liabilities	—	3,108	3,108
Other financial liabilities	—	6,782	6,782
Hedge derivative financial instruments	—	—	—
Non-hedge derivative financial instruments	—	—	—
Current liabilities			
Trade payables—third party	—	86,505	86,505
Other current liabilities	—	48,856	48,856
Bank borrowing	—	335	335
Hedge derivative financial instruments	—	—	—
Non-hedge derivative financial instruments	—	—	—
Bank loans—current portion	—	13,203	13,203
Other financial liabilities	—	2,215	2,215
Other financial liabilities	**—**	**392,103**	**392,103**

Fair value of financial assets and liabilities and calculation models used

The following table shows the description and the fair value of financial assets and liabilities according to the calculation methods and models used for measurement.

	2012		
	Carrying amount	Mark to Market	DCF Model
Financial liabilities			
Payables to Bank (total nominal value short/long term)	(226,376)	—	(230,659)
Other non-current liabilities	—	—	—
Other financial non-current liabilities	(6,101)	—	—
Hedge derivative financial instruments			
Interest Rate Swap (plain vanilla)	—	—	—
Non-hedge derivative financial instruments			
Forward foreing exchange purchase agreement	—	—	—

	2011		
	Carrying amount	Mark to Market	DCF Model
Financial liabilities			
Payables to Bank (total nominal value short/long term)	(239,579)	—	(235,169)
Other non-current liabilities	(3,108)	—	—
Other financial non-current liabilities	(6,782)	—	—
Hedge derivative financial instruments			
Interest Rate Swap (plain vanilla)	—	—	—
Non-hedge derivative financial instruments			
Forward foreing exchange purchase agreement	—	—	—

The fair value of items shown under current assets and liabilities, maturing within a year, was not determined as it is estimated that the current value of these items almost corresponds to their carrying amount. Other non-current liabilities and other non-current financial liabilities were measured, whenever considered significant, at their nominal amount, discounted at a discount rate determined based on their duration and the availability of the resources necessary to fulfill the obligation, as specified in the respective sections of these financial statements.

IFRS 7 requires that financial instruments recognized at fair value in the statement of financial position be classified on a hierarchy of levels that reflects the significance of the input data used to determine their fair value. The following levels are defined:

a) Level 1—listed prices on active markets for assets or liabilities under measurement;

b) Level 2—inputs, other than the above-mentioned listed prices, that may be observed directly (prices) or indirectly (derived from prices) on active markets;

c) Level 3—inputs that are not based on observable market data.

As at 31 December 2012, the Group did not have any derivative financial instruments.

Financial income and expenses recognized in compliance with IAS 39

The following table shows financial income and expenses generated by financial assets and liabilities as broken down into the categories set out by IAS 39.

	2012				
	IAS 39 Categories				
	Interest	Changes in fair value	Shareholders' Equity reserve	Exchange gains/ (losses)	Net gains/ (losses)
IAS 39 Categories					
Financial instruments held for trading	—	—	—	—	—
Liabilities at amortized cost	(11,884)		—	383	(11,501)
Assets held to maturity	—	—	—	—	—
Loans & receivables	243	—	—	—	243
Financial instruments available for sale	—	—	—	—	—
Total IAS 39 categories	**(11,641)**	**—**	**—**	**383**	**(11,258)**
Other (costs)/revenue	—	—	—	—	—
Total	**(11,641)**	**—**	**—**	**383**	**(11,258)**

	2011				
	IAS 39 Categories				
	Interest	Changes in fair value	Shareholders' Equity reserve	Exchange gains/ (losses)	Net gains/ (losses)
IAS 39 Categories					
Financial instruments held for trading	—	1,143	—	—	1,143
Liabilities at amortized cost	(17,463)		—	(2,354)	(19,817)
Assets held to maturity	—	—	—	—	—
Loans & receivables	201	—	—	—	201
Financial instruments available for sale	—	—	—	—	—
Total IAS 39 categories	**(17,262)**	**1,143**	**—**	**(2,354)**	**(18,473)**
Other (costs)/revenue	—	—	—	—	—
Total	**(17,262)**	**1,143**	**—**	**(2,354)**	**(18,473)**

Capital management

The objectives of Group management are oriented toward safeguarding the capacity to generate profitability for shareholders, respecting the covenants on loans received (for the portion relating to the Group given the measurement structure based on holding company data) and seeking to improve the capital structure, all while complying with contractual maturity dates under the ING Bank loan.

Types of financial risk and related hedging activity

The Group has adopted a financial risk management policy. However, as at 31 December 2012, the Group did not have any derivative financial instruments so there was no need for a sensitivity analysis of profit for the year and shareholders' equity based on +/-0.50% variance in interest rates.

Foreign currency transactions

The Group also operates on markets where transactions are denominated in currencies other than the Euro. In such cases, goods for sale are mainly purchased from foreign suppliers in Euros while sales are made on the relevant domestic markets in the local currency. Therefore, whenever possible and subject to prior approval by the Group parent company, forward contracts for currency purchases are entered into to mitigate the negative effects deriving from exchange rate fluctuation.

Credit risk

The Group operates on various national markets with a large number of small/medium-sized customers, mainly regional/local distributors. Consequently, the Group is exposed to a credit risk regarding the ability of its customers to obtain finance from the banks.

Each Group company applies credit recovery and non-payment prevention policies based on the specific characteristics of its markets and customers.

Write-downs of doubtful debts are accounted for at the nominal amount of the receivable, net of value added tax and any portions of the receivable that are backed by collateral security or insurance cover. Write-downs are made based on a specific analysis of overdue items and customers known or thought to be in financial difficulty. In addition to specific provisions for items considered at risk, there is a further provision representing the total amount of receivables subject to legal action and all receivables more than 365 days overdue in Italy and more than 90 days overdue for the other Group companies.

The following table shows a breakdown by maturity date of third party trade receivables and financial receivables and the corresponding bad debt provision.

	2012							
	Receivables							
	Gross overdue (days)							
Classes	**Total gross receivables**	**0-30**	**30-60**	**60-90**	**90-120**	**120-180**	**over**	**Bad Debt Provision**
Trade receivables								
Trade receivables—third party	140,725	3,611	2,607	1,907	1,469	1,930	13,898	(14,193)
Trade receivables—associated companies	—	—	—	—	—	—	—	—
Other current receivables	15,940	—	—	—	—	—	—	—
	156,665	**3,611**	**2,607**	**1,907**	**1,469**	**1,930**	**13,898**	**(14,193)**

	2011							
	Receivables							
	Gross overdue (days)							
Classes	**Total gross receivables**	**0-30**	**30-60**	**60-90**	**90-120**	**120-180**	**over**	**Bad Debt Provision**
Trade receivables								
Trade receivables—third party	131,426	3,498	1,747	1,175	835	865	11,967	(12,187)
Trade receivables—associated companies	—	—	—	—	—	—	—	—
Other current receivables	12,296	—	—	—	—	—	—	—
	143,722	**3,498**	**1,747**	**1,175**	**835**	**865**	**11,967**	**(12,187)**

Liquidity risk

The Group's liquidity risk regards its ability to identify and raise the funds needed to fulfill all commitments on the agreed due dates.

Liquidity management involves paying suppliers of materials for sale and other materials or services, wages and salaries and taxes/duties/welfare contributions, as well as interest and repayments of loans received, as payment falls due, while not exceeding the maximum level of indebtedness permitted by the medium/long-term loan agreement entered into with ING Bank.

Constant special attention is paid to managing the Group's net working capital in order to ensure the right balance between cash inflows and outflows.

The following table shows the principal financial obligations of the Group divided by due date.

Balance sheet items	2012							
	Overdue category							
	Carrying amount	0-30 days	30-60 days	60-90 days	falling due after > 90 days	falling due after > 1 year	falling due after > 2 years	Total cash flows
Financial liabilities								
Other non-current liabilities	—	—	—	—	—	—	—	—
Bank borrowing—non-current	221,292	—	—	—	—	13,203	208,089	221,292
Bank loans—current portion	13,203	—	—	—	13,203	—	—	13,203
Bank borrowing—current	690	—	—	—	—	—	—	—
Other financial liabilities—non-current	3,655	—	—	—	—	599	3,056	3,655
Other financial liabilities—current	979	52	52	52	823	—	—	979
Finance lease payables	3,837	—	—	—	1,391	—	2,446	3,837
Trade payables								
Trade payables	106,409	53,845	31,859	18,841	1,874	—	—	106,420
Other current liabilities	42,327	—	—	—	—	—	—	42,327
	392,392	**53,897**	**31,912**	**18,893**	**17,291**	**13,802**	**213,591**	**391,713**

Balance sheet items	2011							
	Overdue category							
	Carrying amount	0-30 days	30-60 days	60-90 days	falling due after > 90 days	falling due after > 1 year	falling due after > 2 years	Total cash flows
Financial liabilities								
Other non-current liabilities	3,108	—	—	—	—	3,108	—	3,108
Bank borrowing—non-current	231,099	—	—	—	—	13,203	217,896	231,099
Bank loans—current portion	13,203	—	—	—	13,203	—	—	13,203
Bank borrowing—current	335	—	—	—	—	—	—	—
Other financial liabilities—non-current	4,130	—	—	—	—	597	3,533	4,130
Other financial liabilities—current	933	51	51	51	779	—	—	933
Finance lease payables	3,934	—	—	—	1,282	—	2,652	3,934
Trade payables								
Trade payables	86,505	41,096	26,577	15,164	3,667	—	—	86,505
Other current liabilities	48,856	—	—	—	—	—	—	48,856
	392,104	**41,147**	**26,629**	**15,216**	**18,931**	**16,908**	**224,081**	**391,768**

Details of the nature and composition of financial liabilities are provided in the relevant notes to these financial statements.

As for trade liabilities, the ability to establish and maintain well-established commercial relationships over time with suppliers plays a crucial role in the business of the Rhiag Group.

The profitability of the Group depends, among other things, on its ability to purchase products at competitive conditions and prices in each of the geographical areas where it is present. This ability is, in turn, affected by different factors, amongst which the purchase volumes are especially important.

Within each geographical area in which it operates, the Group signs contracts with suppliers, generally setting out annual purchasing targets. Upon achievement of these targets, discounts and other incentives are granted to the Group.

Trade relations with the leading suppliers are regulated by agreements of varying durations some of which involve reciprocal exclusivity, prevalently in the Italian business.

Other current liabilities refer to various counterparties (providers of sundry services, employees, agents, tax authorities) and with payment generally due after between 30 and 90 days.

The credit facilities available to the Group as at 31 December 2012 and 2011 and utilization thereof are shown below:

	2012			
	Italy	Eastern Europe	Switzerland	Total
Credit lines—current				
Revocable—available amount	38,850	—	—	38,850
Revocable—utilized amount	—	—	—	—
Non revocable—available amount	20,000	6,387	—	26,387
Non-revocable—utilized amount	—	—	—	—
Credit lines—non-current				
Revocable—available amount	—	—	2,485	2,485
Revocable—utilized amount	—	—	—	—
Non revocable—available amount	191,203	—	—	191,203
Non-revocable—utilized amount	191,203	—	—	191,203
Total available credit lines	250,053	6,387	2,485	258,925
Total utilized credit lines	191,203	—	—	191,203

	2011			
	Italy	Eastern Europe	Switzerland	Total
Credit lines—current				
Revocable—available amount	35,600	—	—	35,600
Revocable—utilized amount	—	—	—	—
Non revocable—available amount	20,000	12,738	—	32,738
Non-revocable—utilized amount	—	2,907	—	2,907
Credit lines—non-current				
Revocable—available amount	—	—	2,466	2,466
Revocable—utilized amount	—	—	—	—
Non revocable—available amount	201,773	35,234	—	237,007
Non-revocable—utilized amount	201,773	35,234	—	237,007
Total available credit lines	257,373	47,972	2,466	307,810
Total utilized credit lines	201,773	38,141	—	239,914

24. COMMITMENTS AND GUARANTEES GIVEN

The main commitments and guarantees given by the Group to third parties are as follows:

Pledges on shares

The Group has pledged 100% of the shares held in Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A., Auto Kelly AS and Rhiag Group Ltd in favor of ING Bank, Rabobank and Intesa San Paolo as security for the loan received in 2007. As long as it does not default on the loan, the Group maintains voting rights to the shares.

Pledge on receivables

The Group has pledged 100% of the receivables of Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A. in favor of ING Bank N.V., Rabobank International and Intesa San Paolo S.p.A. as security for the loan received in 2007.

Special liens

The Group has granted a special lien on the inventories and tangible assets of Rhiag—Inter Auto Parts Italia S.p.A. (in the amount of Euro 60,000 thousand) and on the inventories and tangible assets of Bertolotti S.p.A. (in the amount of Euro 6,000 thousand), both as security for the loan from ING Bank N.V.

The other Group companies (Elit CZ Spool, Lang Kft, Auto Kelly AS and Auto Kelly Sro—for CZK 630.2 million, HUF 2,076.5 million, CZK 836.4 million and Euro 1.5 million, respectively) have also granted a special lien on inventories and trade receivables as security for commercial credit facilities made available to them.

Other secured guarantees

Lang has granted a mortgage on its real estate property in Budapest as security for the credit facility from HVB bank (a Unicredit group company)—HUF 792 million (Euro 2,719 thousand). RGL has granted a mortgage on its offices in Baar (Switzerland) as security for the credit facility from UBS—CHF 2.2 million (Euro 1,822 thousand).

Other guarantees

Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A. have issued bank guarantees to third parties as security for rental contracts for warehouses and branch premises where they conducts business (Euro 1,712 thousand).

Rhiag—Inter Auto Parts Italia S.p.A. has guaranteed a bank surety issued by Intesa San Paolo to CIB Bank for a credit facility granted to Lang Kft (Euro 1,000 thousand).

Rhiag—Inter Auto Parts Italia S.p.A. has issued a support letter to Lang Kft as a guarantee for the credit facility of HUF 451.2 million Hungarian Forint (Euro 1,549 thousand) granted by Unicredit Hungary (ex HVB Bank).

The Group companies have issued additional bank guarantees totaling Euro 1,808 thousand.

COMMENTS ON THE INCOME STATEMENT

25. NET SALES

Net sales are analyzed as follows:

	2012	2011
Gross sales—third party	684,975	662,878
Commission income—third party	2,841	2,514
Customer bonuses	(14,793)	(15,764)
Non-recurring (expenses)/income	(487)	—
Gross sales	**672,536**	**649,628**
Transport on sales	(18,443)	(16,845)
Agents' commission	(13,593)	(14,936)
Allocation to bad debt provision & bad debts	(2,496)	(1,502)
Early payment discounts	(255)	(262)
Non-recurring (expenses)/income	(110)	(222)
Direct selling costs	**(34,897)**	**(33,767)**
Net sales	**637,639**	**615,861**

The Group recorded gross sales of Euro 672,536 thousand in 2012 (Euro 649,628 thousand in 2011) with an increase of Euro 22,908 thousand, or 3.5%.

The gross sales increase is mainly thanks to growth in the volume of sales in Eastern Europe. For more details, see Note 33—"Segment Information".

"Commission income from third parties" mainly refer to commissions on sales of original equipment products by Rhiag Engineering S.p.A. to Italian automobile manufacturers and, to a lesser extent, to commissions on sales of original equipment products by Bertolotti S.p.A. and Rhiag Group Ltd.

"Bonuses to customers", amounting to Euro 14,793 thousand in 2012 (Euro 15,764 thousand in 2011) decreased by Euro 971 thousand while also decreasing as a percentage of gross sales from 2.38% in 2011 to 2.16% in 2012.

Direct selling costs stand at 5.2% of gross sales, in line with prior year notwithstanding increases in allocations to the bad debt provision and in transport costs.

"Non-recurring expenses" mainly included indemnities in lieu of notice paid by Bertolotti S.p.A. to agents whose agency relationships were terminated during the year.

As a result of the abovementioned factors, net sales in the consolidated financial statements for 2012 recorded an overall improvement over the previous year of Euro 21,778 thousand (+3.5%).

26. COST OF GOODS SOLD

Cost of goods sold includes the following items:

	2012	2011
Purchases of goods for resale	(432,145)	(413,471)
Change in inventory	6,194	10,142
Change in inventory provision	251	(522)
Transport on purchases	(10,863)	(9,547)
Personnel costs	(76,032)	(73,568)
Non recurring (expenses)/income	(582)	(1,483)

	2012	2011
Cost of goods sold	**(513,177)**	**(488,449)**

In 2012, cost of goods sold amounted to Euro 513,177 thousand (Euro 488,449 thousand in 2011), an increase of Euro 24,728 thousand (+5.1%).

As a percentage of gross sales, total cost of goods sold increased from 75.2% in 2011 to 76.3% in 2012.

The main reasons for this were a rise in purchase costs (also taking into account variations in inventory levels) as a percentage of gross sales and an increase in personnel costs.

Personnel costs and non-recurring related expenses are analyzed below:

	2012	2011
Wages and salaries	(53,420)	(52,018)
Other personnel costs	(22,612)	(21,549)
Personnel costs	**(76,032)**	**(73,568)**
Non-recurring (expenses)/income	(401)	(755)
Total personnel costs	**(76,432)**	**(74,323)**

As at 31 December 2012, the Group had 2,812 employees, 139 more than at 31 December 2011:

	2012	2011
Sales	785	719
Product Marketing	186	162
Purchase planning	68	70
Warehousing and distribution	1,529	1,503
Finance and administration	86	80
Information systems	52	44
Human resources	22	19
Other administrative costs	84	76
Total	**2,812**	**2,673**

Personnel costs (included related non-recurring expenses) amounted to Euro 76,432 thousand with an increase of Euro 2,110 thousand compared to prior year, mainly because of an increase in the headcount following the opening of 17 new branches in Eastern Europe.

27. DISTRIBUTION COSTS

Distribution costs are analyzed as follows:

	2012	2011
Travel and subsistence expenses	(4,513)	(4,214)
Rent and operating leases	(14,876)	(14,015)
Advertising, promotional and catalogue costs	(11,856)	(13,112)
Non-recurring (expenses)/income	(281)	(197)
Distribution costs	**(31,526)**	**(31,538)**

Distribution costs for 2012 were broadly in line with prior year and amounted to Euro 31,526 thousand (Euro 31,538 thousand in 2011). Distribution costs decreased as a percentage of gross sales from 4.9% in 2011 to 4.7% in 2012. The decrease was mainly thanks to the cost containment policy adopted by the Group from the first half of the year, especially with regard to advertising and promotional costs.

A breakdown of future rental and operating lease commitments by due date is provided below:

	At 31.12.2012	At 31.12.2011
Future rental commitments		
Within a year	11,108	10,827
After 1 to 5 years	28,417	21,497
After more than 5 years	11,098	8,699

	At 31.12.2012	At 31.12.2011
Total future rental commitments	**50,623**	**41,023**

	At 31.12.2012	At 31.12.2011
Future operating lease commitments		
Within a year	1,594	1,043
After 1 to 5 years	2,117	1,719
After more than 5 years	—	—
Total future operating lease commitments	**3,712**	**2,763**

28. ADMINISTRATIVE COSTS

Administrative costs include the following items:

	2012	2011
Outsourced services	(8,246)	(8,351)
Legal and consulting fees	(2,244)	(2,442)
Other income	4,431	3,783
Administrative and operating costs	(6,695)	(6,986)
Amortization of intangible assets	(1,931)	(1,711)
Non-recurring (expenses)/income	(406)	(3,942)
Administrative costs	**(15,091)**	**(19,649)**

Administrative costs for 2012 amounted to Euro 15,091 thousand (Euro 19,649 thousand as at 31 December 2011), a decrease of Euro 4,558 thousand or 30.2%. Total administrative costs decreased as a percentage of gross sales from 3.0% in 2011 to 2.2% in 2012. The decrease was mainly due to the lower non-recurring expenses recorded in 2012; indeed, in 2011, non-recurring expenses included costs for legal, certification and audit, banking and advisory services incurred by the Group in relation to the IPO process (totaling Euro 3,079 thousand).

Costs for external services, amounting to Euro 8,246 thousand (Euro 8,351 thousand in 2011), mainly comprise third party logistics services for the warehouses and branches of companies in the Italian operating segment. Specifically, these costs are for management of warehouse stock, picking, packing and shipping.

Other income of Euro 4,431 thousand (Euro 3,783 thousand in 2011) mainly refers to the bonuses awarded to the Group by suppliers. It also includes reimbursements for advertising and sales promotion campaign expenses, reimbursements from suppliers for service level penalties (e.g. late delivery) and for product warranty costs (e.g. return of defective products), transport and packaging expenses charged to customers and other minor revenues not related to product sales.

Administration and operating expenses of Euro 6,695 thousand (Euro 6,986 thousand in 2011) mainly relate to fixed and mobile telephone costs, the costs of sending invoices and documentation and fees paid to directors and supervisory bodies.

29. OTHER OPERATING COSTS

Other operating costs are analyzed as follows:

	2012	2011
Headquarters and branch costs (utilities and maintenance)	(3,700)	(3,519)
Insurance	(1,066)	(999)
Disposals of PPE and intangible assets	195	142
Depreciation of PPE	(6,996)	(7,243)
Non-recurring expenses	(283)	(8)
Other operating costs	**(11,850)**	**(11,627)**

Other operating costs are broadly in line with prior year and amount to Euro 11,850 thousand (Euro 11,627 thousand in 2011).

