ARDENT LEISURE

Ardent Leisure Group

Acquisition of Fitness First's WA Fitness Clubs, summary of FY14 unaudited result and Equity Raising

August 2014

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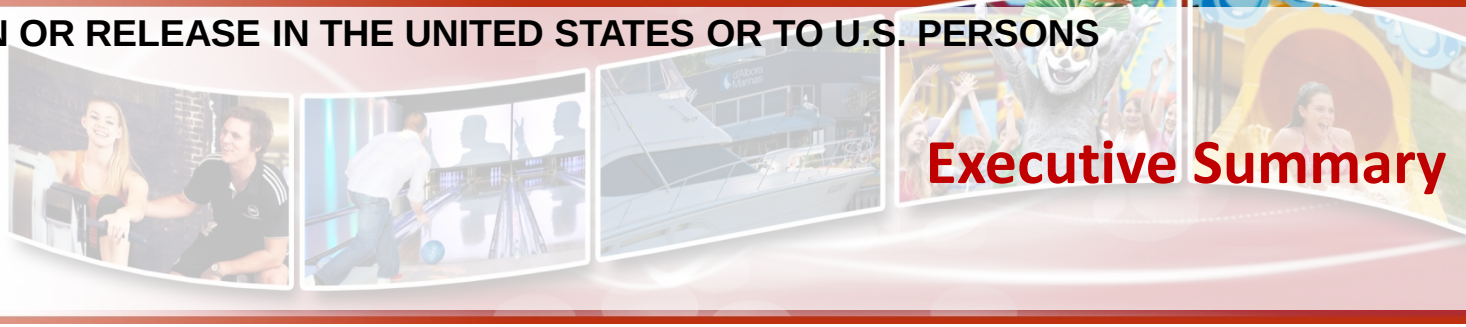

Executive Summary

Acquisition

- Ardent has signed a binding agreement to acquire Fitness First's Western Australian portfolio of 8 health clubs ("Fitness First WA")
- Acquisition price of $32.5 million[(1)] – 5.27x pro forma EBITDA[(2)]

Strategic Rationale

- Western Australia is Goodlife's strongest performing state and the least competitive in the Australian fitness market
- Creates the state's largest full service health club chain, with a compelling portfolio of 14 Perth clubs
- Adds two CBD locations, delivering value to existing members with potential to positively impact performance of existing club portfolio through enhanced passport benefits
- Goodlife has a track record of growing membership and earnings from Fitness First clubs post acquisition

(1) Purchase price includes A$2.5 million deferred payment payable 12 months after Completion. Excludes upfront capital expenditure and transaction costs associated with the acquisition and capital raising
(2) Forecast EBITDA during first full 12 months under Goodlife management

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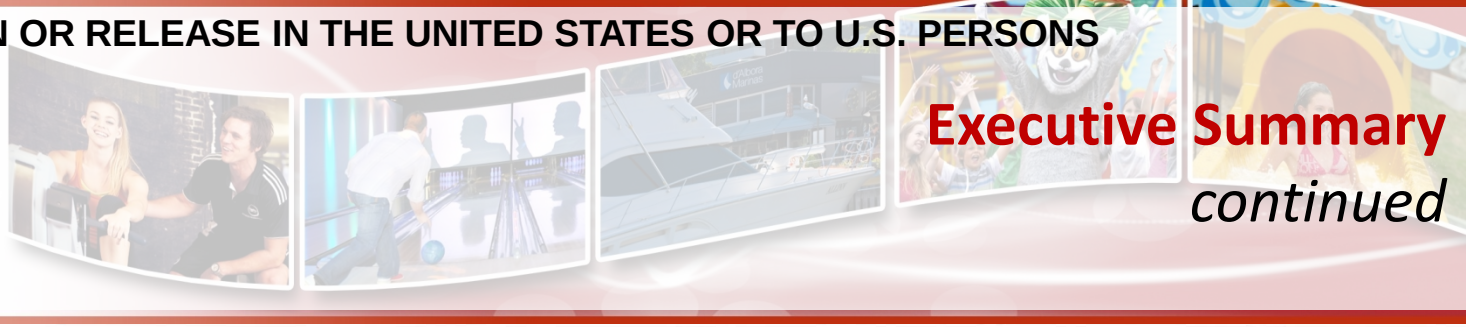