Headquarter and branch operating costs amounted to Euro 3,700 thousand (Euro 3,519 thousand in 2011) and mainly related to costs for utilities and maintenance of headquarters and branches. The increase is due to the opening of new branches in Eastern Europe.

Insurance costs of Euro 1,066 thousand in 2012 (Euro 999 thousand in 2011) mainly relate to insurance premiums for insurance policies on goods and warehouses and transport risks. The Group companies mainly hold insurance policies against the risk of damage to owned and/or leased assets, risks regarding the transport of goods from suppliers and/or to customers and/or to warehouses and branches, motor vehicle risks (e.g. theft, fire or TPL) and policies for risks regarding managers and executives as benefits in kind.

Depreciation of property plant and equipment amounted to Euro 6,996 thousand (Euro 7,243 thousand in 2011), a decrease of Euro 247 thousand. See Note 1—"Property, plant and equipment" for more details.

30. IMPAIRMENT ADJUSTMENTS TO GOODWILL AND OTHER ASSETS

This item is analyzed as follows:

	2012	2011
Impairment of goodwill and other assets	(959)	—
Impairment of goodwill and other assets	**(959)**	**—**

The impairment adjustment of Euro 959 has been made in relation to the residual amount of goodwill allocated to the Rhiag Engineering Cash Generating Unit. For more details, see Note 3—"Goodwill".

31. FINANCIAL INCOME/(EXPENSES)

This item includes the following amounts:

	2012	2011
Financial income	7,159	11,330
Financial expenses	(18,417)	(29,803)
Financial income/(expenses)	**(11,258)**	**(18,473)**

Financial income includes the following items:

	2012	2011
Interest income from third parties and on bank a/cs	243	201
Exchange gains (Realized and unrealized)	4,671	5,224
Mark to Market of derivative financial instruments	—	3,887
Effect of discounting dividends and m/l term payables	—	—
Non-recurring income	2,245	2,018
Financial income	**7,159**	**11,330**

Financial income for 2012 amounted to Euro 7,159 thousand (Euro 11,330 thousand in 2011, a decrease of Euro 4,171 thousand, or 36.8%.

Realized foreign exchange gains mainly relate to the effects of exchange rate fluctuations on purchase and sales transactions. Specifically, subsidiaries in Eastern Europe and Switzerland make some of their purchases in Euro while sales on the local markets are mainly made in local currency.

Unrealized exchange gains relate to the measurement at spot rates of foreign currency purchases and sales not yet settled at the end of the reporting period.

"Non-recurring income" mainly regards the reversal of the provision for the final earn out relating to the acquisition of the Auto Kelly in 2010. For more details, see Note 14—"Other non-current liabilities".

"Financial expenses" include the following items:

	2012	2011
Interest expenses on m/l term loans	(10,998)	(15,574)
Commission and charges on m/l term loans	(605)	(500)
Loan arrangement costs (portion for year—IAS 39)	(1,193)	(1,726)
Bank interest expenses	(1,283)	(1,484)
Effect of discounting dividends and m/l term payables	(50)	(196)
Mark to Market of derivative financial instruments	—	(2,744)
Exchange losses (realized and unrealized)	(4,288)	(7,579)
Non-recurring expenses	—	—
Financial expenses	**(18,417)**	**(29,803)**

Financial expenses for 2012 amount to Euro 18,417 thousand (Euro 29,803 thousand in 20101, a decrease of Euro 11,386 thousand (or 38.2%) compared to prior year.

"Interest expenses on medium-long term loans" amounting to Euro 10,998 thousand includes interest expenses on the loan arranged with ING Bank in 2007. The decrease from the previous year is mainly due to a reduction in net financial indebtedness the year and to a decrease in the 1 month and 6 month Euribor which led to lower financial expenses for the Group.

"Loan arrangement charges" of Euro 1,193 thousand includes the current year portion, calculated using the effective interest rate, of the charges incurred by the Group to obtain the loan from ING BV bank in July 2007. The total original cost was Euro 8,142 thousand and the unamortized balance is recorded under "Bank borrowing—non-current".

Realized exchange losses mainly relate to the effects exchange rate fluctuations on purchase and sale transactions. Specifically, companies in the Eastern Europe and Switzerland operating segments make some of their purchases in Euro while sales on the local markets are denominated mainly in local currency. Unrealized exchange losses relate to the measurement at spot rates of foreign currency purchases and sales not yet settled at the end of the reporting period.

32. INCOME TAXES

Income taxes are analyzed as follows:

	2012	2011
Current taxes	(14,227)	(14,053)
Deferred taxes relating to year	742	450
Non-recurring (expenses)/income	1,867	—
Income taxes	**(11,618)**	**(13,603)**

The increase in current taxation is mainly due to the higher profits before taxation of the Group companies.

The theoretical tax charge, determined using the nominal Italian tax rate (IRES 27.50%), may be reconciled with the effective tax charge as follows:

	2012	2011
Income taxes based on theoretical Italian tax rate(1)	(14,789)	(12,684)
Effect of different tax rates in other countries	3,053	3,954
Effect of IRAP in Italy	(2,583)	(2,677)
Effect of impairment of goodwill	—	—
Effect of non-deductible costs	92	(2,645)
Current income taxes	**(14,227)**	**(14,053)**
(1) Theoretical tax rate in Italy:	*27.50%*	*27.50%*

33. SEGMENT INFORMATION

Segment information has been prepared to provide enough information to evaluate the nature of the operating activities and economic environments and their influence on the financial statements (Paragraph 1 IFRS 8).

The operating segments for which separate information has been provided were identified on the basis of internal reporting and the operating activities that generate revenues and costs and whose results are reviewed on a regular basis at the highest operational decision-making levels in order to decide on allocation of resources and evaluation of results and for which separate financial information is available.

The operating segments for which the Group has provided separate information are as follows:

- Italy: Rhiag Group activities in Italy are mainly carried out by Rhiag—Inter Auto Parts Italia S.p.A. and subsidiaries Bertolotti S.p.A., Centro Ricambi Rhiag S.r.l. and Rhiag Engineering S.p.A.;
- Eastern Europe: Rhiag Group activities in Eastern Europe (Czech Republic, Slovakia, Hungary, Romania and Ukraine) are mainly carried out by Elit (Elit CZ spol s.r.o., Elit Slovakia s.r.o., Lang Kft, S.C. Elit Romania Piese Auto Originale S.r.l. and Elit Ukraine Ltd.) and Auto Kelly (Auto Kelly AS and Auto Kelly Slovakia s.r.o.). All of the Rhiag Group operating companies in Eastern Europe are controlled by Elit Group Ltd., a non-operating holding company incorporated under Swiss law, that is wholly controlled by Rhiag—Inter Auto Parts Italia S.p.A.
- Switzerland: Rhiag Group activities in Switzerland are mainly carried out by Rhiag Group Ltd. Rhiag Group Ltd is one of the leading companies on the independent aftermarket in Switzerland.

The key financial information for the operating segments in 2012 and 2011 is shown below:

	2012				
	Italy	Eastern Europe	Switzerland	Inter segment adjustments	Total
Income Statement information					
Gross sales	331,953	308,316	42,703	(10,437)	672,536
EBITDA Adjusted(*)	48,078	24,181	4,820	(8)	77,071
Balance Sheet information					
Inventory	49,766	70,664	7,329	(8)	127,750
Trade receivables	106,128	15,113	7,103	(1,812)	126,532
Trade payables	59,940	45,250	2,782	(1,564)	106,409
Net Working Capital	**95,953**	**40,527**	**11,650**	**(256)**	**147,874**

	2011				
	Italy	Eastern Europe	Switzerland	Inter segment adjustments	Total
Income Statement information					
Gross sales	331,505	281,528	42,055	(5,460)	649,628
EBITDA Adjusted(*)	48,439	25,585	5,381		79,404
Balance Sheet information					
Inventory	48,598	62,831	8,243	—	119,672
Trade receivables	101,822	11,916	7,056	(1,555)	119,239
Trade payables	51,240	34,181	2,392	(1,308)	86,505
Net Working Capital	**99,179**	**40,567**	**12,906**	**(246)**	**152,406**

(*) Adjusted EBITDA includes gross sales, net of direct selling costs, cost of goods sold, distribution costs, administrative costs, other operating costs, with non-recurring costs, and restructuring costs excluded. Adjusted EBITDA is not identified as an accounting measure under IAS/IFRS accounting standards as adopted by the European Union.

The gross sales of the Italy operating segment, comprising Rhiag—Inter Auto Parts Italia S.p.A, Bertolotti S.p.A., Centro Ricambi Rhiag S.r.l. and Rhiag Engineering S.p.A., remained in line with prior year and, together with the constant process to contain operating costs, this ensured that the EBITDA of the Italy segment was satisfactory and in line with the previous year. Net trade working capital decreased compared to prior year mainly because of an increase in trade payables as their level gradually returned to "normal", offsetting the increase in trade receivables triggered by an increase in average days sales outstanding resulting from the ongoing economic and financial crisis that has hit the country.

The gross sales of the Eastern Europe operating segment, comprising Elit CZ Spol s.r.o. (Czech Republic), Elit Slovakia s.r.o. (Slovakia), Elit Romania S.R.L. (Romania), Elit Ukraine LTD (Ukraine), Lang Kft (Hungary), Auto Kelly AS (Czech Republic) and Auto Kelly s.r.o. (Slovakia), increased mainly because of higher sales for all Elit Group and Auto Kelly Group companies (mainly in the Czech Republic, Slovakia, Ukraine and Romania) due to the opening of new branches and investment in marketing and promotional campaigns that already commenced during the previous year.

Meanwhile, the EBITDA of the Eastern Europe operating segment decreased compared to prior year (mainly for the Auto Kelly Group companies) notwithstanding the strong EBITDA growth achieved by Elit Ukraine. This decrease was mainly due to growing competition on prices leading to smaller margins and to investment in personnel costs and operating costs to sustain sales growth and conquer market share. Net trade working capital was broadly in line with prior year due to the combined effect of increases in inventory and trade receivables, as a result of sales growth, and an increase in trade payables thanks to longer average payment periods negotiated with some suppliers.

Finally, although the sales of the Switzerland operating segment increased compared to prior year, also thanks to the positive effect of the new depot opened in Echallens (in place of the one in Rosè), its EBITDA for 2012 was lower than in 2011, as a result of greater competition in terms of prices. Trade working capital decreased compared to prior year mainly thanks to more efficient stock management.

34. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND EXTERNAL AUDITORS

The remuneration paid by the Group for the year ended 31 December 2012 was as follows:

Type of service	Company	Thousands of Euro
Audit	Deloitte	298
Other certification services	Deloitte	19

Type of service	Company	Thousands of Euro
		317

Deloitte & Touche S.p.A.'s share of the audit fees was Euro 94 thousand.

Directors and strategic executives	2,380
Statutory Auditors	101
	2,481

35. RELATED PARTY DISCLOSURES

The Group did not enter into any transactions with related parties in 2012 and 2011.

It should, however, be noted that the Group companies are party to intercompany loan agreements and service level agreements.

Intercompany loan agreements

Rhiag—Inter Auto Parts Italia S.p.A. and the other Group companies have entered into the following intercompany loan agreements:

- A loan between Rhiag—Inter Auto Parts Italia S.p.A. and Elit Group for an amount of Euro 8,900,000,000 at an interest rate equal to the higher of the 12 month Euribor rate (base 360) plus 200 basis points and the rate of interest for loans in Euro determined annually by the Swiss Federal Tax Authorities. The deadline for repayment of 31 December 2012 has been extended to 31 December 2013;
- A loan between Rhiag—Inter Auto Parts Italia S.p.A. and Elit Group for a total amount of Euro 1,800,000.00 at an interest rate equal to the higher of the 12 month Euribor rate (base 360) plus 200 basis points and the rate of interest for loans in Euro determined annually by the Swiss Federal Tax Authorities. The deadline for repayment of 31 December 2012 has been extended to 31 December 2013;
- A loan between Rhiag Engineering S.p.A. and Rhiag S.p.A. (former subsidiary, now merged through incorporation into Rhiag—Inter Auto Parts Italia S.p.A.) for a total amount of Euro 860,000.00 at an interest rate equal to the 6 month Euribor Act/360 plus 200 basis points. All repayment deadlines have been tacitly extended by six months every six months;
- A loan between Rhiag Engineering S.p.A. and Bertolotti S.p.A. for a total amount of Euro 1,000,000.00 at an interest rate equal to the 6 month Euribor Act/360 plus 200 basis points. The original repayment deadline of 31 December 2008 has been tacitly renewed every six months for six months;
- A loan from Elit Slovakia to Elit Romania for an amount of Euro 2,200,000.00, at an interest rate equal to the 3 month Euribor plus 2 percentage points. The repayment deadline has been extended to 31 December 2013;
- A loan granted by Rhiag Group Ltd to Elit Group for a total amount of up to Euro 5,478,922.46, expiring on 31 December 2013 and subject to a rate of interest for loans in Euro as determined annually by the Swiss Federal Tax Authorities.

Service level agreement between Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A.

Rhiag—Inter Auto Parts Italia S.p.A. and subsidiary Bertolotti S.p.A. are party to a service level agreement covering *(a)* assistance (including: *(i)* administrative and accounting support with tax and corporate reporting requirements; *(ii)* organizational assistance and support with ordinary and extraordinary general meetings and board of directors meetings; *(iii)* legal assistance with the drafting and management of contracts in general; and *(iv)* organizational assistance with coordination of audit activities) and *(b)* organization (including: *(i)* management of the emoluments of directors and statutory auditors; *(ii)* management of administrative/accounting activities; *(iii)* human resources management; *(iv)* management of marketing activities; *(v)* management of financial assets in general; *(vi)* management of archives, databases, data transmission; *(vii)* management of insurance policies and insurance guarantees; and *(viii)* management of logistics activities, also using third parties). The contract expiry date, initially fixed at 31 December 2010, has been tacitly extended and is renewable annually unless one of the parties provides written notice to terminate.

Service level agreement between Rhiag—Inter Auto Parts Italia S.p.A. and Rhiag Engineering

Rhiag—Inter Auto Parts Italia S.p.A. and subsidiary Rhiag Engineering S.p.A. are party to a service level agreement for administrative assistance with regard to annual reporting, tax and corporate compliance, management of administrative and accounting activities, legal assistance with the drafting and management of contracts and management of insurance policies. The original expiry date of 31 December 2008 has been tacitly extended and will be extended from year to year unless one of the parties gives written notice of its intention to terminate a Rhiag—Inter Auto Parts Italia S.p.A.

Transfer pricing

The Rhiag Group also operates in foreign countries, through companies controlled directly and indirectly by the Rhiag—Inter Auto Parts Italia S.p.A. Each country has its own tax regime and income tax assessment procedures.

The Rhiag Group companies have trading relations and, to a lesser extent, financial relations, both with other companies in the Group (resident in other countries) and other related parties. This means it is impossible to rule out the possibility that the tax authorities of the individual countries may seek to raise issues over the transfer pricing of goods and services, always with regard to individual Group companies only.

The Group believes that the prices represent the normal vale of the transfers between related parties, and, in any case, it has taken the necessary precautionary measures to avoid disputes over this matter. More specifically, when carrying out significant transactions or transactions with considerable economic impact, like those that involve Eastern Europe (Czech Republic and Slovakia), Group companies have sought the opinion of independent experts who have prepared studies and economic analyses supporting the transfer prices applied.

On this basis, it is noted that at the date of approval of these financial statements, there were no tax disputes regarding the transfer pricing of goods and services within the Group.

36. OTHER INFORMATION

Management and coordination is carried out by Lanchester S.A., a company incorporated in Luxembourg, which owns 100% of Rhiag—Inter Auto Parts Italia S.p.A..

In accordance with article 2427 *bis* of the Italian Civil Code, please find below the highlights at 31 December 2011 from the most recent approved separate financial statements, as prepared in accordance with Luxembourg GAAP.

		31/12/2011
	BALANCE SHEET	
B	NON-CURRENT ASSETS	142,732
C	CURRENT ASSETS	166
D	PREPAID EXPENSES AND ACCRUED INCOME	0
	TOTAL ASSETS	**142,898**
A	SHAREHOLDERS' EQUITY	26,124
B	PROVISIONS FOR RISKS AND CHARGES	0
C	EMPLOYEE LEAVING INDEMNITY/TFR	0
D	PAYABLES	116,774
E	ACCRUED EXPENSES AND DEFERRED INCOME	0
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**142,898**
	INCOME STATEMENT	
A	VALUE OF PRODUCTION	0
B	COST OF PRODUCTION	0
C	FINANCIAL INCOME AND EXPENSES	(1,126)
D	IMPAIRMENT OF FINANCIAL ASSETS	0
E	NON-RECURRING INCOME AND EXPENSES	0
	INCOME TAXES FOR YEAR	(0)
	PROFIT (LOSS) FOR YEAR	**(1,126)**

These consolidated financial statements present a true and fair representation of the statement of financial position and the profit of the Group for the financial year and correspond to the accounting records.

For THE BOARD OF DIRECTORS
The Chairman
Edoardo Lanzavecchia

ANNEX 1:

Name	Registered Office	Share capital (local currency)	Shareholders	Interest held	Group interest	Consolidation method
Elit Group Ltd	Baar—Switzerland	CHF 13,315,000	Rhiag S.p.A	100.0%	100.0%	Line-by-line
Rhiag Group Ltd	Baar—Switzerland	CHF 4,000,000	Rhiag S.p.A	100.0%	100.0%	Line-by-line
Rhiag Engineering S.p.A.	Bergamo—Italy	Euro 1,809,500	Rhiag S.p.A	100.0%	100.0%	Line-by-line
Bertolotti S.p.A	Bergamo—Italy	Euro 5,170,000	Rhiag S.p.A	100.0%	100.0%	Line-by-line
Centro Ricambi Rhiag S.r.l.	Bergamo—Italy	Euro 100,000	Rhiag S.p.A	100.0%	100.0%	Line-by-line

Name	Registered Office	Share capital (local currency)	Shareholders	Interest held	Group interest	Consolidation method
InSiamo S.C.A.R.L.	Pero (MI)—Italy	Euro 193,551	Rhiag S.p.A	23.5%	23.5%	Line-by-line
Lang Kft	Budapest—Hungary	HUF 1,270,000,000	Rhiag S.p.A	0.01%	100.0%	Line-by-line
			Elit Group Ltd	99.99%		
S.C. Elit Romania S.r.l.	Bucharest—Romania	RON 8,614,400	Rhiag S.p.A	0.01%	100.0%	Line-by-line
			Elit Group Ltd	99.99%		
Elit Ukraine Ltd	Kyiv—Ukraine	UAH 26,991,299	Elit Group Ltd	100.0%	100.0%	Line-by-line
Auto Kelly AS	Prague—Czech Republic	CZK 2,000,000	Elit Group Ltd	100.0%	100.0%	Line-by-line
Auto Kelly Slovakia s.r.o	Bratislava—Slovakia	Euro 272,190	Elit Group Ltd	90.0%	100.0%	Line-by-line
			Auto Kelly AS	10.0%		
Elit Slovakia s.r.o	Bratislava—Slovakia	Euro 298,746	Elit Group Ltd	100.0%	100.0%	Line-by-line
Elit Cz spol	Prague—Czech Republic	CZK 18,750,000	Elit Group Ltd	100.0%	100.0%	Line-by-line

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2011

- **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
- **CONSOLIDATED INCOME STATEMENT**
- **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
- **CONSOLIDATED CASH FLOW STATEMENT**
- **STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY**
- **EXPLANATORY NOTES**

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

Registered office in Bergamo, via Tiraboschi 48

Board of Directors

Chairman	Edoardo Lanzavecchia
Chief Executive Officer	Luca Zacchetti
Directors	Thomas Mulliez Neil Fryer Valentina Pippolo Josef Koller Marco Riva

Board of Statutory Auditors

Chairman	Raoul F. Vitulo
Statutory Auditors	Maurizio Salom Giovanni Tedeschi
Alternate Auditors	Monica A. Castiglioni Guido Riccardi

External Auditors	Deloitte & Touche S.p.A.

AUDITORS' REPORT
PURSUANT TO ART. 14 OF LEGISLATIVE DECREE NO. 39 OF JANUARY 27, 2010

To the Sole Shareholder of
RHIAG—INTER AUTO PARTS ITALIA S.p.A.

1. We have audited the consolidated financial statements of Rhiag—Inter Auto Parts Italia S.p.A. ("the Company") and its subsidiaries (the "Rhiag Group") which comprise the consolidated statement of financial position as of December 31, 2011, and the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 5, 2011.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Rhiag Group as of December 31, 2011, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

4. As required by law, the Group has disclosed, in the notes to the consolidated financial statements, key financial data from the most recent financial statements of Lanchester S.A. that exercises management and coordination over it. Our opinion on the consolidated financial statements of Rhiag Group does not extend to such data.

5. The directors of Rhiag—Inter Auto Parts Italia S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable law. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC). In our opinion the report on operations is consistent with the consolidated financial statements of Rhiag Group as of December 31, 2011.

DELOITTE & TOUCHE S.p.A.

Signed by
Antonio Cocco
Partner

Milan, Italy
April 11, 2012

This report has been translated into the English language solely for the convenience of international readers. International readers should be aware that (i) the paragraph 5 of the report is required by Italian Law, (ii) the relating audit procedures have been performed under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB, and (iii) the report on operations is not included in the Offering Memorandum.

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31.12.2011	31.12.2010
		(Amounts in thousands of Euro)	
ASSETS			
Non-current assets			
Property, plant & equipment	1	26,472	26,198
Intangible assets	2	2,353	2,252
Goodwill	3	270,178	271,226
Investments	4	5	7
Receivables and other financial assets	5	1,162	1,486
Deferred tax assets	6	3,287	2,892
		303,457	304,061
Current assets			
Inventory	7	119,672	112,046
Trade receivables	8	119,239	116,600
Other current receivables	9	12,296	12,157
Tax receivables/credits	10	436	450
Cash and cash equivalents	11	34,417	17,271
		286,060	258,524
Total Assets		**589,517**	**562,585**
Shareholders' equity			
Share capital	12	25,510	25,510
Other reserves	12	104,803	103,911
Translation reserves	12	6,857	(6,351)
Retained earnings / (Accumulated losses)	12	32,522	12,638
Profit / (Loss) for the year	12	6,555	8,388
		176,247	144,096
Profits / (Losses) of Non-controlling interests	12	149	141
Total shareholders' equity		**176,396**	**144,237**
LIABILITIES			
Non-current liabilities			
Bank borrowing	13	231,099	240,467
Other non-current liabilities	14	3,108	6,758
Other financial liabilities	15	6,782	6,680
Strumenti finanziari derivati	16	—	—
Deferred tax liabilities	6	794	849
Provisions relating to personnel and agents	17	10,389	10,331
		252,172	265,085
Current liabilities			
Trade payables	18	86,505	73,331
Other current liabilities	19	48,856	50,702
Tax payables	20	1,642	2,778
Bank borrowing	21	13,538	12,389
Strumenti finanziari derivati	16	—	3,771
Other financial liabilities	22	2,215	2,031
Provisions for risks and charges	23	8,193	8,261
		160,949	153,263
Total liabilities		**413,121**	**418,348**
Total liabilities & shareholders' equity		**589,517**	**562,585**

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR

	Note	2011	2010
		(Amounts in thousands of Euro)	
Gross sales	26	649,628	500,391
Direct selling costs	26	(33,767)	(26,391)
Net sales		**615,861**	**474,000**
Cost of goods sold	27	(488,449)	(376,897)
Gross profit		**127,412**	**97,103**
Distribution costs	28	(31,538)	(26,987)
Administrative costs	29	(19,649)	(15,657)
Other operating costs	30	(11,627)	(8,421)
Impairment of goodwill and other assets		—	—
Operating profit		**64,598**	**46,038**
Financial income / (expenses)	31	(18,473)	(20,910)
Profit before taxation		**46,125**	**25,128**
Taxes on income	32	(13,603)	(12,316)
Net profit for year from continuing operations		**32,522**	**12,812**
Net result from discontinued operations		—	(174)
Net profit for year		**32,522**	**12,638**

	(Amounts in Euro)	
Basic earnings/(loss) per share	0.36	0.70
Diluted earnings/(loss) per share	0.36	0.70

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011	2010
Net profit for the year (A)	**32,522**	**12,638**
Gains / (Losses) from translation of financial statements of foreign entities	(1,121)	6,523
Gains / (Losses) from cash flow hedges	2,648	3,465
Total other gains / (losses) net of tax effect (B)	**1,527**	**9,988**
Total net comprehensive income (A+B)	**34,049**	**22,626**

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2011	2010
		(Amounts in thousands of Euro)	
Profit before taxation		**46,125**	**25,128**
Changes:			
Depreciation of property, plant & equipment		7,243	5,465
Amortization of intangible assets		1,711	1,477
(Gains)/Losses from disposal of property, plant & equipment		(142)	(105)
(Financial income)		(201)	(106)
(Income)/Expense from fair value measurement of derivative instruments (IRS)		(1,142)	(1,905)
Financial expenses		19,480	24,564
Realized and unrealized exchange (gains)/losses		2,353	(1,651)
Changes in Net Working Capital items			
—Trade receivables		(2,781)	(4,295)
—Other current receivables		106	(2,183)
—Trade receivables from minority owned companies		142	738
—Inventory		(7,626)	(10,499)
—Trade payables		13,174	11,774
—Other current liabilities		(2,503)	4,591
—Provisions for risks and charges		(67)	(857)
—Provisions relating to personnel and agents		59	(194)
Cash flows generated by operating activities		**75,931**	**51,942**
Interest received		201	106
Interest (paid)		(15,218)	(20,262)
Income taxes (paid)		(15,176)	(11,727)
Net monetary cash flows generated by operating activities		**45,738**	**20,059**
Acquisition of Auto Kelly Group and earn out		(2,500)	(53,535)
Acquisition of investments		—	2,282
Capex on property, plant & equipment		(8,780)	(6,549)
Capex on intangible assets		(1,858)	(1,751)
Sale of property, plant & equipment		712	274
Net cash flows generated by investing activities		**(12,426)**	**(59,279)**
Increase/(decrease) in capital—ordinary shares		—	45,120
Loans received/(repaid)—current		(7,698)	(6,831)
Bank overdrafts arranged/(repaid)		(4,356)	4,442
Dividends paid		(2,547)	(3,022)
Non-current financial receivables		—	(99)
Net cash flows generated by financing activities		**(14,601)**	**39,610**
Exchange rate effect		(1,565)	133
Total cash flows generated/(absorbed) by continuing activities		**17,146**	**523**
Change in cash and cash equivalents			
Opening cash and cash equivalents from continuing activities		17,271	16,389
Opening cash and cash equivalents from discontinued operations		—	467
Total opening cash and cash equivalents	11	**17,271**	**16,856**
Total cash flows generated/(absorbed) by continuing activities		17,146	523
Total cash flows generated/(absorbed) by discontinued operations		—	(108)
Closing cash and cash equivalents from continuing activities		34,417	16,912
Closing cash and cash equivalents from discontinued operations		—	359
Total closing cash and cash equivalents	11	**34,417**	**17,271**

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

STATEMENT OF CHANGES CONSOLIDATED IN SHAREHOLDERS' EQUITY

	Share Capital	Other Capital Reserves	Retained Earnings / (Accumulated Losses)	Profit for year	Cash flow hedge reserve	Translation reserves	Non-controlling interests	Total
				(Amounts in thousands of Euro)				
As at 31 December 2009	**15,510**	**46,216**	**(8,876)**	**2,060**	**(6,113)**	**1,865**	**128**	**50,790**
Share capital increases	5,000	40,120					13	45,133
Allocation/distribution of profit for year								—
Net profit for the year		223	1,837	(2,060)				—
Other changes				12,638	3,465	(1,161)		14,942
Distribution of prior year earnings		50	(32)					18
Changes due to contribution of company	5,000	19,950	720			7,684		33,354
As at 31 December 2010	**25,510**	**106,559**	**(6,351)**	**12,638**	**(2,648)**	**8,388**	**141**	**144,237**
Share capital increases							8	8
Allocation/distribution of profit for year		360	12,278	(12,638)				—
Net profit for the year				32,522	2,648	(1,121)		34,049
Other changes		(210)	930			(711)		9
Distribution of prior year earnings		(1,906)						(1,906)
As at 31 December 2011	**25,510**	**104,803**	**6,857**	**32,522**	**—**	**6,555**	**149**	**176,396**

For THE BOARD OF DIRECTORS
The Chairman
Edoardo Lanzavecchia

RHIAG—INTER AUTO PARTS ITALIA S.p.A.

Registered office in Bergamo, Via Tiraboschi 48

Share Capital €25,510,000

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2011

EXPLANATORY NOTES

GENERAL INFORMATION

The Group companies mainly operate as distributors of spare parts of equivalent quality to the originals, for automobiles and industrial vehicles.

It operates in Italy through three companies and a distribution network comprising 18 distribution centers and two central warehouses located throughout the country. Abroad, it has ten companies, including two in Switzerland and the remainder in Eastern Europe (the Czech Republic, Slovakia, Hungary, Romania and Ukraine).

The parent company Rhiag—Inter Auto Parts Italia S.p.A. is a joint stock company governed by Italian law and registered with the Bergamo Registry. Its registered office is in Bergamo, at via Tiraboschi 48. Rhiag—Inter Auto Parts Italia S.p.A. is wholly owned by Lanchester S.A., a company incorporated in Luxembourg.

The current Group structure is the result of a series of transactions that took place in prior years, as follows:

- 30 June 2007: contribution of the business unit containing primary logistics, the supply chain and information technology to the 100% owned subsidiary Inter Auto Parts Logistica S.r.l.;
- 12 July 2007: acquisition of the Rhiag Group, through a Leverage Buy Out (LBO), by Lanchester S.A., a company incorporated in Luxembourg;
- 17 December 2007: Rhiag S.p.A. was merged with Inter Auto Parts Italia S.p.A. (its 100% parent company) and this was immediately followed by a reverse merger of Sidelia 3 S.p.A. (100% parent company with Inter Auto Parts Italia S.p.A.;
- 23 July 2009: merger by incorporation of subsidiaries Inter Auto Parts Logistica S.r.l. and Sialis 3 S.p.A.;
- 4 August 2010: acquisition from third parties of 100% of Auto Kelly AS (the Czech Republic) and Auto Kelly Slovakia s.r.o. (Slovakia), companies that sell and distribute spare parts for automobiles and industrial vehicles in their respective countries;
- 12 November 2010: parent company Lanchester S.A. (Luxembourg) contributed Rhiag Group Ltd (Switzerland);
- 24 November 2010: liquidation of Elit Polska Spolka zoo.

STANDARDS USED TO PREPARE THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2011 were prepared in compliance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (IASB) which have been endorsed by the European Union. IFRS also include all revised International Accounting Standards (“IAS”) and all the interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), previously the Standing Interpretations Committee (“SIC”).

These consolidated financial statements present comparative information for prior year which has been prepared in compliance with IFRS.

The consolidated financial statements have been prepared on the basis of the historical cost convention, amended as required for measurement of several financial instruments, and on a going concern basis. The Group concluded that, despite the difficult economic and financial situation, there are no significant doubts (as defined in IAS 1) over its ability to operate as a going concern, also thanks to the steps that have already been taken to adapt to the current macroeconomic and market scenarios in which the Group is operating.

In application of IFRS 8, Operating Segments (“IFRS 8”) we note that the Group operates in the “Distribution of spare parts for automobiles and industrial vehicles” industry and is organized into three operating segments: Italy, Eastern Europe and Switzerland, as described in more detail in Note 36. Reference should be made to the Directors’ Report on Operations for details of the performance of the business in 2011.

There have been no departures from the IFRS in the preparation of these Consolidated Financial Statements.

STRUCTURE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND BASIS OF PREPARATION

The consolidated financial statements consist of the consolidated statement of financial position, the consolidated income statement for the year, the consolidated statement of comprehensive income, the consolidated statement of cash flow and the statement of changes in consolidated shareholders’ equity.

The consolidated statement of financial position as prepared with current and non-current assets and liabilities shown separately.

The consolidated income statement is classed by function (otherwise known as "the cost of goods sold" method), as this is considered to be more representative than the "nature of expense" method. The chosen form reflects internal reporting and how the business is managed, and is in line with international practice in the automobile and automotive sector.

The Consolidated Statement of Comprehensive Income includes all changes in shareholders' equity that took place during the year, as a result of transactions other than those with them shareholders. The Group has elected to represent such changes in a statement separate from the income statement.

The changes in consolidated shareholders' equity are presented before the related tax effects showing in a single item the comprehensive amount of income tax relating to those changes.

The consolidated statement of cash flows was prepared using the indirect method.

The statement of changes in consolidated Shareholders' Equity shows separately the results for the year and any other changes that did not pass through the Income Statement but were allocated directly to Consolidated Shareholders' Equity based on specific IAS/IFRS standards and transactions with shareholders.

All amounts shown in the consolidated financial statements are in thousands of Euro, unless otherwise specified.

ACCOUNTING STANDARDS ADOPTED

The Group's consolidated financial statements were prepared by measuring at cost all items except for assets and liabilities classified as "Discontinued operations" for which fair value, as represented by the estimated realizable value, was applied if it could be reliably measured and except for derivative financial instruments which were measured at fair value.

The areas that required a higher level of discretion and the use of significant assumptions and estimates are set out in the "Use of Estimates" section.

Accounting standards, amendments and interpretations effective from 1 January 2011 but not relevant to the Group

The following amendments, improvements and interpretations in effect from 1 January 2011 regulate matters and circumstances that did not apply within the Group at the date of these financial statements but which could have accounting effects on future transactions or agreements:

- Financial instruments: Presentation: Classification of rights issued: amendment to IAS 32;
- Prepayment of a minimum funding requirement: amendment to IFRIC 14;
- IFRIC 19—Extinguishing financial liabilities with equity instruments;
- Improvements to IAS/IFRS (2010).

Accounting standards, amendments and interpretations effective from 1 January 2011 and applied by the Group

On 4 November 2009, the IASB issued a revised version of IAS 24—Related party disclosures which simplifies the type of information required for transactions with related parties that are State controlled and clarifies the definition of related parties. Adoption of this amendment did not produce any effects with regard to the measurement of items in the financial statements while it had a limited effect on the disclosure of related party transactions in these financial statements.

Accounting standards, amendments and interpretations which are not yet applicable and have not been adopted in advance by the Group

At the reporting date, the relevant European Union bodies had not yet completed the approval process required for adoption of the following accounting standards and amendments, except for the amendments dated 7 October 2010 to IFRS 7—Financial instruments: Disclosures, as analyzed below:

- On 12 November 2009, the IASB published IFRS 9—Financial instruments: the standard was later amended. The standard is applicable retrospectively from 1 January 2015 and represents the first part of a step-by-step process that aims to replace IAS 39 entirely and introduce new criteria for the classification and measurement of financial assets and liabilities and for the derecognition of financial assets. For financial assets, the new standard uses an approach based on the methods of managing financial instruments and on the characteristics of the contractual cash flows of financial assets to determine the valuation method, replacing the different rules provided for by IAS 39. Meanwhile, for financial liabilities, the main change regards the accounting treatment of changes in the fair value of a financial liability designated as a financial liability at fair value through profit and loss if they are due to changes in the creditworthiness of the liability itself. Under the new standard such changes must be recorded in the Statement of Comprehensive Income and will no longer pass through the Income Statement.
- On 20 December 2010, the IASB issued a minor amendment to IAS 12—*Income taxes* that clarifies the determination of deferred taxes on investment property measured at fair value. The amendment introduces a presumption that deferred taxes relating to investment property measured at fair value in accordance with IAS 40 shall be determined taking account of the

fact that the carrying amount of the underlying asset will be recovered through sale. As a result of this amendment, SIC-21—*Income taxes—Recoverability of a revalued non-depreciable asset* will no longer be applicable. The amendment is applicable retrospectively from 1 January 2012.

- On 12 May 2011, the IASB issued IFRS 10—*Consolidated Financial Statements* which will replace SIC-12 *Consolidation—Special purpose entities* and parts of IAS 27—*Consolidated and separate financial statements* which will be renamed Separate financial statements and will regulate the accounting treatment of investments in Separate financial statements. The new standard moves on from the existing standards, identifying the concept of control as the determining factor for the consolidation of a company in the consolidated financial statements of its parent company. The new standard also provides guidelines for use in determining whether control exists if this is difficult to ascertain. The standard is applicable retrospectively from 1 January 2013.
- On 12 May 2011, the IASB issued IFRS 11—which will replace IAS 31—*Interests in Joint Ventures* and SIC-13—*Jointly controlled entities—Non-monetary contributions by venturers*. The new standard provides criteria for use in identifying joint arrangements based on rights and obligations arising from such arrangements rather than on their legal form. It also establishes the equity method as the sole method for use in accounting for interests in jointly controlled entities in consolidated financial statements. The standard is applicable retrospectively from 1 January 2013. Since the issue of IFRS 11, IAS 28—*Investments in associates* has been amended to include interests in jointly controlled entities in its scope of application from the effective date of the standard.
- On 12 May 2011, the IASB issued IFRS 12—*Disclosure of interests in other entities* which is a new and complete standard on disclosures required on all types of interest, including those in subsidiaries, joint arrangements, associates and unconsolidated special purpose entities and other non-consolidated vehicle entities. The standard is applicable retrospectively from 1 January 2013.
- On 12 May 2011, the IASB issued IFRS 13—*Fair value measurement* which clarifies how fair value must be determined for financial reporting purposes and applies to all IFRS that require or permit fair value measurement or the presentation of information based on fair value. The standard is applicable prospectively from 1 January 2013.
- On 16 June 2011, the IASB issued an amendment to IAS 1—*Presentation of financial statements* which requires entities to group together all items presented as Other comprehensive income/(losses) based on whether or not they can subsequently be reclassified to the income statement. The amendment is applicable to periods commencing on or after 1 July 2012.
- On 16 June 2011, the IASB issued an amendment to IAS 19—*Employee benefits* which eliminates the option to defer recognition of actuarial gains and losses under the corridor method, requiring the deficit or surplus on the fund to be presented in the statement of financial position, the recognition in the income statement of service costs and net financial expenses and the recording of actuarial gains and losses arising from remeasurement of assets and liabilities in other comprehensive income. Moreover, the return on plan assets included in net financial expenses must be calculated based on the discount rate of the liabilities and no longer based on the expected return. Finally, the amendment introduces additional new disclosures that must be provided in the notes to the financial statements. The amendment is applicable retrospectively from the period commencing 1 January 2013.
- On 16 December 2011, the IASB issued several amendments to IAS 32—*Financial Instruments: presentation*, to clarify the application of certain criteria for the offsetting of financial assets and liabilities included in IAS 32. The amendments are applicable retrospectively for periods commencing on or after 1 January 2014.
- On 16 December 2011, the IASB issued several amendments to IFRS 7—*Financial instruments: Disclosures*. This amendment requires further information on the effects or potential effects of contracts offsetting financial assets and liabilities on the statement of financial position. The amendments are applicable to periods commencing on or after 1 January 2013 and for interim periods after that date. Information must be provided retrospectively.

Finally, on 7 October 2010, the IASB published several amendments to IFRS 7—*Financial instruments: Disclosures*, applicable to accounting periods beginning on or after 1 July 2011. The amendments were issued in order to improve understanding of transactions involving the transfer of financial assets, including the possible effects resulting from any risk remaining with the entity that transferred such assets. The amendments also require additional information in the event that a disproportionate number of such transactions is in place at the end of a reporting period. Adoption of these amendments will not have any effects with regard to the measurement of items in the financial statements.

SCOPE AND PRINCIPLES OF CONSOLIDATION

The scope of consolidation includes the financial statements as at 31 December 2011 of Rhiag—Inter Auto Parts Italia S.p.A. and its subsidiaries.

Subsidiaries are companies in which the Group exercises control, as defined by IAS 27—Consolidated and Separate Financial Statements. Such control exists when the Group has the power, directly or indirectly, to determine the financial and operating policies of an entity so as to obtain benefits from its operations. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control was assumed and up to the time that such controls ceases. Non-controlling interests in capital and reserves and non-controllinmg interests in the profits and losses of consolidated subsidiaries are identified separately in the consolidated statement of financial position and income statement.

The financial statements of each consolidated company are prepared and approved by the respective Boards of Directors, in accordance with IFRS. The statutory financial statements of each company are prepared according to local Gaap (generally accepted accounting principles) and are approved by the respective Shareholder‘s Meeting. The reconciliation between statutory and IAS/IFRS statements are approved by each Board of Directors.

The financial statements of subsidiaries were consolidated on a line by line basis.

That method involves including the full amounts of assets, liabilities, costs and revenues (regardless of the percentage equity investment held) and attributing to non-controlling interests, in specific line items in the consolidated financial statements, their share of equity and the result for the year.

When preparing the consolidated financial statements, all balances and significant transactions between Group companies were eliminated, as were unrealized profits and losses on intercompany transactions. Unrealized profits and losses from transactions with associated undertakings or jointly controlled companies are eliminated based on the size of the Group’s interest in those entities.

Unrealized losses between subsidiaries are also eliminated unless the transaction indicates the impairment of an asset.

Transactions denominated in currency other than Euro (foreign currency) are recorded at the spot exchange rate at the transaction date. Monetary assets and liabilities denominated in a foreign currency at the reporting date are translated at the spot exchange rate on that date. Exchange differences arising from settlement of monetary items or their translation at rates different than those at which they were translated on initial recognition during the year or in the financial statements of previous years are recognized in the income statement.

All assets and liabilities of subsidiaries companies denominated in foreign currencies are translated at the exchange rates prevailing at the reporting date. Revenues and costs are translated at the average exchange rate for the year. Translation differences arising from application of this method are classified under equity until disposal of the equity investment.

Goodwill and adjustments to fair value generated upon the acquisition of a foreign entity are recognized in the relevant currency and translated using the year end exchange rate.

The exchange rates used to translate into Euro the 2011 and 2010 financial statements of foreign companies were as follows:

	Spot rate		Average rate	
	31/12/2011	31/12/2010	2011	2010
Swiss Franc—Switzerland	0.8218	0.7996	0.8111	0.7241
Czech Koruna—Czech Rep.	0.0391	0.04	0.0407	0.0396
Hungarian Forint—Hungary	0.0032	0.0036	0.0036	0.0036
Zloty—Poland	0.2239	0.2523	0.2427	0.2505
Leu—Romania	0.2312	0.2335	0.2359	0.2374
Hryvnia—Ukraine	0.0964	0.0953	0.0899	0.0948

See Annex 1 for a list of entities included in consolidation, their registered offices, the percentage interests held and the consolidation method adopted.