Executive Summary *continued*

FY14 preliminary results (unaudited)

- Summary of FY14 unaudited results:
  - Revenue up 11.3% to $499.7 million
  - Core earnings[1] up 15.7% to $58.2 million
  - Statutory earnings up 37.6% to $49.0 million
  - Core EPS[1] up 9.6% to 14.4cps
  - DPS up 8.3% to 13.0cps
- Particularly strong growth from Main Event (EBITDA up 26.6% YoY) and Health Clubs (EBITDA up 12.1% YoY)

Funding and forecast financial impact

- Acquisition to be funded from proceeds of a $50 million underwritten institutional placement
  - additional equity (in combination with increased US$ borrowing capacity) will be primarily used to accelerate and expand Main Event development pipeline and to fund growth opportunities in other divisions
- Prior to any synergies with Ardent's existing clubs, the acquisition is expected to deliver pro forma FY15 EPS and DPS accretion[2] of:
  - 3-5% - based on the ~$35m raised to fund the acquisition and associated costs with 0-19% increase in Fitness First WA's members in the first 12 months of Goodlife ownership
  - 2-4% - based on the full $50m placement amount with 0-19% increase in Fitness First WA's members in the first 12 months of Goodlife ownership and prior to deploying the additional capital for growth opportunities

(1) Adjusted for unrealised loss/(gain) on derivative financial instruments, property revaluations, straight-lining of fixed rent increases, pre-opening expenses, IFRS depreciation, amortisation of Health Clubs intangible assets, loss on closure of bowling centre, business acquisition costs, gain on acquisition, gain on sale and leaseback of family entertainment centre and the tax associated with these transactions.

(2) Relative to analyst consensus FY15 EPS of 16.3 cents and FY15 DPS of 14.8 cents; prior to any funds raised via SPP; assumes the transaction and placement had occurred on 1 July 2014.

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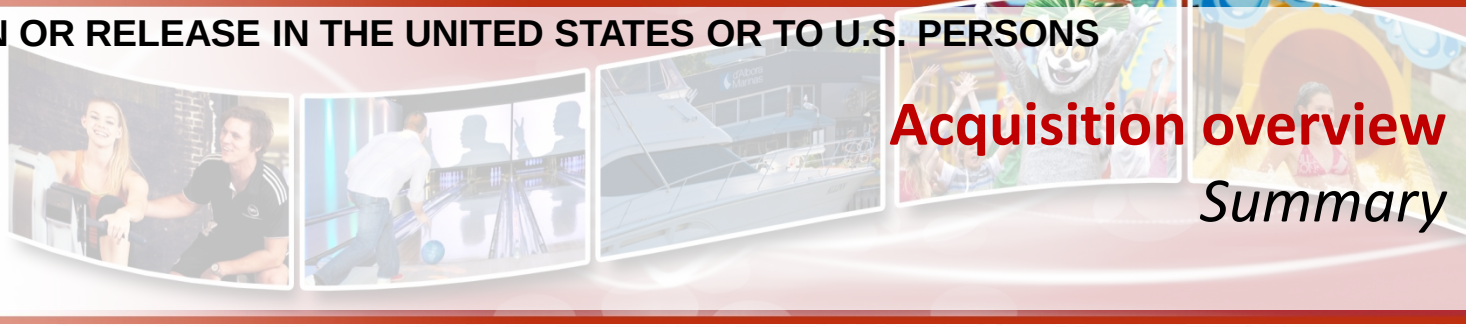

Acquisition overview

Summary

Overview of acquisition

- 8 quality health clubs in Australia's best performing health club market
- Established, large clubs with modern facilities
  - superior to existing Goodlife clubs
- Approximately 21,243 members[1] or 2,655 members per club
  - Goodlife's Western Australian clubs have 19% higher average members per club

Acquisition terms

- Purchase price of A$32.5 million[2]
  - represents 5.27x pro forma EBITDA[3]
- Completion not subject to any regulatory approvals
- Completion to occur after 28 day member notification period.