Business combinations

Business combinations are recognized using the acquisition method. Under this method, the consideration transferred in a business combination is measured at fair value, calculated as the amount of the fair value of the assets transferred and liabilities assumed by the Group on the acquisition date and of the equity instruments issued in exchange for control of the company acquired. Acquisition-related costs are recognized in the income statement when they are incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at fair value; the following items constitute an exception as they are measured as required by the relevant standard:

- Deferred tax assets and liabilities;
- Assets and liabilities for employee benefits;
- Liabilities or capital instruments relating to share based payments in shares of the entity acquired or share based payments relating to Group shares issued in replacement of the contracts of the entity acquired;
- Assets held for sale or discontinued assets and liabilities.

Goodwill is determined as the surplus deriving from the sum of the consideration paid in the business combination, the equity pertaining to non-controlling interests and the fair value of any investment previously held in the entity acquired compared to the fair value of the net assets acquired and liabilities assumed on the acquisition date. If the value of the net assets acquired and liabilities assumed on the acquisition date exceeds the sum of the consideration paid, the value of equity pertaining to non-controlling interests and the fair value of any investment previously held in the entity acquired, this surplus is directly recognized in the income statement as bargain purchase gain.

Equity pertaining to non-controlling interests at the acquisition date can be measured at fair value or the value of the net assets is recognized as a proportionate share for the entity acquired. The valuation method is selected for each individual transaction.

Any contingent consideration provided by the business combination agreement is measured at fair value on the acquisition date and included in the value of the consideration transferred as part of the business combination for determination of the goodwill. Any subsequent changes in that fair value, that may be classed as adjustments arising during the measurement period, are included in goodwill retrospectively. Changes in fair value classed as adjustments arising during the measurement period are those resulting from additional information about facts and circumstances that existed at the acquisition date, obtained during the measurement (which cannot exceed a period of one year from the business combination).

For business combinations achieved in stages, the investment previously held by the Group in the entity acquired is restated at fair value on the date control is acquired and any gain or loss arising is recognized in the income statement. Any amounts resulting from investments already held and recognized under Other Comprehensive Income or Losses are reclassified to the income statement as if the investment had been disposed of.

If the initial amounts relating to a business combination are incomplete at the end of the reporting period during which the business combination took place, the Group reports provisional amounts in its consolidated financial statements for those items whose recognition cannot be finalized. These provisional amounts are adjusted during the measurement period to take account of the new information obtained on facts and circumstances existing at the acquisition date which, had they been known, would have affected the amount of the assets and liabilities and recognized at that date.

Business combinations that took place prior to 1 January 2010 have been accounted for in accordance with the previous version of IFRS 3.

Transactions under common control

A business combination involving entities or groups under common control (a transaction under common control) is a combination in which all the entities or businesses are ultimately controlled by the same entity or the same entities both before and after the business combination and that control is not of a temporary nature.

If significant influence over future cash flows after the transfer of all entities is demonstrated, these transactions are dealt with as described under "business combinations and goodwill".

If, however, this cannot be demonstrated, such transactions are recognized according to the principle of consistent carrying amounts.

In particular, the accounting policies, in application of the principle of continuity, as indicated in IAS 8, in line with international practices and according to the guidelines of the Italian accounting profession in regard to business combinations under common control, provide that the purchaser must recognize the assets acquired at their historical book values as determined on based on their cost where the transfer amounts are greater than historical amounts.

Property, plant and equipment

Property, plant and equipment is recognized at acquisition cost, including related charges (such as transport and installation costs), as adjusted for accumulated depreciation.

Improvement costs are allocated as increases to such assets only when they produce increases in productivity.

Repair and maintenance costs are recorded in the income statement for the period in which they are incurred.

Maintenance expenses are capitalized if they increase of the value or useful life of the related asset and are depreciated over the estimated useful life of that asset.

Property, plant and equipment is systematically depreciated each year on a straight-line basis over the estimated useful life of the assets.

Depreciation begins when the asset is available and ready for use.

The annual depreciation rates applied are as follows:

Asset category	Rate
Buildings	4%
Plant and equipment	10%
Leasehold improvements	Contract
Other assets:	10%
—IT equipment, software & office machinery	33%
—Commercial vehicles	33%
—Furniture	20%

Costs for leasehold improvements are depreciated over the shorter of the useful life of the asset and the duration of the related contracts.

Leases in which the lessor maintains essentially all risks and benefits of ownership of the assets are classified as operating leases. Costs relating to operating leases are recorded on a straight-line basis in the income statement over the duration of the lease.

Assets acquired under finance leases are recognized at their acquisition date under "Property, plant and equipment" and measured at the lower of fair value and the present value of future payments. The corresponding liabilities are recognized in the statement of financial position under "Other financial liabilities" current or non-current. Installments paid are recorded as reductions to these liabilities with the interest element recorded in the income statement under "Financial income/(expenses).

When, regardless of the depreciation already recorded, the value of an asset is impaired, it is adjusted accordingly by means of a specific provision. If the reasons for the impairment adjustment cease to exist in future years, the original value is restored as adjusted only for depreciation and had no impairment loss been recognized in prior years.

Property, plant and equipment is not revalued.

Intangible assets

Intangible assets acquired separately are recorded under assets at the purchase cost when it is probable that use of the asset will generate future economic benefits and when the cost of that asset can be reliably determined. Intangible assets acquired through business combinations are recorded at fair value at the acquisition date if that value can be reliably determined.

Intangible assets may have a determinate or indeterminate useful life and, in particular, they include trademarks (registration expenses), software and software licenses amortized over three years.

All intangible assets with a determinate useful life are amortized on a straight-line basis over their estimated useful life and subjected to an impairment test if there are indicators of possible impairment.

Goodwill

Goodwill arising from business combinations is initially recorded at cost at the acquisition date, as defined in the above paragraph on Business combinations. Goodwill is not amortized but subjected to an impairment test annually or more frequently if specific events or altered circumstances indicate that impairment may have occurred. After initial recognition, goodwill is measured at cost net of any accumulated impairment losses.

At the time of disposal of all or part of a previously acquired entity whose acquisition resulted in goodwill, the residual value of the goodwill is taken into account when determining the gain or loss on disposal.

Any negative difference ("bargain purchase gain") is recognized in the income statement at the time of acquisition.

Impairment of assets

The Group periodically checks the recoverability of the carrying amount of intangible assets, goodwill and property, plant and equipment, in order to determine whether there are any indicators of impairment of these assets. If there are any such indicators, the carrying amount of the asset is reduced to the related recoverable amount. An intangible asset with an indeterminate useful life is subjected to impairment testing each year, or more frequently, whenever there is an indication that the asset may have been impaired.

When the recoverable value of an individual asset cannot be estimated, the Group estimates the recoverable value of the cash generating unit to which the asset belongs.

The recoverable amount of an asset is the greater of fair value less costs to sell and value in use. To determine the value in use of an asset the Group calculates the present value of the estimated future cash flows, gross of taxes, applying a discount rate, before taxes, that reflects the current market values of the time value of money and the specific risks of the asset. An impairment loss is recorded if the recoverable value is lower than carrying amount.

If, subsequently, impairment of an asset other than goodwill no longer applies or decreases, the carrying amount of the asset or the cash generating unit is increased up to the new estimate of recoverable value and cannot exceed the carrying amount that would have been determined if no impairment had been recorded.

Reversal of an impairment loss is recognized directly in the income statement.

Receivables and other financial assets

Receivables and other financial assets are initially recognized at fair value which corresponds to their nominal value. Subsequently they are valued at amortized cost on the basis of the original effective rate of return of the financial asset. Financial assets are derecognized from the statement of financial position when the contractual right to receive cash flows has been transferred and the entity no longer has control over those financial assets.

Receivables due after more than one year, that are non-interest bearing or mature interest at less than market rates, are discounted.

Inventory

Inventory is measured at the lower of weighted average cost and estimated realizable value as indicated by market performance, with account taken of any write-downs.

Cost includes direct and indirect costs and related charges insofar as they can be reasonably allocated to inventory.

Obsolete or slow moving inventory is written down based on its possibility of use or realization by creating a specific allowance which directly reduces the value of the corresponding asset. Write downs made in order to bring cost into line with market value are reversed in future years if the reason for the write-down ceases to exist.

Trade receivables, other current receivables and tax credits

Trade receivables, other current receivables and tax credits are recorded in the consolidated financial statements at their fair value, represented by nominal value adjusted for any impairment through the creation of a specific bad debt provision. The amount of the provision depends on the size of the risks relating to specific "non-performing" debts and debts that are overdue by specific lengths of time as identified by the Group for each individual country.

Cash and cash equivalents

Cash and cash equivalents are recorded, depending on their nature, at their nominal value or at amortized cost.

Assets and liabilities destined for sale and Discontinued Operations

Assets and Liabilities destined for sale and Discontinued Operations are classified as such if their carrying amount will be recovered primarily through sale rather than through continued use. These conditions are considered satisfied at the time when the sale or discontinuation of the group of assets in question is considered highly probable and the assets and liabilities are immediately available for sale in their current condition.

When the Group is involved in a disposal process that involves the loss or control over a subsidiary, all of the assets and liabilities of that subsidiary are classified as destined for sale when the conditions described above are satisfied, also in the case where, after disposal, the Group continues to hold a non-controlling investment in the subsidiary.

In the consolidated financial statements, these assets and liabilities are classified under balance sheet items "Assets held for sale" and "Liabilities associated whit assets held for sale" and under "Profit (loss) from discontinued operations" in the income statement. They are measured at the lower of net carrying amount and fair value less selling and disposal costs.

Bank borrowing and other financial liabilities

Bank borrowing and other financial liabilities are initially measured at the nominal value of the loan received net of any related charges. Subsequently they are measured at amortized cost using the effective interest method. Any difference between the nominal amount less related charges and the amount upon maturity is recognized to profit and loss.

Derivative financial instruments

All derivative financial instruments are measured at fair value, as required by IAS 39.

In line with the provisions of IAS 39, derivative financial instruments can be accounted for using the hedge accounting method only when, at the onset of the hedge, the hedge itself is formally designated and documented, the hedge is considered to be highly effective, effectiveness can be reliably measured and the hedge itself is highly effective in the various reporting periods for which it is designated.

When financial instruments have the characteristics needed for hedge accounting to be used and, in particular, when the fall into the cash flow hedge category, changes in fair value for the effective portion of these instruments are recognized through shareholders' equity while changes in net value relating to the ineffective portion are recognized through the income statement under borrowing costs/financial expenses. The accumulated gains or losses are written back from equity and accounted for through the income statement in the same period when the related transaction that is being hedged is recognized. The gains or losses associated with a hedge (or part of a hedge) that has become ineffective are recognized directly in income. If a hedging instrument or a hedging relationship are terminated but the transaction for which the hedge was created has not yet taken place, the accumulated gains and losses recorded up to that time in equity are recognized through the income statement at the same time the hedged transaction is recognized. If it is no longer considered probable that the hedged transaction will take place the unrealized gains or losses that have been reflected in equity are immediately recognized through the income statement.

If hedge accounting cannot be applied, the gains or losses from the valuation at fair value of the derivative financial instruments are recognized directly through the income statement under financial income and expenses.

The gain or loss resulting from the conclusion, replacement or disposal of a hedging instrument is recognized as required by IAS 39.

At the reporting date, the Group did not have any derivative financial instruments.

Provisions relating to personnel and agents

The main employment benefit paid at or after termination of employment is the employee leaving indemnity (TFR).

Law number 296 of 27 December 2006 ("Finance Law 2007") and subsequent Decrees and Regulations issued in early 2007 introduced significant amendments to the TFR, including the employee's right to select the destination of the TFR amounts accruing in his/her favor.

For IFRS purposes this requires a different accounting treatment as follows:

a) TFR amounts accruing from 1 January 2007: This is a defined contribution plan , both in the case of the supplementary pension plan option and the option of making payments into the INPS Treasury Fund. The accounting treatment will therefore be similar to that used for other types of contributions.

b) TFR amounts maturing up until 31 December 2006: This remains a defined benefit plan with the consequent necessity for actuarial calculations. to be carried out by independent actuaries, that exclude the component regarding future wage increases. The liability is recognized in the consolidated financial statements at the present value of the Group's obligations based on actuarial assumptions using the so-called "projected unit credit method." The actuarial gains and losses resulting from changes in assumptions and variations between actual and assumed data are directly recognized through the income statement. The present value of the obligation is determined by discounting future cash flows at an interest rate equivalent to the Euro Swap rate with a duration equal to duration of the group of employees in question.

Provisions for agents represent the cumulative indemnities due to agents in compliance with applicable legislative and contractual provisions. These indemnities are payable upon termination of the agency relationship if the relationship is terminated by the Company or in the case of death/retirement of the agent.

This future liability is determined on the basis of actuarial assumptions in accordance with IAS 37.

Trade payables and other current liabilities

Trade payables and other current liabilities, subject to normal commercial terms of payment, are initially recognized at cost, identified as the nominal value, and are not discounted.

Provisions for risks and charges

The Group records a provision for risks and charges when it has a legal or constructive obligation towards third parties and it is probable that Group resources will have to be used to fulfill the obligation and a reliable estimate of the amount of the obligation can be made.

Changes in estimates are reflected in the income statement for the period in which the change occurs.

Deferred taxes and income taxes

Income taxes include all taxes calculated on the Group's taxable income. Income taxes are recognized in the income statement, except for those relating to items that are directly debited or credited to shareholders' equity, in which case the tax effect is recognized directly through equity.

Other taxes not related to income are included among operating expenses.

Deferred taxes are allocated using the liability method. Deferred tax liabilities are calculated on all temporary differences arising between the tax base of an asset or liability and the book value in the consolidated financial statements, except for goodwill non-deductible for tax purposes.

Deferred tax assets on tax losses and unused tax credits brought forward, and on temporary differences, are recognized to the extent that it is probable that there will be future taxable income against which they can be utilized.

Current and deferred tax assets and liabilities are offset when the income taxes are applied by the tax authority and when the legal right to offset exists. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable in the years in which the temporary differences will be realized or settled.

Revenue recognition

Revenues are recognized to the extent that it is probable that the Group will obtain economic benefits whose value may reliably be determined.

Revenues from the sale of goods are recognized when the risks and benefits connected to the ownership of such goods are transferred to the purchaser, the selling price is agreed or can be determined and collection of the amount due is expected; this moment generally corresponds with the delivery date to the customer.

Revenues from services are recognized according to the stage of completion of the services.

Cost of goods sold

Cost of goods sold includes the cost of purchasing products and goods that have been sold, directly related costs such as transport and packaging, allocations to the provision for obsolete inventory and changes in inventory.

Cost of goods sold also includes costs relating to Group employees.

Financial income and expenses

Financial income and expenses are recognized on an accruals basis according to the interest earned on the carrying value of the related financial assets and liabilities using the effective interest rate.

Earnings per share

Basic earnings per share is calculated dividing the Profit/(Loss) attributable to the shareholders of the holding company by the weighted average number of shares in issue during the period. In order to calculate diluted earnings per share, the weighted average number of shares in issue is adjusted assuming the conversion of all shares and financial instruments with a potential diluting effect.

Contingent liabilities

The Group recognizes a liability against those disputes for which it is considered probable that a cash outflow will be required and when the amount of the losses can be reasonably estimated. If a cash outflow becomes possible but its amount cannot be determined, this is disclosed in the notes to the consolidated financial statements.

Use of estimates

The preparation of the consolidated financial statements and related explanatory notes in application of IFRS requires management to use estimates and assumptions that affect the values of the assets and liabilities of the financial statements and the information relating to the assets and contingent liabilities at the reporting date. The estimates and assumptions used are based on experience and other factors that are considered relevant. The actual results could therefore differ from such estimates. The estimates and assumptions are reviewed periodically and the effects of each change to them is reflected in the income statement in the period in which the estimate is revised if the estimate affects only that period, or in subsequent periods if the revision affects both the current year and future years.

It is noted that the situation caused by the current economic and financial crisis has made it necessary for assumptions regarding future performance to be made that are characterized by significant uncertainty. As such, actual results may differ significantly from the estimates in future years, requiring potentially significant adjustments to the carrying amount of the relevant items, which can currently neither be anticipated nor estimated. The major financial statement items affected by such situations of uncertainty are the bad debt provisions, the inventory obsolescence provision, non-current assets (intangible assets and tangible assets), deferred tax assets, pension funds and other post-employment benefits.

The valuation processes and key assumptions used by management in applying the accounting standards to the future and which may significantly affect the measurement of items in the financial statements or for which there exists a risk of impairment in subsequent years are summarized below.

(a) Goodwill impairment

The Group checks goodwill impairment at least annually by means of an impairment test whereby the recoverable value generated by cash generating units is determined as their value in use through the discounted cash flow method. In applying this method the Group uses various assumptions, including the estimate of future increases in sales, gross margin, operating costs, growth rates of terminal values, investments, changes in operating capital and the weighted average cost of capital (discount rate).

Finally, it should be noted that in order to verify the recoverability of the value of goodwill in 2011, the Group made specific forecasts about revenue and profit growth rates, considering that sales and profit objectives would be achieved more slowly and taking account of the economic and financial environment and the market which has been profoundly affected by the current situation of uncertainty in the automotive industry. Should the major estimates and assumptions made for preparation of the plan change, resulting in a change in the impairment test, the value in use could change as could the result that will be achieved regarding the value in use of the recognized assets. Therefore the Group cannot be certain that the goodwill and other assets will not suffer impairment in future years.

(b) Bad debt provision

The bad debt provision reflects management's estimate of losses relating to the portfolio of trade receivables from end customers and the sales network. The estimate of the bad debt provision is based on the losses expected by the Group, which are determined on the basis of past experience for similar receivables, current and historical overdue amounts, losses and collections, careful monitoring of credit quality and projections regarding economic and market conditions. The extension or possible worsening of the current economic and financial crisis could result in further deterioration of the financial conditions of the Group's debtors over and above the deterioration already taken into consideration when estimating the bad debt provision for the consolidated financial statements.

(c) Inventory obsolescence provision

The inventory obsolescence provision reflects management's estimate of impairment expected by the Group, as determined according to past experience and the historical and expected performance of the spare parts market. The current economic and financial crisis could result in further deterioration of conditions in the spare parts market over and above the deterioration already taken into consideration when estimating the provision in the consolidated financial statements.

(d) Current and deferred taxes

The Group recognizes assets and liabilities for taxes generated based on estimates reflecting the higher future tax effect. Where the final outlay or refund relating to these amounts differs from the amount originally recognized, these differences are allocated to current and deferred taxes in the year in which the determination was made. In particular, budgeted profits and forecasts for future years, consistent with those used for the impairment tests, have been considered when recognizing deferred tax assets; the recoverability of these taxes is therefore subject to the risk of a deterioration of the assumptions used in those forecast.

The estimates are reviewed periodically and the effects are reflected in the income statement.

(e) Estimates regarding compliance with covenants

The Group has loans subject to covenants based on parent company financial data. Management periodically collects financial information to check compliance with these covenants and their effects on the Group's finances.

(f) Contingent liabilities

The Group may be subject to legal and tax proceedings referring to a wide array of issues. Given the uncertainty regarding such issues, it is difficult to predict with certainty the outflow that may derive from such disputes. Lawsuits and claims against the Group often result from legal issues that are complex and difficult and subject to a varying level of uncertainty, including specific facts and circumstances regarding each lawsuit and the different applicable laws. In the normal course of business, management receives the opinions of its legal consultants and experts in legal and tax affairs.

Comparability of financial statements

As a result of changes to the scope of consolidation that occurred the previous year as a result of the acquisition of the Auto Kelly Group and the contribution of the Rhiag Group Ltd in August 2010 and December 2010, respectively, the consolidated income statement for the year ended 31 December 2011 shows changes compared to prior year that reflect the different contributions made by the above transactions because of the different time periods compared. For details of the changes that would have taken place with a "*like for like scope of consolidation*" i.e. changes over a similar 12 month period, see the Directors' Report (note that the like-for-like figures have not been audited).

COMMENTS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. PROPERTY, PLANT AND EQUIPMENT

Movements on property, plant and equipment are shown in the following table:

	Land & buildings	L/hold improvements	Plant and equipment	Other assets	Total
NBV as at 31/12/2009	**4,027**	**1,268**	**12,912**	**1,382**	**19,589**
Exchange differences	46	(4)	86	17	145
Additions	14	357	4,345	1,834	6,550
Other increases	368	440	2,651	2,199	5,658
Disposals	(141)	—	(81)	(57)	(279)
Depreciation	(35)	(435)	(3,267)	(1,728)	(5,465)
NBV as at 31/12/2010	**4,279**	**1,626**	**16,646**	**3,647**	**26,198**
Exchange differences	(414)	(24)	(241)	(15)	(694)
Additions	151	404	5,564	2,661	8,780
Other increases	—	—	—	—	—
Disposals	(33)	(5)	(353)	(178)	(569)
Depreciation	(53)	(572)	(3,937)	(2,681)	(7,243)
NBV as at 31/12/2011	**3,930**	**1,429**	**17,679**	**3,434**	**26,472**

"Purchases" of property, plant and equipment by geographical area are shown below:

	Italy	Switzerland	Eastern Europe	Total
2011				
Land & buildings	0	142	9	151
L/hold improvements	291	0	112	403
Plant and equipment	1,137	387	4,041	5,565
Other assets	59	580	2,022	2,661
Total	**1,487**	**1,109**	**6,184**	**8,780**

Additions to "Leasehold improvements" mainly refer to maintenance, structural works and works performed to comply with legal regulations at locations where the Rhiag Group's distribution activities are carried out.