Portfolio summary

Club	Size (m²)	Lease expiry	Lease options
Balga	2,500	3-Jan-17	2 x 5 Years
Brookfield	1,140	20-Jun-22	2 x 5 Years
Cannington	3,494	30-Jun-22	1 x 5 Years
Floreat	1,343	31-Dec-17	2 x 5 Years
Innaloo	2,268	15-Sep-20	2 x 5 Years
Murray Street	1,900	28-Feb-19	1 x 5 Years
Myaree	2,596	25-Feb-23	2 x 5 Years
Subiaco	2,047	12-Dec-22	2 x 5 Years

Key statistics - WA Portfolio[1]

	Goodlife	Fitness First
No of clubs	6	8
Total membership	18,964	21,243
Av. members per club	3,161	2,655
Av. club size (m2)	1,919	2,161
EBRITDA margin[4]	52.4%	51.9%

(1) At 30 June 2014
(2) Purchase price includes A$2.5 million deferred payment payable 12 months after Completion. Excludes upfront capital expenditure and transaction costs associated with the acquisition and capital raising
(3) Represents forecast EBITDA during first full 12 months under Goodlife management
(4) Goodlife WA portfolio EBRITDA margin is for 12 months ending 30 June 2014. Fitness First WA margin is for 8 months ending 30 June 2014

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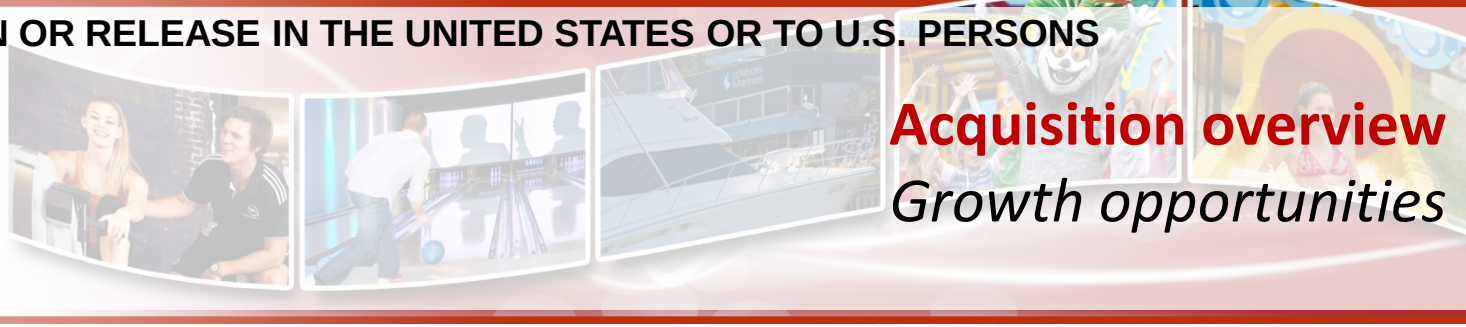

Acquisition overview

Growth opportunities

- Significant growth potential, with membership being well below Goodlife's Western Australia portfolio average
- Following previous Fitness First portfolio acquisition, Goodlife increased average club membership by 393 members per club (20.5%) in the first 18 months
- Expected positive impact on the performance of Goodlife's existing WA club portfolio through enhanced passport benefits
  - Goodlife members will have access to a significantly expanded group of clubs, including 2 CBD locations
- Earnings growth potential to be complemented by current Goodlife operational initiatives:
  - increased rental trainer penetration through the addition of new fitness certification campuses
  - potential for new Hypoxi studio locations, in large format Fitness First clubs
  - adjacent locations at Cannington will provide opportunity for broader and coordinated training programs beyond traditional offering
  - material marketing and branding synergies