Additions to plant and equipment mainly refer to shelving and equipment to handle inventory in the various Group warehouses, primarily regarding companies in the Eastern Europe operating segment following the opening of new branches.

Additions to other assets mainly refer to purchases of cars, vans and lifting equipment for warehouses.

The property, plant and equipment of Italian companies Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A. are encumbered by a special lien as security for the loan granted by ING Bank on 12 July 2007.

2. INTANGIBLE ASSETS

Movements on intangible assets are as follows:

	Other
NBV as at 31/12/2009	**1,818**
Exchange differences	30
Additions	1,751
Other increases	132
Disposals	(2)
Amortization	(1,477)
NBV as at 31/12/2010	**2,252**
Exchange differences	(45)

	Other
Additions	1,858
Other increases	—
Disposals	(1)
Amortization	(1,711)
NBV as at 31/12/2011	**2,353**

"Purchases" by geographical area are analyzed below:

	Italy	Switzerland	Eastern Europe	Total
2011				
Intangible assets	796	73	989	1,858

Increases for the year mainly refer to the purchase of software to manage the booking of goods into and out of inventory, management and financial reporting, technical databases of spare parts for automobiles and industrial vehicles, applications for the network of "*A posto*" garages and the e-catalogue for Italian companies.

In Eastern Europe, purchases regard inventory management software and reporting systems mainly by Elit in the Czech Republic, Romania and Hungary.

3. GOODWILL

Movements on goodwill are as follows:

	Goodwill
Amount as at 31.12.2009	203,540
Exchange differences	3,194
Increases	64,492
Decreases	—
Impairment adjustment	—
Amount as at 31.12.2010	**271,226**
Exchange differences	(1,048)
Increases	—
Decreases	—
Impairment adjustment	—
Amount as at 31.12.2011	**270,178**

Goodwill has been allocated to seven cash generating units (CGUs), identified as the companies and sub-groups of companies acquired. They reflect the CGUs monitored at management reporting level by Group management.

The CGUs identified are as follows:

- Rhiag CGU: Rhiag—Inter Auto Parts Italia S.p.A.
- Bertolotti CGU: Bertolotti S.p.A.
- Rhiag Engineering CGU: Rhiag Engineering S.p.A.
- Switzerland CGU: Rhiag Group Ltd, wholly owned subsidiary of Rhiag—Inter Auto Parts Italia S.p.A.
- Elit CGU: comprises companies operating in Eastern Europe—Elit Czech Republic (ECZ), Elit Slovakia (ESK), Elit Ukraine (EUA), Elit Romania (ERO). The shares in these subsidiaries are held by a Swiss holding company—Elit Group Ltd (100%-owned by Rhiag – Inter Auto Parts Italia S.p.A).
- Hungary CGU: comprising Lang Kft and its subsidiary CarGo Kft
- Auto Kelly CGU: comprising Auto Kelly AS and Auto Kelly Slovakia s.r.o.

The decrease in goodwill is due to exchange differences arising between the date of allocation of goodwill to the foreign CGUs and the reporting date.

All CGUs operate in the automobile and industrial vehicle spare parts distribution market, except for Rhiag Engineering S.p.A. which is a dealer in original components for manufacturers of new cars.

As at 31 December 2011, goodwill by CGU was as follows:

CGU	2011	2010
Rhiag	191,321	191,321
Bertolotti	5,351	5,351
Rhiag Engineering	959	959
Switzerland	13,505	13,136
Elit	8,678	8,875
Hungary	0	0
Auto Kelly	52,851	54,071
Consolidation adjustments	(2,487)	(2,487)
Total	**270,178**	**271,226**

As required by IAS 36, the Rhiag Group has verified the recoverability of the carrying amount of the goodwill recorded in the consolidated financial statements as at 31 December 2011. Specifically, the goodwill is subjected to an impairment test at least once a year, even when there are no indicators of impairment.

The recoverable value of the goodwill of each CGU is tested based on an Asset side approach, comparing the value in use of the CGU with its carrying amount. The value in use of each CGU was determined by discounting estimated cash flows.

Estimated cash flows are based on forecast figures included in the 2012-2017 Business Plan, approved by the Company's Board of Directors on 28 March 2012.

The six-year duration of the plan (2012-2017) is in line with the residual period of the loan arranged by the Group with ING Bank to finance the Group's acquisition in 2007. The Business Plan covers the entire residual period of this loan in order to highlight the Group's capacity to generate sufficient cash flow to fulfill its commitments towards the lending bank each year.

The plan includes the income statement and cash flow forecasts each country, as prepared by local management based on the current and forecasted performance, divided by market/country, the strategic positioning of each individual company and guidelines agreed with the Parent Company. The Parent Company pursues a strategy of constant, sustainable growth, based on investment in the business infrastructure (supply chain, logistics and IT systems), on investment in the product range, trade marketing and on control of variable and fixed costs and cash flows and a constant search for operating synergies within the Group. The plan was drawn up for the first three years based on the business plans of the CGUs and, for the remaining three years, using constant assumptions inferred from the historical trends of previous years.

The discount rate used for operating cash flows is the WACC rate before taxation. It is derived by grossing up the post-tax WACC with the theoretical tax rate in force in each country (31.4%,—IRES + IRAP—for Italy; 21.3% for Switzerland; 19.0% for Czech Republic). In line with the above, operating cash flows are stated including taxes, i.e. without considering the theoretical tax expenses on operating revenues as a cash out.

Some parameters on which the WACC calculation is based are common to all CGUs:

- Unlevered Beta: given that all CGUs operate in the same industry sector, the same Unlevered Beta (0.68) taken from a single panel of comparable companies was considered when calculating the rate.
- Financial structure: the adoption of one single debt/equity ratio for all CGUs is based on the assumption that the leverage rate of the companies in a group largely depends on the strategies and policies implemented centrally and aimed at maximizing value for the Parent Company.

Given the particular characteristics of the Group and taking into account the fact that the cost of much of its debt depends on the level of financial leverage, it is appropriate to estimate various financial structures and, therefore, various WACC, as part of a process leading towards an average financial structure typical of the sector as shown by a panel of comparable companies.

The average financial structure of the panel of comparable companies shows a Debt/Equity ratio of 24.7 as at 31 December 2011. This ratio was used in the WACC estimate to discount cash flows for 2015 and subsequent years.

The specific parameters calculated separately for each CGU are as follows:

- risk free rate of the country of each CGU. This rate was inferred from market yields on government bonds with a ten-year residual period: 5.3% for Italy, 1.5% for Switzerland, 3.8% for the Czech Republic;
- levered beta, which is different for each country due to the different tax rates included in the leveraging formula;
- market risk premium (MRP): varies from country to country: 7.5% for Italy; 6.00% for Switzerland; 7.28% for Czech Republic (source: Damodaran, January 2012, website);
- "g" growth rate used: equal to zero.

Details of the WACC used for each single CGU are shown in the following table:

WACC pre tax Year	CGU RHIAG	 BERTOLOTTI	 RHIAG ENGINEERING	 ELIT	 SWITZERLAND	 AUTO KELLY
2012	13.81%	13.81%	13.81%	10.64%	7.85%	10.64%
2013	13.96%	13.96%	13.96%	10.68%	7.80%	10.68%
2014	14.28%	14.28%	14.28%	10.74%	7.67%	10.74%
2015	14.35%	14.35%	14.35%	10.90%	7.94%	10.90%
2016	14.35%	14.35%	14.35%	10.90%	7.94%	10.90%
2017	14.35%	14.35%	14.35%	10.90%	7.94%	10.90%

Based on the test performed on all CGUs, no goodwill impairment was identified.

The following table shows the variances in the level of sales and WACC assumed in the Business Plan that would bring the recoverable amount of the CGU into line with carrying amount:

CGU Variance applied over six years of BP	Sensitivity analysis % decrease in sales	 Increase in WACC
RHIAG	–5.02%	11.38%
BERTOLOTTI	–6.32%	23.48%
RHIAG ENGINEERING	–1.59%	7.35%
ELIT	–7.40%	48.66%
SWITZERLAND	–3.61%	12.68%
AUTO KELLY	–8.60%	41.69%

It should also be noted that the specific parameters calculated to determine the WACC have been negatively impacted by recent trends on the financial markets, especially with regard to the estimated risk free rate and the Market Risk Premium. Indeed, over the last six months, these parameters have recorded exponential increases on the Italian market primarily and also on the Eastern Europe market with a "*flight to quality*" tendency that has led, on the one hand, to lower yields on ten-year government bonds considered "safer" (e.g. Swiss government bonds) and, on the other hand, to accompany exponential increases in yields on Italian and Czech government bonds. At the same time, the higher yields on government bonds of those countries and the increased spread compared to "safer" bonds has also led to an increase in the Market Risk Premium associated with Italy and the Czech Republic, essentially leading to a dual negative effect on these countries. The Group has, therefore, performed a further sensitivity analysis applying interest rates that take account of these effects—the sensitivity analysis confirmed the results of the impairment test performed.

4. INVESTMENTS

The change compared to 2010 primarily regards the investment held by Rhiag Group Ltd in Carl Vogt, a company based in Geneva.

5. RECEIVABLES AND OTHER FINANCIAL ASSETS

	As at 31.12.2011	As at 31.12.2010
Guarantee deposits	881	734
Other	281	752
Receivables and other financial assets	**1,162**	**1,486**

Guarantee deposits relate to amounts paid by the Italian companies to guarantee rental payments for leased company premises as well as for the related utilities.

Other receivables refer to third-party receivables due after more than 12 months, mainly recorded in the Czech Republic, Slovakia and Switzerland.

As at 31 December 2011, "Receivables and other financial assets" amounting to Euro 1,162 thousand, decreased by Euro 471 thousand primarily because of the other receivables of Elit CZ and Rhiag Group Ltd which decreased by Euro 357 thousand and Euro 75 thousand, respectively.

6. DEFERRED TAXES

Deferred tax assets and liabilities and movements thereon are shown below:

	As at 31.12.2011	As at 31.12.2010
Deferred tax assets	3,287	2,892
Deferred tax liabilities	(794)	(849)
Total deferred taxes, net	**2,493**	**2,043**

Movements on deferred tax assets	As at 31.12.2011	As at 31.12.2010
Opening balance	2,892	2,918
Other changes	—	354
Income statement effect	395	(380)
Closing balance	**3,287**	**2,892**

Movements on deferred tax liabilities	As at 31.12.2011	As at 31.12.2010
Opening balance	(849)	—
Other changes	—	(853)
Income statement effect	55	4
Closing balance	**(794)**	**(849)**

Deferred taxes are broken down as follows:

	Statement of Financial Position		Other changes		Income Statement	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Italy:						
Inventory obsolescence provision	231	218			13	(130)
Bad debt provision	1,671	1,624			47	234
Provisions for risks and charges	276	368			(92)	(824)
Agent's leaving indemnity provision	929	823			106	147
Product warranty provision	258	215			43	29
Entertainment expenses	—	62			(62)	(125)
Period costs deductible in future fiscal years	217	167			50	(88)
Profits taxable in future fiscal years (gains on sale of buildings)	(186)	(372)			186	186
Gain on investment in Rhiag SA (Lux)	—	—			—	14
Change of IRAP tax rules in Italy	(42)	(63)			21	21
Effect of accelerated depreciation in Italy	(404)	(550)			146	43
Sundry	(156)	(120)			(36)	1
Eastern Europe:						
Provisions for risks and charges/Bad debt provision	446	477		354	(32)	123
Other temporary differences	49	43			6	(11)
Deferred tax assets	**3,287**	**2,892**	**0**	**354**	**395**	**(380)**
Switzerland						
Rhiag Group Ltd start-up costs	(359)	(414)		(468)	55	54
Inventory obsolescence provision	(381)	(381)		(337)	—	(44)
Other temporary differences	(54)	(54)		(48)	—	(6)
Eastern Europe						
Other temporary differences						
Deferred tax liabilities	**(794)**	**(849)**	**0**	**(853)**	**55**	**4**

7. INVENTORIES

Inventories are analyzed as follows:

	As at 31.12.2011	As at 31.12.2010
Goods for sale (spare parts)	122,658	114,175
Promotional materials	1,899	2,314
Other material	359	346
Inventory obsolescence provision	(5,244)	(4,789)
Inventory	**119,672**	**112,046**

"Goods for sale" includes engine spare parts, chassis, bodywork, electrical and electronic components of automobiles and industrial vehicles. These items are recognized at weighted average cost.

"Promotional materials" include goods other than goods for sale which are used for sales operations and campaigns.

"Other materials" mainly consists of advertising materials, printed catalogues and heating fuel.

The amounts shown are stated net of the inventory obsolescence provision. Inventories were written down by analyzing the potential future sales of each product for sale, taking into account sales over the last twelve months.

Inventories in Italy are subject to special lien in favor of ING Bank BV—Milan Branch, as security for the medium/long-term facility arranged in 2007.

The increase in "Goods for sale" mainly regarded increased inventories in Eastern Europe, especially in the Czech Republic, Romania and Hungary, due to higher sales as a result of the opening of new branches and greater market penetration.

8. TRADE RECEIVABLES

Trade receivables as at 31 December 2011 are analyzed as follows:

	As at 31.12.2011	As at 31.12.2010
Gross trade receivables—third party	131,426	129,035
Trade receivables—associated companies	—	—
Bad debt provision—third party	(12,187)	(12,435)
Net trade receivables—third party	**119,239**	**116,600**

The increase in trade receivables from third parties is primarily due to higher sales recorded by the Italian companies and by other companies operating in Eastern Europe. Compared to prior year, the Group has also improved its average collection periods (DSO).

Trade receivables are analyzed by geographical area as follows:

	2011				
	Italy	Switzerland	Eastern Europe	Intersegment adjustments	Total
Gross trade receivables—third party	109,410	7,656	14,360	—	131,426
Bad debt provision—third party	(8,631)	(603)	(2,707)	(246)	(12,187)
Net trade receivables	**100,779**	**7,052**	**11,654**	**(246)**	**119,239**

The bad debt provision was calculated according to Group criteria, based on a detailed analysis of overdue receivables. An additional allowance of Euro 1.5 million was created during the year. Movements on the bad debt provision were as follows:

	Bad debt provision
31.12.2009	**(9,169)**
Increases	(1,853)
Utilization	1,387
Other movements	(2,800)
31.12.2010	**(12,435)**
Increases	(1,502)
Utilization	1,750
Other movements	—
31.12.2011	**(12,187)**

"Increases" mainly refers to additional allowances created by Italian companies Rhiag—Inter Auto Parts Italia S.p.A and Bertolotti S.p.A (Euro 221 thousand and Euro 473 thousand, respectively) and by Eastern European companies Elit CZ Spool and Auto Kelly AS (Euro 182 thousand and Euro 238 thousand, respectively).

Pursuant to Art. 2427 (6) *ter*, there are no receivables relating to transactions that require reconveyance by the purchaser.

Information on the Group's credit risk management policy is provided in the "Credit risk" section of the Directors' Report.

9. OTHER CURRENT RECEIVABLES

This item includes the following amounts:

	At 31.12.2011	At 31.12.2010
Advances and bonuses from suppliers	4,522	5,576
Advances to customers (for investment in tangible assets)	1,492	1,166
Charges on pool bank loan	236	315
VAT receivable, VAT refund requested and IRAP Italy	768	1,159
Receivables from personnel & agents	258	386
Prepaid rental expenses	444	396
Prepaid insurance costs	272	332
Costs incurred in relation to planned IPO in Milan	—	437
WIR-Switzerland circuit receivables	796	852
Sundry	3,508	1,538
Other current receivables	**12,296**	**12,157**

At 31 December 2011, there were no receivables due after more than five years.

10. TAX RECEIVABLES

	31.12.2011	31.12.2010
Italy	235	257
Switzerland	—	—
Eastern Europe	201	193
Tax receivables	**436**	**450**

This account includes current tax receivables to be recovered or for which a refund request was made in previous years.

11. CASH AND CASH EQUIVALENTS

As at 31 December 2011, the Group's cash and cash equivalents by geographical area were as follows:

	At 31.12.2011	At 31.12.2010
Italy	19,931	7,792
Switzerland	7,427	4,126
Eastern Europe	7,059	5,353
Cash and cash equivalents	**34,417**	**17,271**

As at 31 December 2011, cash and cash equivalents were not subject to any restrictions on use.

Please refer to the Statement of Cash Flows for details of the increase in the balance compared with prior year.

12. SHAREHOLDERS' EQUITY

Shareholders' Equity as at 31 December 2011 amounted to Euro 176,396 thousand against Euro 144,237 thousand as at 31 December 2010 (including Euro 149 thousand and Euro 141 thousand, respectively, attributable to non-controlling interests). The changes in Shareholders' Equity are shown in the "Statement of Changes in consolidated Shareholders' Equity".

Share capital

As at 31 December 2011, share capital was wholly paid and amounted to Euro 25,510 thousand, as follows:

Number of ordinary shares:	102,040,000
Nominal value per share:	Euro 0.25
Type of shares:..	ordinary, no preference shares

The Ordinary General Meeting of parent company Rhiag—Inter Auto Parts Italia S.p.A. on 6 March 2011 approved the allocation of the net profit for 2010 (Euro 7,200,848) as follows: Euro 360,042 to the Legal Reserve and Euro 6,840,806 to Retained Earnings.

As already stated in the Directors' Report, during the IPO process, on 6 March 2011, an Extraordinary General Meeting of Rhiag—Inter Auto Parts Italia S.p.A. approved the reduction of the nominal amount of the 25,510,000 shares in issue from Euro 1.00 to Euro 0.25 and the splitting of each share with a nominal value of Euro 1.00 into four new shares with a nominal value of Euro 0.25 each.

On the same date, the Extraordinary General Meeting of Rhiag—Inter Auto Parts Italia S.p.A. also approved a paid share capital increase for a nominal amount of up to Euro 4,500,000 in relation to the offering of shares to the public and to qualifying Italian and foreign institutional investors. This was to take place by 31 December 2011 but after the IPO was withdrawn, it was not completed.

At 31 December 2011, the above shares were entirely held by Lanchester S.A., the Luxembourg-based company that provides management and coordination.

Other capital reserves

Other capital reserves include the share premium reserve, the legal reserve and the consolidation reserve.

Changes during the year were as follows:

	Share Premium Reserve	Legal Reserve	Consolidation Reserve	Total other capital reserves
As at 31 December 2009	**67,397**	**0**	**–21,181**	**46,216**
Increases	49,820	223	340	50,383
Decreases				0
Other movements..			9,960	9,960
As at 31 December 2010	**117,217**	**223**	**–10,881**	**106,559**
Increases		360		360
Decreases				0
Other movements..	–4,562	4,519	–167	–210
Distribution of prior year earnings..	–1,906			–1,906
As at 31 December 2011	**110,749**	**5,102**	**–11,048**	**104,803**

The decrease during the year mainly regarded reductions in the share premium reserve after the distribution of dividends to parent company Lanchester S.A., as approved by the Ordinary General Meetings of Rhiag—Inter Auto Parts Italia S.p.A. on 14 July 2011 and 22 December 2011—Euro 522 thousand and Euro 1,384 thousand, respectively. Meanwhile, the General Meeting of 14 July 2011 approved the reconstitution of the legal reserve in the amount of Euro 4,562 thousand, using the share premium reserve.

Cash flow hedge reserve

As at 31 December 2010, the cash flow hedge reserve included the fair value adjustments (mark to market adjustments) to the interest rate swap contracts arranged to hedge the risk of interest rate fluctuations regarding the medium/long-term facility with ING Bank, as recorded on a hedge accounting basis.

In August 2011, when the above derivative financial instruments came to their natural expiry, the reserve was reversed in full and decreased by Euro 2,648 thousand compared to prior year.

Translation reserve

The item includes translation differences relating to the financial statements of subsidiaries whose functional currency is not the Euro.

The change for the year mainly regards the translation reserve for the goodwill allocated to the Elit CGU and the Switzerland CGU.

Non-controlling interests

This item includes the amount of shareholders' equity held by third parties in Consorzio Insiamo Scarl i.e. 76.76%. Parent company Rhiag—Inter Auto Parts Italia S.p.A. owns the remaining 23.24% and exercises *de facto* control as a result of the right of appointment of a majority of the members of the Board of Directors granted to it by the articles of association of Consorzio Insiamo Scarl.

13. BANK BORROWING—NON CURRENT

This item may be analyzed as follows:

	At 31.12.2011	At 31.12.2010
ING Bank Loan	226,376	239,579
Final Maturity fee—ING Bank Loan	9,046	6,858
ING Bank Loan arrangement costs	(4,323)	(5,970)
Bank borrowing—non-current	**231,099**	**240,467**
ING Bank loan	—	—
Amount due within 12 months	13,203	7,698

"ING Bank N.V.—Milan Branch Loan", amounting to Euro 226,376 thousand, includes amounts repayable after more than 12 months in accordance with the Multicurrency Term and Revolving Facilities Agreement ("Loan Contract"). The portion of this loan repayable in 2012—Euro 13,203 thousand—is included in current liabilities, under item "Bank borrowing".

"Final maturity fee" refers to fees payable at the maturity date of the ING loan, or on a *pro rata* basis in case of advance repayment, and attributed to each year in accordance with the terms of the loan agreement.

On 12 July 2007, as part of the acquisition of the Rhiag Group by Lanchester S.A., Lanchester S.A. and Sidelia 3 S.p.A. (now Rhiag—Inter Auto Parts Italia S.p.A.), as the original guarantor, signed a loan agreement called Multicurrency Term and Revolving Facilities Agreement (hereinafter also the Loan Contract) with ING Bank N.V.—Milan Branch as lender and mandated lead arranger. Directly controlled company IAP Italia S.p.A. (now Rhiag—Inter Auto Parts Italia S.p.A.) and indirectly controlled companies Rhiag S.p.A. (now Rhiag—Inter Auto Parts Italia S.p.A.) and Bertolotti S.p.A. were entitled to become parties to the Loan Agreement via a Letter of Accession that was signed by the Company on 12 July 2007. Upon completion of the acquisition of The Rhiag Group, with legal effect from 31 December 2007 and retrospective accounting effect from 1 January 2007, Rhiag S.p.A. was directly merged with Inter Auto Parts Italia S.p.A. and there was a reverse merger of parent company Sidelia 3 S.p.A. into its subsidiary IAP Italia S.p.A.

The Loan Contract involves the following credit facilities:

(i) a senior multicurrency facility for a maximum amount of Euro 75 million (Facility A) with a duration of seven years, to be paid back in fixed installments on 30 June and 31 December every year;

(ii) a senior multicurrency facility for a maximum amount of Euro 75 million (Facility B) with a duration of eight years;

(iii) a senior multicurrency facility for a maximum amount of Euro 75 million (Facility C) with a duration of nine years;

(iv) a senior second line credit facility for a maximum amount of Euro 10 million (Facility D) with a duration of nine years and six months;

(v) a subordinated credit facility for a maximum amount of Euro 40 million (Facility E) with a duration of ten years;

(vi) a revolving multicurrency credit facility for a maximum amount of approximately Euro 20 million (Revolving Facility) with a duration of seven years.

The interest payable on borrowing under the above credit facilities is calculated based on the sum of the following:

(i) Margin, as specified below:

- Facility A, 2.25% per annum;
- Facility B, 2.75% per annum;
- Facility C, 3.25% per annum;
- Facility D, 5.00% per annum;
- Facility E, 4.50% per annum;
- Revolving Facility, 2.00% per annum, with 0.625% commission per year if the facility is not used;

(ii) LIBOR or, for disbursements in Euro, EURIBOR;

(iii) any mandatory costs.

The interest is payable every month, except for Tranche E on which interest is payable semi-annually (on 30 June and 31 December each year). The Loan Contract includes a "margin ratcheting" mechanism whereby the margin applicable to credit facilities A and B and the Revolving Facility can be reduced based on the ratio between the net financial indebtedness and EBITDA (leverage ratio) measured during the term of the Loan Contract.

The margins currently applied on credit facilities A and B and on the Revolving Facility are 1.50%, 2.50% and 1.50%, respectively.

The following table shows movements during the year on the facilities arranged by the Group companies:

	31.12.2010			Repayments			31.12.2011		
Facility	**Rhiag S.p.A.**	**Bertolotti S.p.A.**	**Auto Kelly as**	**Rhiag S.p.A.**	**Bertolotti S.p.A**	**Auto Kelly as**	**Rhiag S.p.A.**	**Bertolotti S.p.A.**	**Auto Kelly as**
A	42,343	—	10,547	(6,163)	—	(1,535)	36,180	—	9,012
B	57,797	—	14,397	—	—	—	57,797	—	14,397
C	52,983	4,813	14,397	—	—	—	52,983	4,813	14,397
D	6,000	4,000	—	—	—		6,000	4,000	—
E	40,000	—	—	—	—		40,000	—	—
Total	**199,123**	**8,813**	**39,341**	**(6,163)**	**—**	**(1,535)**	**192,960**	**8,813**	**37,806**

Repayments made during the year included amounts of Euro 7,798 thousand falling due by contract on Facility A (Euro 1,535 thousand for Auto Kelly AS and Euro 6,163 thousand for Rhiag—Inter Auto Parts Italia S.p.A.).

The borrowing entities within the Rhiag Group have provided the following guarantees for the loan facilities:

Rhiag—Inter Auto Parts Italia S.p.A.:

(i) pledge on 100% of the shares of subsidiary Bertolotti S.p.A. ;

(ii) pledge on 100% of the shares of subsidiary Rhiag Group Ltd;

(iii) pledge on 100% of the shares of subsidiary Auto Kelly AS;

(iv) pledge on the current account opened with ING Bank for the loan;

(v) special lien on inventories and tangible assets;

(vi) a first ranking corporate guarantee under UK law in favor of the Rhiag Group entities that are party to the Loan Agreement in the event of insolvency of one of them.

Bertolotti S.p.A.:

(i) pledge on receivables;

(ii) pledge on the current account opened with ING Bank for the loan;

(iii) special lien on inventories and tangible assets;

(iv) a first ranking corporate guarantee under UK law in favor of the Rhiag Group entities that are party to the Loan Agreement in the event of insolvency of one of them.

The voting rights associated with the pledged shares remain with the company owning the shares.

The Loan Agreement provides for compliance with covenants on a quarterly basis (March, June, September, December) and on an annual basis (Leverage Ratio, Interest Cover, Cash Flow Cover). The above covenants are calculated based on the consolidated financial statements of Lanchester S.A.. Based on the quarterly consolidated financial statements prepared in accordance with the reporting requirements of the Loan Agreement signed with ING Bank, the above covenants were met in the first three quarters of 2011. As at 31 December 2011, based on the as yet unapproved and unaudited preliminary consolidated financial statements of Lanchester S.A., the covenants were respected.

14. OTHER NON-CURRENT LIABILITIES

	At 31.12.2011	At 31.12.2010
"Earn out" liabilities	2,108	4,558
Payables to sundry suppliers	1,000	2,200
Total	**3,108**	**6,758**

"Earn out" liabilities includes the amount due after 12 months in relation to the earn out provision of the Auto Kelly Group acquisition which took place in August 2010.

The total nominal amount of the earn out liability due after 12 months is Euro 2,500 thousand. The nominal amount has been restated, in accordance with IAS 39, at its fair value of Euro 2,108 thousand.

"Payables to sundry suppliers" includes the amount due to Rhifim S.p.A., owner of the former headquarters and Milan branch of Rhiag—Inter Auto Parts Italia S.p.A. In 2009, as a result of the early termination of the lease agreement by Rhiag—Inter Auto Parts Italia S.p.A, Rhifim S.p.A. took legal action in Milan to have the said early termination declared unlawful. In November 2010, the parties reached a final settlement agreement whereby Rhiag—Inter Auto Parts Italia S.p.A. agreed to pay Euro 4.9 million plus VAT. Euro 1.5 million, plus VAT, was paid when the settlement agreement was finalized and Euro 3.4 million, plus VAT, will be paid in monthly installments of Euro 0.1 million until 31 October 2013. Euro 1.0 million of the remaining unpaid settlement amount has been classified under "Other non-current liabilities" while Euro 1.2 million is classified under "Other current liabilities.

The amount due after 12 months has not been discounted as the amount relating to this transaction was not deemed as significant.

15. OTHER FINANCIAL LIABILITIES

	At 31.12.2011	At 31.12.2010
Dividends payable	4,130	4,671
Finance lease payables	2,652	2,009
Total	**6,782**	**6,680**

"Dividends payable" represents dividends approved for distribution to the former shareholders of Auto Kelly AS and payable after more than a year. The total dividends approved for distribution amounted to CZK 191.2 million (Euro 7,420 thousand, including Euro 1,113 thousand of withholding taxes and Euro 210 thousand in dividends were paid in 2010). The remaining liability of Euro 6,097 thousand at 31 December 2010 will be paid in ten equal annual installments of CZK 15.8 million each (except for the final installment of CZK 10.5 million payable in 2020). The amount payable after more than a year has been discounted at a rate of 2.75%, equal to the Pribor as at 31 December 2010 plus a 1.75% average spread (average benchmark rate for short-term debt on the Czech market). The initial effect of discounting (Euro 791 thousand) reduced the goodwill allocated to the Auto Kelly CGU.

As at 31 December 2011, following payment of the installment due during the year, residual amounts due after more than a year totaled Euro 4,725 thousand. The amount falling due in 2012 has been recorded in current liabilities under "Other financial liabilities". The amount due after more than a year has been discounted at a rate of 3.2%, equal to the Pribor as at 31 December 2011 plus a 1.75% average spread. The discounting of the debt at 31 December 2011 led to a financial expense of Euro 196 thousand that was recorded in the Income Statement.

"Finance leases" refers to obligations under finance lease agreements entered by subsidiaries in Eastern Europe, primarily to purchase shelving, lifting equipment, automobiles and commercial vehicles.

The following table contains a breakdown of finance lease payables by maturity:

	At 31.12.2011	At 31.12.2010
Finance lease payables due:		
Within a year	1,282	1,161
After between 1 and 5 years	2,652	2,009
After more than 5 years	—	—
Total finance lease payables	**3,934**	**3,170**

As at 31 December 2011, there were no agreements restricting the use of assets held under finance leases.

16. DERIVATIVE INSTRUMENTS

	At 31.12.2011	At 31.12.2010
Interest Rate Swaps		2,640
Forward contracts for currency purchases	—	1,131
Derivative financial instruments	**—**	**3,771**
Strumenti finanziari derivati non correnti	—	—

As at 31 December 2010, the Group was party to ten interest rate swap contracts (IRS contracts) to partially hedge the risk of fluctuation in interest rates on the medium/long-term facility with ING Bank N.V.—Milan Branch.

All of the IRS contracts expired in August 2011.

In 2010, Rhiag Group Ltd (Switzerland) entered into forward contracts to purchase Euro to hedge its Swiss Franc exchange rate risk. These contracts expired in 2011.

As at 31 December 2011, the Group was not party to any derivative instruments.

17. PROVISIONS RELATING TO EMPLOYEES AND AGENTS

This item primarily includes the liability of the Italian companies (Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A., Rhiag Engineering S.p.A) for employee leaving indemnities ("T.F.R.—*trattamento di fine rapporto*"), as well as amounts provided by the same companies for agents' termination indemnities. Details of this item and movements thereon are as follows:

	At 31.12.2010	Allocated for year	Effect of discounting	Utilized in year	At 31.12.2011
Employee leaving indemnity ("TFR") provision (IAS19)	7,422	1,607	(144)	(1,701)	7,184
Agents' leaving indemnity provision (IAS 37)	2,908	360	64	(127)	3,205
Provisions relating to personnel and agents	**10,330**	**1,967**	**(80)**	**(1,828)**	**10,389**

The employee leaving indemnity provision represents the actual liability of Group companies at 31 December 2011 to employees of the Italian companies at that date, in accordance with applicable laws and regulations.

The employee leaving indemnity provision at the reporting date falls within the definition of defined benefit plan and, in accordance with the provisions of IAS 19, this liability has been discounted back using the Projected Unit Credit method.

The actuarial assumptions used to discount the employee leaving indemnity obligations at 31 December 2010 and 2011 are as follows:

	2011	2010
Rate of inflation	2%	2%
Discount rate	Based on "Euro Yield" curve at 31.12 (Source Bloomberg)	
Employee turnover	10%	10%
Pensionable age	In accordance with current legislation	
Mortality rate	ISTAT 2008 Tables	ISTAT 2007 Tables

The actuarial gain of Euro 150 thousand has been recognized in the income statement as personnel costs under "Cost of goods sold".

The decreases for the period relate to employee turnover and advance payments requested by employees.

The provision for agents' leaving indemnities as at 31 December 2011 includes the total amount of such indemnities accruing in favor of agents in accordance with applicable law and contracts in Italy. This provision has been discounted in accordance with IAS 37.

The effect of discounting of Euro +354 thousand has been recognized in the income statement under "Direct selling costs".

18. TRADE PAYABLES

	At 31.12.2011	At 31.12.2010
Trade payables—third party	86,505	73,331
Payables to associated companies	—	—
Trade payables	**86,505**	**73,331**

Trade payables are determined based on the various payment terms negotiated with suppliers and vary across the countries in which the Group operates. Most suppliers are common to the various Group companies and are prevalently based in the European Union.

Further information on trade payables by due date is provided in the note "Information on financial instruments and risk management policies".

Trade payables are analyzed by geographical area as follows:

	2011				
	Italy	Switzerland	Eastern Europe	Inter segment adj.	Total
Trade payables—third party	50,975	2,273	33,254	2	86,505

Average Days Purchases Outstanding stood at 72 days in 2011, more than the figure of 65 days for 2010 considering a like-for-like scope of consolidation.

19. OTHER CURRENT LIABILITIES

As at 31 December 2011, this item was analyzed as follows:

	At 31.12.2011	At 31.12.2010
Payables to sundry suppliers	32,445	33,342
Indirect taxes (VAT), other taxes and duties payable	1,640	2,506
Customer bonuses payable	11,536	11,537
"Earn out" liabilities	2,500	2,280
Other payables	735	1,037
Other current liabilities	**48,856**	**50,702**

"Sundry trade payables" mainly include liabilities for distribution and administrative services and other operating costs, purchases of goods other than those for resale by Group companies, amounts due to employees, agents and social security and welfare institutions.

Earn out payables refer to the amount payable within a year in relation to the earn out regarding the acquisition of the Auto Kelly Group which took place the previous year.

20. TAX PAYABLES

As at 31 December 2011, this item was analyzed by geographical area as follows:

	At 31.12.2011	At 31.12.2010
Italy	28	976
Eastern Europe	913	1,096
Switzerland	701	706
Tax payables	**1,642**	**2,778**

The decrease mainly regards companies in the Italy operating segment. In particular, parent company Rhiag—Inter Auto Parts Italia S.p.A. reported a tax receivable as at 31 December 2011 mainly in relation to the positive effect of the Group Tax Consolidation arrangement.

Rhiag—Inter Auto Parts Italia S.p.A., Bertolotti S.p.A. and Rhiag Engineering S.p.A. have joined the Italian Group Tax Consolidation under Art. 117/129 of the "*Testo Unico delle Imposte sul Reddito*" (T.U.I.R.)—(Consolidated Income Tax Act)—with the Rhiag—Inter Auto Parts Italia S.p.A. as the consolidating entity. Participating companies transfer their taxable income or loss to the consolidating entity. The consolidating entity recognizes a receivable from the companies that contribute taxable income equal to IRES (corporation tax) to be paid. Conversely, the consolidating entity recognizes a payable equal to IRES on the loss effectively offset at Group Tax Consolidation level in relation to companies that contributed tax losses.

21. BANK BORROWING—CURRENT

As at 31 December 2011, this item was analyzed a follows:

	At 31.12.2011	At 31.12.2010
Bank borrowing—commercial credit facilities	335	4,691
ING Bank N.V—Milan Branch Loan—due within a year	13,203	7,698
Bank borrowing	**13,538**	**12,389**

Bank borrowing is broken down by geographical area as follows:

	2011			
	Italy	Switzerland	Eastern Europe	Total
Bank borrowing—commercial credit facilities	—	—	335	335
ING Bank N.V—Milan Branch Loan—due within a year	10,570	—	2,633	13,203

Bank borrowing consisting of commercial credit facilities regards short-term facilities granted to Elit Group companies in the Czech Republic and credit facilities utilized by Lang Kft and primarily secured by a mortgage on real estate assets.

The increase compared to prior year mainly regards the current portion of the loan from ING Bank (for more details, see the note on Bank Borrowing—non-current).

22. OTHER FINANCIAL LIABILITIES—CURRENT

As at 31 December 2011, this item included the following:

	At 31.12.2011	At 31.12.2010
Finance lease payables	1,282	1,161
Dividends payable	616	631
Interest and commission payable to third parties	317	239
Other financial liabilities	**2,215**	**2,031**

Details of "Finance leases" and "Dividends payable" are provided above under "Other financial liabilities—non-current".

Interest and commissions payable to third parties mainly refer to commissions and management charges regarding the loan from ING Bank.

23. PROVISIONS FOR RISKS AND CHARGES

This item and movements during the year are analyzed below:

	At 31.12.2010	Allocated during the year	Utilized in year	At 31.12.2011
Provision for returned goods	2,019	938	(1,099)	1,858
Provision for sundry risks	1,328	368	(713)	983
Provision for future charges	4,914	559	(121)	5,352
Provisions for risks & charges	**8,261**	**1,865**	**(1,933)**	**8,193**

The "Provision for returned goods" covers the value of goods that is expected to be returned in future periods against sales made during the current year and estimated liabilities for product warranties.

The "Provision for sundry risks" mainly regards amounts relating to disputes with former Group employees and with service providers. Utilization of this provision during the year mainly referred to settlement of a dispute with a former manager of Rhiag—Inter Auto Parts Italia S.p.A. after the initial employment tribunal decision.

The "Provision for future charges" mainly regards amounts estimated in relation to customer loyalty programs and provisions for promotional campaigns.

24. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

The following schedules provide the additional information required by IFRS 7, for the two years under comparison, for use in measuring financial instruments with reference to the Group statement of financial position, statement of cash flows and income statement.

Categories of financial assets and liabilities

The following table shows a breakdown of financial assets and liabilities for 2010 and 2011 based on the categories provided for by IAS 39.

	2011				
	IAS 39 Categories				
Balance Sheet	**Financial instruments held for trading**	**Loans & receivables**	**Assets held to maturity**	**Financial instruments available for sale**	**Carrying amount**
Non-current assets					
Partecipazioni	—	—	5	—	5
Receivables and other financial assets		1,162			
Hedge derivative financial instruments	—	—	—	—	—
Non hedge derivative financial instruments	—	—	—	—	—
Current assets					
Trade receivables—third party	—	119,239	—	—	119,239
Trade receivables—associated companies	—	—	—	—	—
Receivables & other financial assets—assoc companies	—	—	—	—	—

Balance Sheet	2011 IAS 39 Categories: Financial instruments held for trading	Loans & receivables	Assets held to maturity	Financial instruments available for sale	Carrying amount
Other current receivables	—	12,296	—	—	12,296
Cash and cash equivalents	—	34,417	—	—	34,417
Total financial assets	—	167,115	5	—	165,958

Balance Sheet	IAS 39 Categories: Financial instruments held for trading	Liability at amortized cost	Carrying amount
Non-current liabilities			
Bank borrowing		231,099	231,099
Other non-current liabilities	—	3,108	3,108
Other financial liabilities	—	6,782	6,782
Hedge derivative financial instruments	—	—	—
Non-hedge derivative financial instruments	—	—	—
Current liabilities			
Trade payables—third party	—	86,505	86,505
Other current liabilities	—	48,856	48,856
Bank borrowing	—	335	335
Hedge derivative financial instruments	—	—	—
Non-hedge derivative financial instruments	—	—	—
Bank loans—current portion	—	13,203	13,203
Other financial liabilities	—	2,215	2,215
Other financial liabilities	**—**	**392,103**	**392,103**

Balance Sheet	2010 IAS 39 Categories: Financial instruments held for trading	Loans & receivables	Assets held to maturity	Financial instruments available for sale	Carrying amount
Non-current assets					
Partecipazioni	—	—	7	—	7
Receivables and other financial assets		1,486			
Hedge derivative financial instruments	—	—	—	—	—
Non hedge derivative financial instruments	—	—	—	—	—
Current assets					
Trade receivables—third party	—	116,600	—	—	116,600
Trade receivables—associated companies	—	—	—	—	—
Receivables & other financial assets—assoc companies	—	—	—	—	—
Other current receivables	—	12,157	—	—	12,157
Cash and cash equivalents	—	17,271	—	—	17,271
Total financial assets	**—**	**147,514**	**7**	**—**	**146,035**

Balance Sheet	IAS 39 Categories: Financial instruments held for trading	Liability at amortized cost	Carrying amount
Non-current liabilities			
Bank borrowing		240,467	240,467
Other non-current liabilities	—	6,758	6,758

Balance Sheet	IAS 39 Categories Financial instruments held for trading	Liability at amortized cost	Carrying amount
Other financial liabilities	—	6,680	6,680
Hedge derivative financial instruments	—	—	—
Non-hedge derivative financial instruments	—	—	—
Current liabilities			
Trade payables—third party	—	73,331	73,331
Other current liabilities	—	50,702	50,702
Bank borrowing	—	4,691	4,691
Hedge derivative financial instruments	2,640	—	2,640
Non-hedge derivative financial instruments	1,131	—	1,131
Bank loans—current portion	—	7,698	7,698
Other financial liabilities	—	2,031	2,031
Other financial liabilities	**3,771**	**392,358**	**396,129**

Fair value of financial assets and liabilities and calculation models used

The following table shows the description and the fair value of financial assets and liabilities according to the calculation methods and models used for measurement.

	2011 Carrying amount	Mark to Market	DCF Model
Financial liabilities			
Payables to Bank (total nominal value short/long term)	(239,579)	—	(235,169)
Other non-current liabilities	(3,108)	—	—
Other financial non-current liabilities	(6,782)	—	—
Hedge derivative financial instruments			
Interest Rate Swap (plain vanilla)	—	—	—
Non-hedge derivative financial instruments			
Forward foreing exchange purchase agreement	—	—	—

	2010 Carrying amount	Mark to Market	DCF Model
Financial liabilities			
Payables to Bank (total nominal value short/long term)	(247,277)	—	(260,968)
Other non-current liabilities	(6,758)	—	—
Other financial non-current liabilities	(6,680)	—	—
Hedge derivative financial instruments			
Interest Rate Swap (plain vanilla)	(2,640)	(2,640)	—
Non-hedge derivative financial instruments			
Forward foreing exchange purchase agreement	(1,131)	(1,131)	—

	2010 Carrying amount	Mark to Market	DCF Model
Financial liabilities			
Bank borrowing (total nominal short/long term debt)	(247,277)	—	(260,968)
Other current financial liabilities	(6,758)	—	—
Other non-current financial liabilities	(6,680)	—	—
Hedge derivative financial instruments			
Interest Rate Swaps (plain vanilla)	(2,640)	(2,640)	—
Non-hedge derivative financial instruments			
Forward currency purchases	(1,131)	(1,131)	—

The fair value of items shown under current assets and liabilities, maturing within a year, was not determined as it is estimated that the current value of these items almost corresponds to their carrying amount. Other non-current liabilities and other non-current financial liabilities were measured, whenever considered significant, at their nominal amount, discounted at a discount rate determined based on their duration and the availability of the resources necessary to fulfill the obligation, as specified in the respective sections of these financial statements.