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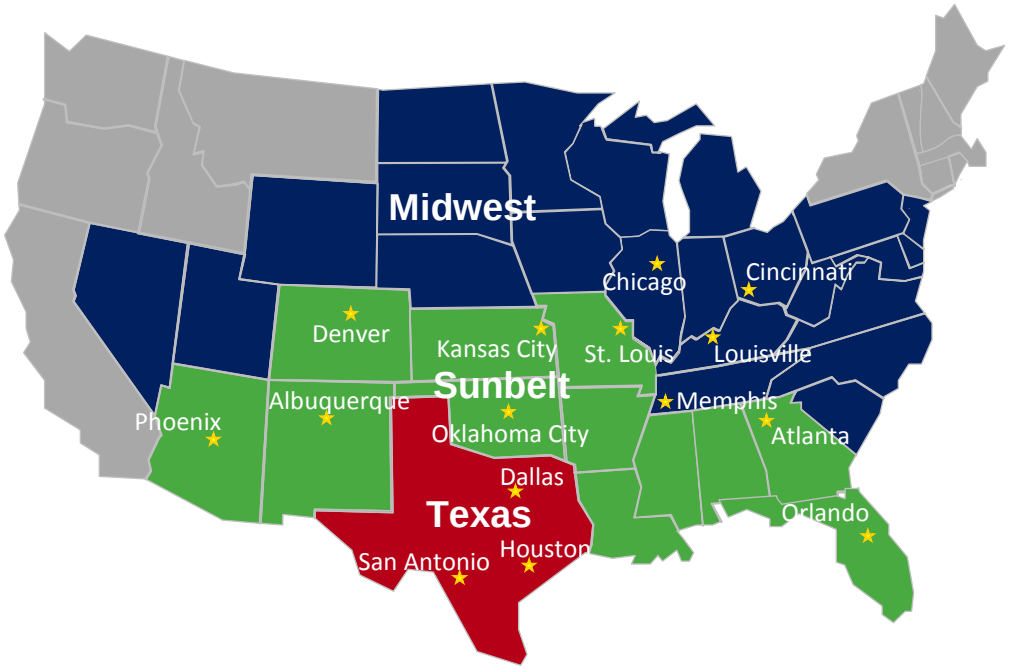
Acceleration of Main Event rollout and other growth opportunities

- Additional equity raised will primarily be used to accelerate and expand the Main Event rollout, with 6 target openings in FY15, 7 target openings in FY16 and 8 target openings in FY17
  - Targeting 35 centres by end of FY17
- Expanded rollout will provide an opportunity to build brand presence and base for expansion in key metro markets including Phoenix, Chicago, Kansas City and Atlanta
- New sites consistently delivering higher than average Revenue and EBITDA contributions and ~30% EBITDA return on invested capital
- Additional equity will also provide capacity to fund future accretive acquisitions and greenfield developments currently under consideration across the Ardent Group



Target Market Development

Texas Sunbelt Midwest

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Funding and balance sheet

Sources and Uses

Sources of funds [1]	A$m
Institutional Placement	50.0
Total Sources	**50.0**

Uses of funds	A$m
Acquisition purchase price	32.5
Upfront capital expenditure	0.9
Transaction costs	2.7
Other growth opportunities	13.9
Total Uses	**50.0**

Pro forma gearing

A$m	30 June 14[2]	Adj. [1]	Pro forma
Bank debt	261.5	(13.9)	247.6
Equity	505.5	50.0	555.5
Gearing[3]	***34%***		***31%***