IFRS 7 requires that financial instruments recognized at fair value in the statement of financial position be classified on a hierarchy of levels that reflects the significance of the input data used to determine their fair value. The following levels are defined:

a) Level 1—listed prices on active markets for assets or liabilities under measurement;

b) Level 2—inputs, other than the above-mentioned listed prices, that may be observed directly (prices) or indirectly (derived from prices) on active markets;

c) Level 3—inputs that are not based on observable market data.

The following tables show assets and liabilities measured at fair value as at 31 December 2011 and 31 December 2010, based on the levels in the fair value hierarchy.

	31/12/2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Non current liabilities				
Financial liabilities measured at fair value through equity				
Hedge derivative financial instruments	—	—	—	—
Financial liabilities measured at fair value through profit and loss				
Non-hedge derivative financial instruments	—	—	—	—
Current liabilities				
Financial liabilities measured at fair value through equity				
Hedge derivative financial instruments	—	—	—	—
Financial liabilities measured at fair value through profit and loss				
Non-hedge derivative financial instruments	—	—	—	—
	—	—	—	—

	31/12/2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Non current liabilities				
Financial liabilities measured at fair value through equity				
Hedge derivative financial instruments		—		—
Financial liabilities measured at fair value through profit and loss				
Non-hedge derivative financial instruments		—		—
Current liabilities				
Financial liabilities measured at fair value through equity				
Hedge derivative financial instruments		2,640		2,640
Financial liabilities measured at fair value through profit and loss				
Non-hedge derivative financial instruments		1,131		1,131
	—	3,771	—	3,771

Financial income and expenses recognized in compliance with IAS 39

The following table shows financial income and expenses generated by financial assets and liabilities as broken down into the categories set out by IAS 39.

	2011				
	IAS 39 Categories				
IAS 39 Categories	**Interest**	**Changes in fair value**	**Shareholders' Equity reserve**	**Exchange gains/(losses)**	**Net gains/ (losses)**
Financial instruments held for trading	—	1,143	—	—	1,143
Liabilities at amortized cost	(17,463)		—	(2,354)	(19,817)
Assets held to maturity	—	—	—	—	—

IAS 39 Categories	2011 IAS 39 Categories Interest	Changes in fair value	Shareholders' Equity reserve	Exchange gains/(losses)	Net gains/ (losses)
Loans & receivables	201	—	—	—	201
Financial instruments available for sale	—	—	—	—	—
Total IAS 39 categories	**(17,262)**	**1,143**	**—**	**(2,354)**	**(18,473)**
Other (costs)/revenue	—	—	—	—	—
Total	**(17,262)**	**1,143**	**—**	**(2,354)**	**(18,473)**

IAS 39 Categories	2010 IAS 39 Categories Interest	Changes in fair value	Shareholders' Equity reserve	Exchange gains/(losses)	Net gains/ (losses)
Financial instruments held for trading	(8,843)	1,905	—	—	(6,938)
Liabilities at amortized cost	(15,729)	—	—	1,651	(14,078)
Assets held to maturity	—	—	—	—	—
Loans & receivables	106	—	—	—	106
Financial instruments available for sale	—	—	—	—	—
Total IAS 39 categories	**(24,466)**	**1,905**	**—**	**1,651**	**(20,910)**
Other (costs)/revenue	—	—	—	—	—
Total	**(24,466)**	**1,905**	**—**	**1,651**	**(20,910)**

Capital management

The objectives of Group management are oriented toward safeguarding the capacity to generate profitability for shareholders, respecting the covenants on loans received (for the portion relating to the Group given the measurement structure based on holding company data) and seeking to improve the capital structure.

Types of financial risk and related hedging activity

The Group has adopted a financial risk management policy.

The following table summarizes variations in 2011 and 2010 profit and shareholders' equity resulting from sensitivity analysis conducted whereby a +/–0.50% variance is applied to the fair value measurement of the Interest Rate Swaps linked to the medium/long-term loan.

Year	Income Statement Effect		Cash Flow Hedge Reserve Effect		Total effect on Shareholders' Equity	
	+50 bps	–50 bps	+50 bps	–50 bps	+50 bps	–50 bps
2011	—	—	—	—	—	—
2010	—	—	377	(363)	377	(363)

Foreign currency transactions

The Group also operates on markets where transactions are denominated in currencies other than the Euro. In such cases, goods for sale are mainly purchased from foreign suppliers in Euros while sales are made on the relevant domestic markets in the local currency. Therefore, whenever possible and subject to prior approval by the Group parent company, forward currency contracts are entered into to mitigate the negative effects deriving from exchange rate fluctuation.

Credit risk

The Group operates on various national markets with a large number of small/medium-sized customers, mainly regional/local distributors. Consequently, the Group is exposed to a credit risk regarding the ability of its customers to obtain finance from the banks.

Each Group company applies credit recovery and non-payment prevention policies based on the specific characteristics of its markets and customers.

Write-downs of doubtful debts are accounted for at the nominal amount of the receivable, net of value added tax and any portions of the receivable that are backed by collateral security or insurance cover. Write-downs are made based on a specific analysis of overdue items and customers known or thought to be in financial difficulty. In addition to specific provisions for items considered at risk, there is a further provision representing the total amount of receivables subject to legal action and all receivables more than 365 days overdue in Italy and more than 90 days overdue for the other Group companies.

The following table shows a breakdown by maturity date of third party trade receivables and financial receivables and the corresponding bad debt provision.

	2011							
	Receivables							
		Gross overdue (days)						
Classes	Total gross receivables	0-30	30-60	60-90	90-120	120-180	over	Bad Debt Provision
Trade receivables								
Trade receivables—third party	131,426	3,498	1,747	1,175	835	865	11,967	(12,187)
Trade receivables—associated companies	—	—	—	—	—	—	—	—
Other current receivables	12,296	—	—	—	—	—	—	—
	143,722	**3,498**	**1,747**	**1,175**	**835**	**865**	**11,967**	**(12,187)**

	2010							
	Receivables							
		Gross overdue (days)						
Classes	Total gross receivables	0-30	30-60	60-90	90-120	120-180	over	Bad Debt Provision
Trade receivables								
Trade receivables—third party	129,035	1,745	862	504	301	273	11,571	(12,435)
Trade receivables—associated companies	—	—	28	—	—	—	—	—
Other current receivables	12,157	—	—	—	—	—	—	—
	141,192	**1,745**	**890**	**504**	**301**	**273**	**11,571**	**(12,435)**

Liquidity risk

The Group's liquidity risk regards its ability to identify and raise the funds needed to fulfill all commitments on the agreed due dates.

Liquidity management involves paying suppliers of materials for sale and other materials or services, wages and salaries and taxes/duties/welfare contributions, as well as interest and repayments of loans received, as payment falls due, while not exceeding the maximum level of indebtedness permitted by the medium/long-term loan agreement entered into with ING Bank.

Special attention is paid to managing the Group's net working capital in order to ensure the right balance between cash inflows and outflows.

The following table shows the principal financial obligations of the Group divided by due date.

	2011							
	Overdue category							
Balance sheet items	Carrying amount	0-30 days	30-60 days	60-90 days	falling due after > 90 days	falling due after > 1 year	falling due after > 2 years	Total cash flows
Financial liabilities								
Other non-current liabilities	3,108	—	—	—	—	3,108	—	3,108
Bank borrowing—non-current	231,099	—	—	—	—	13,203	217,896	231,099
Bank loans—current portion	13,203	—	—	—	13,203	—	—	13,203
Bank borrowing—current	335	—	—	—	—	—	—	—
Other financial liabilities—non-current	4,130	—	—	—	—	597	3,533	4,130
Other financial liabilities—current	933	51	51	51	779	—	—	933
Finance lease payables	3,934	—	—	—	1,282	—	2,652	3,934
Trade payables								
Trade payables	86,505	41,096	26,577	15,164	3,667	—	—	86,505

Balance sheet items	2011							
	Overdue category							
	Carrying amount	0-30 days	30-60 days	60-90 days	falling due after > 90 days	falling due after > 1 year	falling due after > 2 years	Total cash flows
Other current liabilities	48,856	—	—	—	—	—	—	48,856
	392,104	**41,147**	**26,629**	**15,216**	**18,931**	**16,908**	**224,081**	**391,768**

Balance sheet items	2010							
	Overdue category							
	Carrying amount	0-30 days	30-60 days	60-90 days	falling due after > 90 days	falling due after > 1 year	falling due after > 2 years	Total cash flows
Financial liabilities								
Other non-current liabilities	6,758	—	—	—	—	3,479	3,279	6,758
Bank borrowing—non-current	240,467	—	—	—	—	13,203	227,264	240,467
Bank loans—current portion	7,698	—	—	—	7,698	—		7,698
Bank borrowing—current	4,691	—	—	—	—	—	—	—
Other financial liabilities—non-current	4,671	—	—	—	—	597	4,074	4,671
Other financial liabilities—current	870	53	53	53	711	—	—	870
Finance lease payables	3,170	—	—	—	1,161	—	2,009	3,170
Trade payables								
Trade payables	73,331	17,058	11,752	29,410	12,397	—	—	70,617
Other current liabilities	50,702	—	—	—	—	—	—	50,702
	392,358	**17,111**	**11,805**	**29,463**	**21,967**	**17,279**	**236,626**	**384,953**

Details of the nature and composition of financial liabilities are provided in the relevant notes to these financial statements.

As for trade liabilities, the ability to establish and maintain well-established commercial relationships over time with suppliers plays a crucial role in the business of the Rhiag Group.

The profitability of the Group depends, among other things, on its ability to purchase products at competitive conditions and prices in each of the geographical areas where it is present. This ability is, in turn, affected by different factors, amongst which the purchase volumes are especially important.

Within each geographical area in which it operates, the Group signs contracts with suppliers, generally setting out annual purchasing targets. Upon achievement of these targets, discounts and other incentives are granted to the Group.

Trade relations with the leading suppliers are regulated by agreements of varying durations some of which involve reciprocal exclusivity, prevalently in the Italian business.

Other current liabilities refer to various counterparties (providers of sundry services, employees, agents, tax authorities) and with payment generally due after between 30 and 90 days.

The credit facilities available to the Group as at 31 December 2011 and utilization thereof are shown below:

	2011			
	Italy	Eastern Europe	Switzerland	Total
Credit lines—current				
Revocable—available amount	35,600	—	—	35,600
Revocable—utilized amount	—	—	—	—
Non revocable—available amount	20,000	12,738	—	32,738
Non-revocable—utilized amount	—	2,907	—	2,907
Credit lines—non-current				
Revocable—available amount	—	—	2,466	2,466
Revocable—utilized amount	—	—	—	—
Non revocable—available amount	201,773	35,234	—	237,007
Non-revocable—utilized amount	201,773	35,234	—	237,007
Total available credit lines	257,373	47,972	2,466	307,810
Total utilized credit lines	201,773	38,141	—	239,914

	2010			
	Italy	Eastern Europe	Switzerland	Total
Credit lines—current				
Revocable—available amount	33,000	13,804	2,399	49,203
Revocable—utilized amount	1,255	3,436	—	4,691
Non revocable—available amount	20,000	—	—	20,000
Non-revocable—utilized amount	—	—	—	—
Credit lines—non-current				
Revocable—available amount	—	—	—	—
Revocable—utilized amount	—	—	—	—
Non revocable—available amount	207,936	39,342	—	247,278
Non-revocable—utilized amount	207,936	39,342	—	247,278
Total available credit lines	260,936	53,146	2,399	316,481
Total utilized credit lines	209,191	42,778	—	251,969

25. COMMITMENTS AND GUARANTEES

The main commitments and guarantees given by the Group to third parties are as follows:

Pledges on shares

The Group has pledged 100% of the shares held in Bertolotti S.p.A., Auto Kelly AS and Rhiag Group Ltd in favor of ING Bank, Rabobank and Intesa San Paolo as security for the loan received in 2007. As long as it does not default on the loan, the Group maintains voting rights to the shares.

Pledge on receivables

The Group has pledged 100% of the receivables of Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A. in favor of ING Bank N.V., Rabobank International and Intesa San Paolo S.p.A. as security for the loan received in 2007.

Special liens

The Group has granted a special lien on the inventories and tangible assets of Rhiag—Inter Auto Parts Italia S.p.A. (in the amount of Euro 60,000 thousand) and on the inventories and tangible assets of Bertolotti S.p.A. (in the amount of Euro 6,000 thousand), both as security for the loan from ING Bank N.V.

Other secured guarantees

Lang has granted a mortgage on its real estate property in Budapest as security for the credit facility from HVB bank (a Unicredit group company). RGL has granted a mortgage on its offices in Baar (Switzerland) as security for the credit facility from UBS.

Other guarantees

Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A. have issued bank guarantees to third parties as security for rental contracts for warehouses and branch premises where they conduct business (Euro 1,429 thousand).

Rhiag—Inter Auto Parts Italia S.p.A. has guaranteed a bank surety issued by Intesa San Paolo to CIB Bank for a credit facility granted to Lang Kft (Euro 1,000 thousand).

Rhiag—Inter Auto Parts Italia S.p.A. has issued a support letter to Lang Kft as a guarantee for the credit facility of 451.2 million Hungarian Forint (Euro 1,432 thousand) granted by Unicredit Hungary (ex HVB Bank).

The Group companies have issued additional bank guarantees totaling Euro 2,436 thousand.

COMMENTS ON THE INCOME STATEMENT

26. NET SALES

Net sales are analyzed as follows:

	2011	2010
Gross sales-third party	662,878	511,195
Gross sales—associated companies	—	—
Commission income—third party	2,514	2,403
Customer bonuses	(15,764)	(13,207)

	2011	2010
Gross sales	**649,628**	**500,391**
Transport on sales	(16,845)	(13,303)
Agents' commission	(14,936)	(12,170)
Allocation to bad debt provision & bad debts	(1,502)	(1,853)
Early payment discounts	(262)	(27)
Non-recurring (expenses)/income	(222)	962
Direct selling costs	**(33,767)**	**(26,391)**
Net sales	**615,861**	**474,000**

The Group recorded gross sales of Euro 649,628 thousand in 2011 (Euro 500,391 thousand in 2010) with an increase of Euro 149,237 thousand, or 29.8%.

The gross sales increase included Euro 7,759 thousand thanks to revenue growth for companies in the Italy operating segment, Euro 102,142 thousand thanks to growth in the volume of sales in Eastern Europe and Euro 39,320 thousand of growth in the Switzerland operating segment.

"Commission income from third parties" mainly refer to commissions on sales of original equipment products by Rhiag Engineering S.p.A. to Italian automobile manufacturers and, to a lesser extent, to commissions on sales of original equipment products by Bertolotti S.p.A. and Rhiag Group Ltd.

"Bonuses to customers", amounting to Euro 15,764 thousand in 2011 (Euro 13,207 thousand in 2010) increased by Euro 2,557 thousand (+2%) but decreased as a percentage of gross sales from 2.58% in 2010 to 2.38% in 2011.

Direct selling costs stand at 5.2% of gross sales, a slight improvement compared to 2010 (–0.1pp). The improvement is mainly due to the lower incidence of transport on sales and agents' commission. The lower incidence of transport on sales on gross sales regards the Auto Kelly Group which ships to customers using internal logistics, unlike most Group companies which use third party carriers. Meanwhile, the improvement in agents' commission is attributable to Swiss company whose sales structure does not include agents, only employees. The cost of sales employees is included in personnel costs classified in cost of goods sold.

"Non-recurring expenses" mainly included indemnities in lieu of notice paid by Bertolotti S.p.A. to agents whose agency relationships were terminated during the year.

In 2010, "Non-recurring revenue" included revenues earned by Auto Kelly AS through the sale of doubtful receivables that had already been written down in previous years.

As a result of the abovementioned factors, net sales in the consolidated financial statements for 2011 recorded an overall improvement over the previous year of Euro 141,861 thousand (+29.9%).

27. COST OF GOODS SOLD

Cost of goods sold includes the following items:

	2011	2010
Purchases of goods for resale	(413,471)	(328,676)
Change in inventory	10,142	9,581
Change in inventory provision	(522)	276
Transport on purchases	(9,547)	(6,080)
Personnel costs	(73,568)	(51,299)
Non recurring (expenses)/income	(1,483)	(699)
Cost of goods sold	**(488,449)**	**(376,897)**

In 2011, cost of goods sold amounted to Euro 488,449 thousand (Euro 376,897 thousand in 2010), an increase of Euro 111,552 thousand (+29.6%).

As a percentage of gross sales, cost of goods sold decreased from 75.3% in 2010 to 75.2% in 2011.

The main reasons for this were a decrease in purchase costs (also taking into account variations in inventory levels) as a percentage of gross sales, as only partially offset by the higher incidence of personnel costs.

In 2011, purchase costs (including variations in inventory levels) represented 62.09% of gross sales, compared to 63.77% the previous year. This improvement was partially due to the Auto Kelly Group because of its sales of "Starline" own-brand products that generate higher profit margins.

Personnel costs and non-recurring related expenses are analyzed below:

	2011	2010
Wages and salaries	(52,018)	(36,286)
Other personnel costs	(21,549)	(15,013)
Personnel costs	**(73,568)**	**(51,299)**
Non-recurring (expenses)/income	(755)	(699)
Total personnel costs	**(74,323)**	**(51,998)**

As at 31 December 2011, the Group had 2,673 employees, 221 more than at 31 December 2010:

	2011	2010
Sales	719	862
Product Marketing	162	157
Purchase planning	70	61
Warehousing and distribution	1,503	1,157
Finance and administration	80	80
Information systems	44	44
Human resources	19	17
Other administrative costs	76	74
Total	**2,673**	**2,452**

Personnel costs (included related non-recurring expenses) amounted to Euro 74,323 thousand with an increase of Euro 22,325 thousand compared to prior year, mainly because of an increase in the headcount following the opening of new branches in Eastern Europe.

"Non-recurring expenses" mainly refer to personnel reorganization costs incurred in Italy and the Czech Republic. In more detail, in Italy, these expenses regard an increase to the provision made in prior years for the "voluntary redundancy" program implemented by the company in 2009 in order to reflect the additional costs that could be incurred following changes to pension rules approved by the Italian government during the year and an increase to the provision made in prior years for litigation with a former manager in light of the decision handed down by the first tier employment tribunal.

28. DISTRIBUTION COSTS

Distribution costs are analyzed as follows:

	2011	2010
Travel and subsistence expenses	(4,214)	(3,195)
Rent and operating leases	(14,015)	(11,558)
Advertising, promotional and catalogue costs	(13,112)	(9,468)
Non-recurring (expenses)/income	(197)	(2,766)
Distribution costs	**(31,538)**	**(26,987)**

Distribution costs for 2011 amounted to Euro 31,538 thousand (Euro 26,987 thousand in 2010), an increase of Euro 4,551 thousand or 16.9%. Distribution costs decreased as a percentage of gross sales from 5.3% in 2010 to 4.8% in 2011. The decrease was mainly due to the lower level of "non-recurring expenses" incurred by the Group during the year; in 2011, this item mainly included purchases of advertising space in relation to the IPO process. In 2010, it mainly included costs incurred to settle a legal dispute with the owner of the previous administrative head office of Rhiag—Inter Auto Parts Italia S.p.A. that arose at the end of 2009.

A breakdown of future rental and operating lease commitments by due date is provided below:

	At 31.12.2011	At 31.12.2010
Future rental commitments		
Within a year	10,827	6,262
After 1 to 5 years	21,497	15,880
After more than 5 years	8,699	1,299
Total future rental commitments	**41,023**	**23,441**

	At 31.12.2011	At 31.12.2010
Future operating lease commitments		
Within a year	1,043	1,046
After 1 to 5 years	1,719	1,501
After more than 5 years	—	—
Total future operating lease commitments	**2,763**	**2,547**

29. ADMINISTRATIVE COSTS

Administrative costs include the following items:

	2011	2010
Outsourced services	(8,351)	(7,124)
Legal and consulting fees	(2,442)	(2,074)
Other income	3,783	3,718
Administrative and operating costs	(6,986)	(5,083)
Amortization of intangible assets	(1,711)	(1,477)
Non-recurring (expenses)/income	(3,942)	(3,617)
Administrative costs	**(19,649)**	**(15,657)**

Administrative costs for 2011 amounted to Euro 19,649 thousand (Euro 15,657 thousand as at 31 December 2010), an increase of Euro 3,992 thousand or 20.32%. Total administrative costs decreased as a percentage of gross sales from 3.1% in 2010 to 3.0% in 2011.