- Pro forma gearing of approximately 31% - at the bottom end of target gearing range of 30–35% until additional capital is deployed
- The Group has received terms (subject to documentation) to increase US$ bank facilities from US$120 million to US$160 million to fund US expansion opportunities

(1) Excludes any funds raised from SPP
(2) FY14 balance sheet is unaudited
(3) Gearing calculated as Debt/Debt plus Equity

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Financial impact

- Prior to any synergies with Ardent's existing clubs, the acquisition is expected to deliver pro forma FY15 EPS and DPS accretion(1) of:
  - 3-5% based on the ~$35m raised to fund the Fitness First WA acquisition

	Member uplift per club in first full 12 months (assumes members join part way through year)					
	0	100	200	300	400	500
	0%	3.8%	7.5%	11.3%	15.1%	18.8%
EPS Accretion(2)	2.5%	3.0%	3.4%	3.9%	4.3%	4.8%
DPS Accretion(2)	2.7%	3.2%	3.7%	4.1%	4.6%	5.0%

  - 2-4% based on the full $50m placement, prior to deployment of capital for growth opportunities
- EPS and DPS accretion ranges reflect 0–19% uplift in Fitness First WA's members in the first 12 months of Goodlife ownership
  - Goodlife's WA clubs have an average membership per club 19% greater than Fitness First WA
  - Goodlife increased average club membership by 393 members per club (20.5%) in the first 18 months following previous Fitness First portfolio acquisition
- Does not include any additional earnings growth in existing Goodlife clubs as the result of the acquisition

(1) Relative to FY15 market consensus EPS of 16.3 cents and DPS of 14.8 cents; assumes acquisition and equity raising occurred on 1 July 2014; prior to any funds raised under the SPP
(2) Based on ~$35 million equity requirement to fund total acquisition costs

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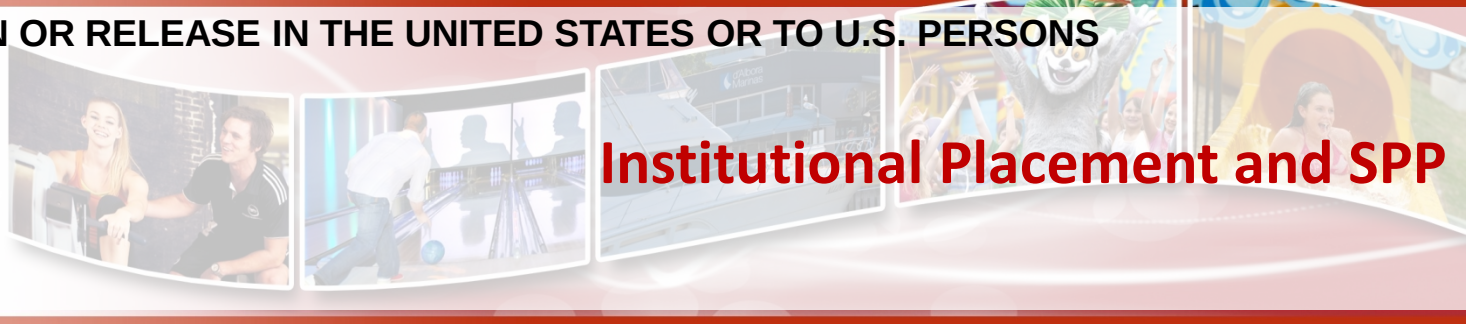