Costs for external services, amounting to Euro 8,351 thousand (Euro 7,124 thousand in 2010), mainly comprise third party logistics services for the warehouses and branches in of companies in the Italy operating segment. Specifically, these costs are for management of warehouse stock, picking, packing and shipping. The increase in absolute terms is due to the higher level of gross sales. However, these costs decreased by 0.1pp as a percentage of gross sales compared to the previous year.

Other income of Euro 3,783 thousand (Euro 3,718 thousand in 2010) mainly refers to the bonuses awarded to the Group by suppliers. It also includes reimbursements for advertising and sales promotion campaign expenses, reimbursements from suppliers for service level penalties (e.g. late delivery) and for product warranty costs (e.g. return of defective products), transport and packaging expenses charged to customers and other minor revenues not related to product sales. This income was substantially in line with the previous year as it mainly relates to companies in the Italy operating segment.

Administration and operating expenses of Euro 6,980 thousand (Euro 5,083 thousand in 2010) mainly relate to fixed and mobile telephone costs, the costs of sending invoices and documentation and fees paid to directors and supervisory bodies.

“Non-recurring expenses” mainly include costs for legal, certification and audit, banking and advisory services incurred by the Group in relation to the IPO process and totaling Euro 3,079 thousand.

The remainder primarily includes non-recurring remuneration paid to key managers and prior year taxation.

30. OTHER OPERATING COSTS

Other operating costs are analyzed as follows:

	2011	2010
Headquarters and branch costs (utilities and maintenance)	(3,519)	(2,288)
Insurance	(999)	(772)
Disposals of PPE and intangible assets	142	105
Depreciation of PPE	(7,243)	(5,465)
Services from associated companies	—	—
Non-recurring expenses	(8)	—
Other operating costs	**(11,627)**	**(8,421)**

Other operating costs amounted to Euro 11,627 thousand (Euro 8,421 thousand in 2010) with an increase of Euro 3,206 thousand or 38.1%.

Headquarter and branch operating costs amounted to Euro 3,519 thousand (Euro 2,288 thousand in 2010) and mainly related to costs for utilities and maintenance of headquarters and branches. The increase is due to the opening of new branches in Eastern Europe.

Insurance costs of Euro 999 thousand in 2011 (Euro 772 thousand in 2010) mainly relate to insurance premiums for insurance policies on goods and warehouses and transport risks. The Group companies mainly hold insurance policies against the risk of damage to owned and/or leased assets, risks regarding the transport of goods from suppliers and/or to customers and/or to warehouses and branches, motor vehicle risks (e.g. theft, fire or TPL) and policies for risks regarding managers and executives as benefits in kind.

Depreciation of property plant and equipment amounted to Euro 7,243 thousand (Euro 5,465 thousand in 2010), an increase of Euro 1,778 thousand. See Note 1—"Property, plant and equipment" for more details.

31. FINANCIAL INCOME/(EXPENSES)

This item includes the following amounts:

	2011	2010
Financial income	11,330	10,766
Financial expenses	(29,803)	(31,676)
Financial income/(expenses)	**(18,473)**	**(20,910)**

Financial income includes the following items:

	2011	2010
Interest income from third parties and on bank a/cs	201	106
Exchange gains (Realized and unrealized)	5,224	5,315
Mark to Market of derivative financial instruments	3,887	5,345
Non-recurring income	2,018	—
Financial income	**11,330**	**10,766**

Financial income for 2011 amounted to Euro 11,330 thousand (Euro 10,716 thousand in 2010), an increase of Euro 563 thousand, or 5.2%.

Realized foreign exchange gains mainly relate to the effects of exchange rate fluctuations on purchase and sales transactions. Specifically, subsidiaries in Eastern Europe and Switzerland make some of their purchases in Euro while sales on the local markets are mainly made in local currency. Unrealized exchange gains relate to the measurement at spot rates of foreign currency purchases and sales not yet settled at the end of the reporting period.

"Mark to Market of derivative instruments (Interest Rate Swaps) amounting to Euro 2,744 thousand includes non-monetary income from the closure of Interest Rate Swap agreements that expired in August 2011. These Interest Rate Swaps were treated on a hedge accounting basis and their closure also led to recognition of a cost of Euro 2,744 thousand, due to the reversal of the cash flow hedge reserve.

The item also includes income of Euro 1,143 thousand arising upon closure of forward currency purchases made by Swiss subsidiary Rhiag Group Ltd in 2010.

"Non-recurring income" regards the reimbursement of interest expenses paid to cover withholding taxes in relation to a loan arranged with Dresdner Bank Luxembourg S.A. in 1999 and repaid in 2006. Dresdner Bank obtained a refund of the amounts withheld from the Luxembourg tax authorities and refunded the excess interest to the Group, as provided under the loan contract.

"Financial expenses" include the following items:

	2011	2010
Interest expenses on m/l term loans	(15,574)	(20,158)
Commission and charges on m/l term loans	(500)	(630)
Loan arrangement costs (portion for year—IAS 39)	(1,726)	(2,173)
Bank interest expenses	(1,484)	(960)
Effect of discounting dividends and m/l term payables	(196)	—
Mark to Market of derivative financial instruments	(2,744)	(3,440)
Exchange losses (realized and unrealized)	(7,579)	(3,664)
Non-recurring expenses	—	(651)
Financial expenses	**(29,803)**	**(31,676)**

Financial expenses for 2011 amount to Euro 29,803 thousand (Euro 31,676 thousand in 2010), a decrease of Euro 1,873 thousand (or 5.9%) compared to prior year.

"Interest expenses on medium-long term loans" amounting to Euro 15,574 thousand includes interest expenses on the loan arranged with ING Bank in 2007. The decrease from the previous year is mainly due to a reduction in net financial indebtedness the year and to a decrease in the 1 month and 6 month Euribor which, following the closure of the Interest Rate Swaps in August 2011, led to lower financial expenses for the Group.

"Loan arrangement charges" of Euro 1,726 thousand includes the current year portion, calculated using the effective interest rate, of the charges incurred by the Group to obtain the loan from ING BV bank in July 2007. The total original cost was Euro 8,142 thousand and the unamortized balance is recorded under "Bank borrowing—non-current".

Realized exchange losses mainly relate to the effects exchange rate fluctuations on purchase and sale transactions. Specifically, companies in the Eastern Europe and Switzerland operating segments make some of their purchases in Euro while sales on the local markets are denominated mainly in local currency. Unrealized exchange losses relate to the measurement at spot rates of foreign currency purchases and sales not yet settled at the end of the reporting period.

32. INCOME TAXES

Income taxes are analyzed as follows:

	2011	2010
Current taxes	(14,053)	(11,940)
Deferred taxes relating to year	450	(376)
Income taxes	**(13,603)**	**(12,316)**

The increase in current taxation is mainly due to the higher profits before taxation of the Group companies.

The theoretical tax charge, determined using the nominal Italian tax rate (IRES 27.50%), may be reconciled with the effective tax charge as follows:

	2011	2010
Income taxes based on theoretical Italian tax rate[(1)]	(12,684)	(6,910)
Effect of different tax rates in other countries	3,954	466
Effect of IRAP in Italy	(2,677)	(2,386)
Effect of impairment of goodwill	—	—
Effect of non-deductible costs	(2,645)	(3,110)
Current income taxes	(14,053)	(11,940)
(1) Theoretical tax rate in Italy:	*27.50%*	*27.50%*

33. SEGMENT INFORMATION

Segment information has been prepared to provide enough information to evaluate the nature of the operating activities and economic environments and their influence on the financial statements (Paragraph 1 IFRS 8).

The operating segments for which separate information has been provided were identified on the basis of internal reporting and the operating activities that generate revenues and costs and whose results are reviewed on a regular basis at the highest operational decision-making levels in order to decide on allocation of resources and evaluation of results and for which separate financial information is available.

The operating segments for which the Group has provided separate information are as follows:

- Italy: Rhiag Group activities in Italy are mainly carried out by Rhiag—Inter Auto Parts Italia S.p.A. and subsidiaries Bertolotti S.p.A. and Rhiag Engineering S.p.A.;
- Eastern Europe: Rhiag Group activities in Eastern Europe (Czech Republic, Slovakia, Hungary, Romania and Ukraine) are mainly carried out by Elit (Elit CZ spol s.r.o., Elit Slovakia s.r.o., Lang Kft, Car-Go Kft, S.C. Elit Romania Piese Auto Originale S.r.l. and Elit Ukraine Ltd.) and Auto Kelly (Auto Kelly AS and Auto Kelly Slovakia s.r.o.). All of the Rhiag Group operating companies in Eastern Europe are controlled by Elit Group Ltd., a non-operating holding company incorporated under Swiss law, that is wholly controlled by Rhiag—Inter Auto Parts Italia S.p.A.
- Switzerland: Rhiag Group activities in Switzerland are mainly carried out by Rhiag Group Ltd. Rhiag Group Ltd is one of the leading companies on the independent aftermarket in Switzerland.

The key financial information for the operating segments in 2011 and 2010 is shown below:

	2011				
	Italy	Eastern Europe	Switzerland	Intersegment adjustments	Total
Income Statement information					
Gross sales	331,505	281,528	42,055	(5,460)	649,628
EBITDA Adjusted(*)	48,439	25,585	5,381		79,404
Balance Sheet information					
Inventory	48,598	62,831	8,243	—	119,672
Trade receivables	101,822	11,916	7,056	(1,555)	119,239
	51,240	34,181	2,392	(1,308)	86,505
Net Working Capital	**99,179**	**40,567**	**12,906**	**(246)**	**152,406**

	2010				
	Italy	Eastern Europe(**)	Switzerland(***)	Intersegment adjustments	Total
Income Statement information					
Gross sales	321,072	179,035	2,731	(2,447)	500,391
EBITDA Adjusted(*)	46,903	11,849	347	1	59,100
Balance Sheet information					
Inventory	46,332	57,732	7,982	—	112,046
Trade receivables	99,824	11,117	6,853	(1,194)	116,600
Trade payables	44,861	26,242	2,595	(367)	73,331
Net Working Capital	**101,295**	**42,607**	**12,240**	**(827)**	**155,315**

(*) Adjusted EBITDA includes gross sales, net of direct selling costs, cost of goods sold, distribution costs, administrative costs, other operating costs, with non-recurring costs, and restructuring costs excluded. Adjusted EBITDA is not identified as an accounting measure under IAS/IFRS accounting standards as adopted by the European Union.

(**) The financial information for the Eastern European operating segment for 2010 includes just 5 months for the Auto Kelly Group (i.e. from August 2010 when it was first included in the scope of consolidation).

(***) The financial information for the Swiss operating segment includes just one month for Rhiag Group Ltd in 2010 (i.e. from December 2010 when it was first included in the scope of consolidation).

The gross sales of the Italy operating segment, comprising Rhiag—Inter Auto Parts Italia S.p.A, Bertolotti S.p.A and Rhiag Engineering S.p.A., increased mainly thanks to the higher volumes recorded by Rhiag—Inter Auto Parts Italia S.p.A. and improvements in customer service levels. This increase, along with the constant process to reduce operating costs, led to an improvement in the EBITDA of the Italy segment compared to the previous year. Net trade working capital improved compared to prior year due to the combined effect of an increase in trade payables as their level gradually returned to "normal" and a decrease in average days sales outstanding for trade receivables.

The gross sales of the Eastern Europe operating segment, comprising Elit CZ Spol s.r.o. (Czech Republic), Elit Slovakia s.r.o. (Slovakia), Elit Romania S.R.L. (Romania), Elit Ukraine LTD (Ukraine), Lang Kft (Hungary), Car-Go Kft (Hungary), Auto Kelly AS (Czech Republic) and Auto Kelly s.r.o. (Slovakia), increased mainly because of i) the inclusion of the Auto Kelly Group companies in the scope of consolidation from August 2010 only and ii) an increase in the volume of sales of the Elit Group companies (mainly in the Czech Republic and Romania) due to the opening of new branches and investment in marketing and promotional campaigns that already commenced at the end of the previous year.

As in the case of gross sales, the EBITDA growth of the Eastern Europe operating segment is partly due to the inclusion of the results of the Auto Kelly Group for the whole of 2011 (just five months were included in 2010) while the remaining growth relates to the other companies in the operating segment. The improvement in net trade working capital is mainly due to an increase in average days purchases outstanding as partially offset by inventory growth in support of the higher level of sales.

The results of the Switzerland operating segment have changed following the entry of Rhiag Group Ltd into the scope of consolidation with effect from December 2010. Net trade working capital is broadly in line with last year; the slight deterioration is broadly due to sales growth.

34. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND EXTERNAL AUDITORS

The remuneration paid by the Group for the year ended 31 December 2011 was as follows:

Type of service	Company	thousands of Euro
Audit	Deloitte	290
Other certification services	Deloitte	455

Type of service	Company	thousands of Euro
		745

Deloitte & Touche S.p.A.'s share of the audit fees was Euro 91 thousand.

Directors and strategic executives	3,318
Statutory Auditors	101
	3,419

35. RELATED PARTY DISCLOSURES

The Group did not enter into any transactions with related parties in 2011 and 2010.

It should, however, be noted that the Group companies are party to intercompany loan agreements and service level agreements.

Intercompany loan agreements

Rhiag—Inter Auto Parts Italia S.p.A. and the other Group companies have entered into the following intercompany loan agreements:

- A loan between Rhiag—Inter Auto Parts Italia S.p.A. and Elit Group for an amount of Euro 8,594,159.33 at an interest rate equal to the higher of the 12 month Euribor rate (base 360) plus 200 basis points and the rate of interest for loans in Euro determined annually by the Swiss Federal Tax Authorities. The original deadline for repayment of 31 December 2011 has been extended to 31 December 2012;
- A loan between Rhiag—Inter Auto Parts Italia S.p.A. and Elit Group for a total amount of Euro 1,800,000.00 at an interest rate equal to the higher of the 12 month Euribor rate (base 360) plus 200 basis points and the rate of interest for loans in Euro determined annually by the Swiss Federal Tax Authorities. The deadline for repayment is 31 December 2012;
- A loan between Rhiag Engineering S.p.A. and Rhiag S.p.A. (former subsidiary, now merged through incorporation into Rhiag—Inter Auto Parts Italia S.p.A.) for a total amount of Euro 1,375,000.00 at an interest rate equal to the 6 month Euribor Act/360 plus 200 basis points. All repayment deadlines have been tacitly extended by six months every six months;
- A loan between Rhiag Engineering S.p.A. and Bertolotti S.p.A. for a total amount of Euro 1,000,000.00 at an interest rate equal to the 6 month Euribor Act/360 plus 200 basis points. The original repayment deadline of 31 December 2008 has been tacitly renewed every six months for six months;
- A loan from Elit Slovakia to Elit Romania for an amount of Euro 2,200,000.00, at an interest rate equal to the 3 month Euribor plus 1.2 percentage points. The repayment deadline has been extended to 31 December 2012;
- A loan from Elit Slovakia to Elit Romania for an amount of Euro 2,600,000.00, at an interest rate equal to the 3 month Euribor plus 1.2 percentage points. The repayment deadline has been extended to 31 March 2012;
- A loan granted by Rhiag Group Ltd to Elit Group for a total amount of up to Euro 5,275,527.70, expiring on 31 December 2012 and subject to a rate of interest for loans in Euro as determined annually by the Swiss Federal Tax Authorities.

Service level agreement between Rhiag—Inter Auto Parts Italia S.p.A. and Bertolotti S.p.A.

Rhiag—Inter Auto Parts Italia S.p.A. and subsidiary Bertolotti S.p.A. are party to a service level agreement covering *(a)* assistance (including: *(i)* administrative and accounting support with tax and corporate reporting requirements; *(ii)* organizational assistance and support with ordinary and extraordinary general meetings and board of directors meetings; *(iii)* legal assistance with the drafting and management of contracts in general; and *(iv)* organizational assistance with coordination of audit activities) and *(b)* organization (including: *(i)* management of the emoluments of directors and statutory auditors; *(ii)* management of administrative/accounting activities; *(iii)* human resources management; *(iv)* management of marketing activities; *(v)* management of financial assets in general; *(vi)* management of archives, databases, data transmission; *(vii)* management of insurance policies and insurance guarantees; and *(viii)* management of logistics activities, also using third parties). The contract expiry date, initially fixed at 31 December 2010, has been tacitly extended and is renewable annually unless one of the parties provides written notice to terminate.

Service level agreement between Rhiag—Inter Auto Parts Italia S.p.A. and Rhiag Engineering

Rhiag—Inter Auto Parts Italia S.p.A. and subsidiary Rhiag Engineering S.p.A. are party to a service level agreement for administrative assistance with regard to annual reporting, tax and corporate compliance, management of administrative and accounting activities, legal assistance with the drafting and management of contracts and management of insurance policies. The original expiry date of 31 December 2008 has been tacitly extended and will be extended from year to year unless one of the parties gives written notice of its intention to terminate.

Transfer pricing

The Rhiag Group also operates in foreign countries, through companies controlled directly and indirectly by the Rhiag—Inter Auto Parts Italia S.p.A. Each country has its own tax regime and income tax assessment procedures.

The Rhiag Group companies have trading relations and, to a lesser extent, financial relations, both with other companies in the Group (resident in other countries) and other related parties. This means it is impossible to rule out the possibility that the tax authorities of the individual countries may seek to raise issues over the transfer pricing of goods and services, always with regard to individual Group companies only.

The Group believes that the prices represent the normal vale of the transfers between related parties, and, in any case, it has taken the necessary precautionary measures to avoid disputes over this matter. More specifically, when carrying out significant transactions or transactions with considerable economic impact, like those that involve Eastern Europe (Czech Republic and Slovakia), Group companies have sought the opinion of independent experts who have prepared studies and economic analyses supporting the transfer prices applied.

On this basis, it is noted that at the date of approval of these financial statements, there were no tax disputes regarding the transfer pricing of goods and services within the Group.

36. OTHER INFORMATION

Management and coordination is carried out by Lanchester S.A., a company incorporated in Luxembourg, which owns 100% of Rhiag—Inter Auto Parts Italia S.p.A..

In accordance with article 2427 *bis* of the Italian Civil Code, please find below the highlights from the most recent approved separate financial statements, as prepared in accordance with Luxembourg GAAP.

		31/12/2010
	BALANCE SHEET	
B	NON-CURRENT ASSETS	142,762
C	CURRENT ASSETS	223
D	PREPAID EXPENSES AND ACCRUED INCOME	0
	TOTAL ASSETS	**142,985**
A	SHAREHOLDERS' EQUITY	27,251
B	PROVISIONS FOR RISKS AND CHARGES	0
C	EMPLOYEE LEAVING INDEMNITY/TFR	0
D	PAYABLES	115,734
E	ACCRUED EXPENSES AND DEFERRED INCOME	0
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**142,985**
	INCOME STATEMENT	
A	VALUE OF PRODUCTION	0
B	COST OF PRODUCTION	0
C	FINANCIAL INCOME AND EXPENSES	(1,705)
D	IMPAIRMENT OF FINANCIAL ASSETS	0
E	NON-RECURRING INCOME AND EXPENSES	0
	INCOME TAXES FOR YEAR	(0)
	PROFIT (LOSS) FOR YEAR	**(1,705)**

These consolidated financial statements present a true and fair representation of the statement of financial position and the profit of the Group for the financial year and correspond to the accounting records.

for THE BOARD OF DIRECTORS
The Chairman
Edoardo Lanzavecchia

ANNEX 1:

Name	Registered Office	Share capital (local currency)	Shareholders	Interest held	Group interest	Consolidation method
Elit Group Ltd	Baar—Switzerland	CHF 13,315,000	Rhiag S.p.A	100.0%	100.0%	Line-by-line
Rhiag Group Ltd	Baar—Switzerland	CHF 4,000,000	Rhiag S.p.A	100.0%	100.0%	Line-by-line
Rhiag Engineering S.p.A.	Bergamo—Italy	Euro 1,809,500	Rhiag S.p.A	100.0%	100.0%	Line-by-line
Bertolotti S.p.A	Bergamo—Italy	Euro 5,170,000	Rhiag S.p.A	100.0%	100.0%	Line-by-line
InSiamo S.C.A.R.L.	Pero (MI)—Italy	Euro 194,309	Rhiag S.p.A	23.24%	24.0%	Line-by-line
Lang Kft	Budapest—Hungary	HUF 1,270,000,000	Rhiag S.p.A	0.5%	100.0%	Line-by-line
			Elit Group Ltd	99.5%		
Car-Go Kft	Budapest—Hungary	HUF 46,000,000	Elit Group Ltd	0.2%	100.0%	Line-by-line
			Lang Ktf	99.8%		
S.C. Elit Romania S.r.l.	Bucharest—Romania	RON 8,614,400	Rhiag S.p.A	0.01%	100.0%	Line-by-line
			Elit Group Ltd	99.99%		
Elit Ukraine Ltd	Kyiv—Ukraine	UAH 72,633	Elit Group Ltd	100.0%	100.0%	Line-by-line
Auto Kelly AS	Prague—Czech Republic	CZK 2,000,000	Elit Group Ltd	100.0%	100.0%	Line-by-line
Auto Kelly Slovakia s.r.o	Bratislava—Slovakia	Euro 272,190	Elit Group Ltd	90.0%	100.0%	Line-by-line
			Auto Kelly AS	10.0%		
Elit Slovakia s.r.o	Bratislava—Slovakia	Euro 298,746	Elit Group Ltd	100.0%	100.0%	Line-by-line
Elit Cz spol	Prague—Czech Republic	CZK 18,750,000	Elit Group Ltd	100.0%	100.0%	Line-by-line

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