Institutional Placement and SPP

Structure	➢ Placement to institutional and sophisticated investors ("Placement") ➢ New securities will rank pari passu with existing securities
Placement size	➢ $50 million ➢ 20.7 million new securities (5.1% of current issued capital)
Placement price	➢ Fixed issue price of A$2.41 (“Placement Price”) per stapled security (“New Security”) – represents a discount of 4.0% to the last closing price on 5 August 2014 ➢ The Placement is fully underwritten by UBS AG, Australia Branch
Security Purchase Plan (SPP)	➢ Subsequent to the Placement, eligible stapled security holders will have the opportunity to subscribe for up to A$15,000 of new stapled securities (subject to a cap of $15.0 million) via the SPP – Record date of 7:00pm (Sydney time) on 5 August 2014 – shareholders subject to scale back ➢ Issue price equal to the lower of (i) the Placement Price and (ii) a 2.0% discount to the volume weighted average price (“VWAP”) of Ardent stapled securities during the five trading days before the closing date for applications under the SPP ➢ Further details on the SPP will be provided after the completion of the Placement

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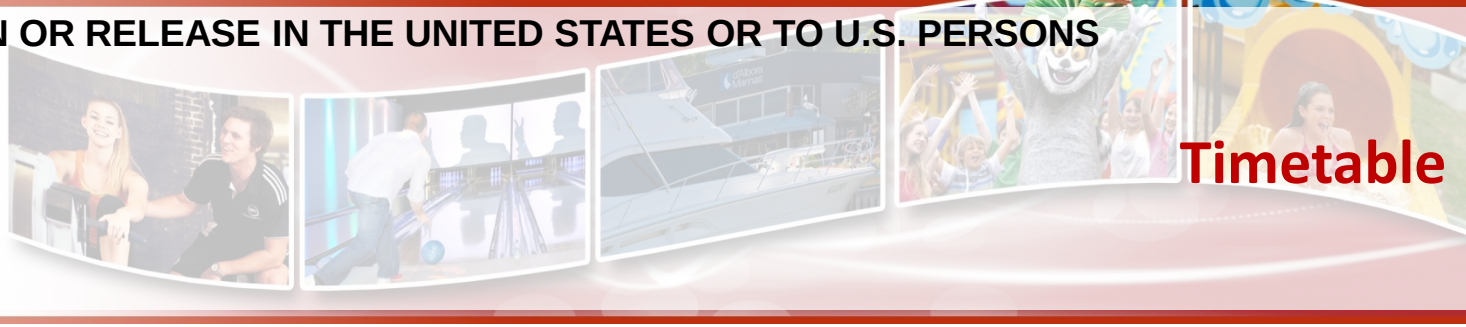

Timetable

Placement	
Trading halt begins	Wednesday, 6 August 2014
Bookbuild opens	10:00am (Sydney time), Wednesday, 6 August 2014
Bookbuild closes	4:00pm (Sydney time), Wednesday, 6 August 2014
Trading halt lifted	Thursday, 7 August 2014
Settlement of placement	Tuesday, 12 August 2014
New shares allotted and commence trading	Wednesday, 13 August 2014

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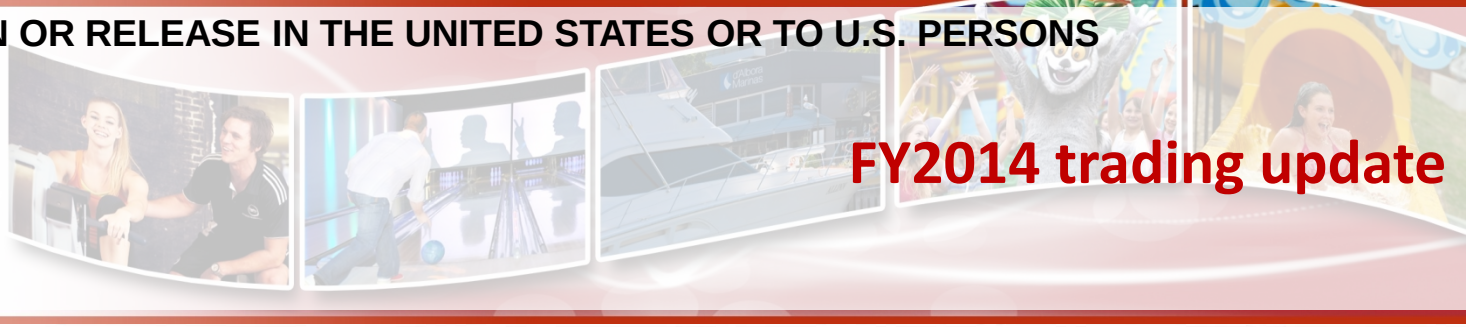

Summary

	FY14[1]	FY13	
Revenue[2]	$499.7m	$448.9m	11.3% ↑
Core earnings[3]	$58.2m	$50.3m	15.7% ↑
Stat Profit	$49.0m	$35.6m	37.6% ↑
Core EPS[3]	14.40c	13.14c	9.6% ↑
DPS	13.00c	12.00c	8.3% ↑

Movement based on prior corresponding period (pcp)

(1) FY14 figures are unaudited

(2) From operational activities excluding property revaluations, gains on derivative financial instruments, interest income, gain on acquisition and gains on asset disposals.

(3) Adjusted for unrealised loss/(gain) on derivative financial instruments, property revaluations, straight-lining of fixed rent increases, pre-opening expenses, IFRS depreciation, amortisation of Health Clubs intangible assets, loss on closure of bowling centre, business acquisition costs, gain on acquisition, gain on sale and leaseback of family entertainment centre and the tax associated with these transactions.

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FY14 Highlights[1]

- Further strengthening of Main Event trading trends with EBITDA up 26.6%. Solid pipeline of new developments secured for FY15 and beyond.
- Health Clubs EBITDA up 12.1% supported by like for like earnings growth and contributions from acquisitions. Acquisitions of Hypoxi, Port Melbourne and Camberwell trading positively and ahead of plan.
- Theme Park division recorded 7.7% EBITDA growth with rebound in domestic and international visitation in second half.
- New Dreamworld ride and food & beverage investment in FY15 expected to reinforce positive trading trends.
- Bowling operational restructure delivered 7.8% EBITDA growth, with division now recording positive revenue growth (July revenues up 3.6%).
- Marinas division delivering stable revenue and EBITDA results.

(1) FY14 figures are unaudited

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Main Event

US$'000	FY14[1]	FY13	% Change
Total revenue	89,254	73,543	21.4%
EBITDA[(2)]	22,401	17,700	26.6%

- Trading trends in the Main Event business continue to improve. FY2014 has delivered 21.4% revenue growth and 26.6% EBITDA growth.
- Investments in marketing resources, branding efforts, an advance reservation system, food and beverage delivery systems and the rollout of a bar remodel program for constant centres have combined to enhanced trading performance (FY2014 constant centre revenue growth 4.5%, EBITDA growth 12.9%).
- July trading has delivered record revenue result. Total revenue of US$9.6m up 25.3% on July 2013, with constant centre revenue up 13.3%.

(1) FY14 figures are unaudited
(2) Excludes pre-opening expenses

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Main Event

- Full executive team in place to facilitate national rollout, with VP Operations, Wayne Stancil and VP of IT, Tamy Duplantis appointed in second half.
- 14th centre in Alpharetta, Georgia opened on June 26, and 15th centre in Pharr, Texas will open on August 6.
- Construction well advanced on a further five new sites due to open in FY15:

Warrenville (Chicago), Illinois (Sept 14)	Oklahoma City, Oklahoma (Dec 14)
West San Antonio, Texas (Sept 14)	Tulsa, Oklahoma (Mar 15)
Parkway Point, Atlanta, Georgia (Nov 14)	

- Negotiations advanced on 7 new sites for FY16 openings.
- Preliminary investigations underway on 8 new sites for FY17 openings

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Goodlife Health Clubs

$'000	FY14[1]	FY13	% Change
Total revenue	164,070	140,689	16.6%
EBITDA[(2)]	33,990	30,329	12.1%

- Increased revenue and earnings supported by constant centre growth and contribution from acquisitions.
- Constant centre EBRITDA growth of 5.2% as revenue initiatives, operational efficiencies and productivity improvements continue.
- Hypoxi acquisition completed and operating ahead of plan.
- Acquired Port Melbourne and Camberwell clubs performing strongly and ahead of acquisition targets.

(1) FY14 figures are unaudited
(2) Excludes pre-opening expenses and straight-line rent

Dreamworld, WhiteWater World & SkyPoint

$'000	FY14[1]	FY13	% Change
Revenue	100,139	97,086	3.1%
EBITDA	32,799	30,450	7.7%

- Strong second half revenue and earnings momentum, with January and Easter trading showing improved domestic traffic and international visitation.
- New water and thrill rides scheduled to open for September school holidays.
- Significant upgrade to food and beverage offer underway to drive increased spend, particularly from local return visitation market.
- July revenue of $9.0m marginally lower than July 2013 revenues of $9.4m.
- Successful annual pass campaigns and higher prepaid ticket sales have generated deferred income of $3.45 million as at the end of July, up 72.6% on deferred income of $2.00 million as at 31 July 2013. This income will be released to earnings as tickets are redeemed in-park.

(1) FY14 figures are unaudited

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AMF & Kingpin Bowling

$'000	FY14[1]	FY13	% Change
Revenue	113,889	115,230	(1.2%)
EBITDA[(2)]	13,765	12,773	7.8%

- Full Year results reflect success of operational efficiency initiatives delivering EBRITDA margin improvement (FY14 margin 34.2% vs. FY13 margin 31.6%).
- Second half rebounded well after soft January trading.
- New CEO, Nicole Noye, has strong background in multi-site operations and will drive new revenue and digital marketing opportunities.
- New sites secured for FY15 openings – Darwin and Revesby Workers' Club.
- July revenues of $12.9m up 3.6% on July 2013, with strong traffic throughout school holiday trading.

(1) FY14 figures are unaudited
(2) Excludes pre-opening expenses and straight-line rent

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d'Albora Marinas

$'000	FY14[1]	FY13	% Change
Revenue	23,466	23,141	1.4%
EBITDA	10,396	10,687	(2.7%)

- Portfolio has maintained consistently high occupancies with strong operating margins.
- Higher property costs in FY14 resulting in marginal EBITDA decline. Property costs will normalize in FY15.
- Positive autumn weather has resulted in stronger winter occupancies and solid trading momentum into FY15.

(1) FY14 figures are unaudited

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Consolidated group balance sheet ($ million)	30 June 2014[1]	30 June 2013
Assets		
Theme Parks	259.8	246.6
Excess land	2.4	2.4
Marinas	103.7	101.4
Bowling	131.2	134.2
Main Event	138.2	102.4
Health Clubs	211.7	200.3
Other	6.0	12.4
Total Assets	**853.0**	**799.7**
Liabilities		
Bank debt	260.2	227.6
Other	87.3	84.8
Total Liabilities	**347.5**	**312.4**
Net Assets	**505.5**	**487.3**

(1) 30 June 2014 balance sheet is unaudited

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Capital Management

- There are 3 covenants in place for the Group facility:

	Covenant	Group 30 June 2014
Gearing	<40%	34.1%
FCCR	>1.75	2.1
Debt serviceability	<3.25	2.6

- At 30 June the Group had the following bank facilities:

	Facility $m	Drawn $m
A$ maturing July 2016	100.0	100.0
A$ maturing July 2017	100.0	63.4
US$ maturing July 2016 (US$90m)	95.4	92.5
US$ maturing July 2017 (US$30m)	31.8	5.6
	327.2	**261.5**

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Capital Management (cont.)

- The Group has now received terms (subject to documentation) from its 2 lead banks to increase the US$ facility from US$120 million to US$160 million which will be used to fund US expansion opportunities. The additional US$40 million will mature in July 2017.

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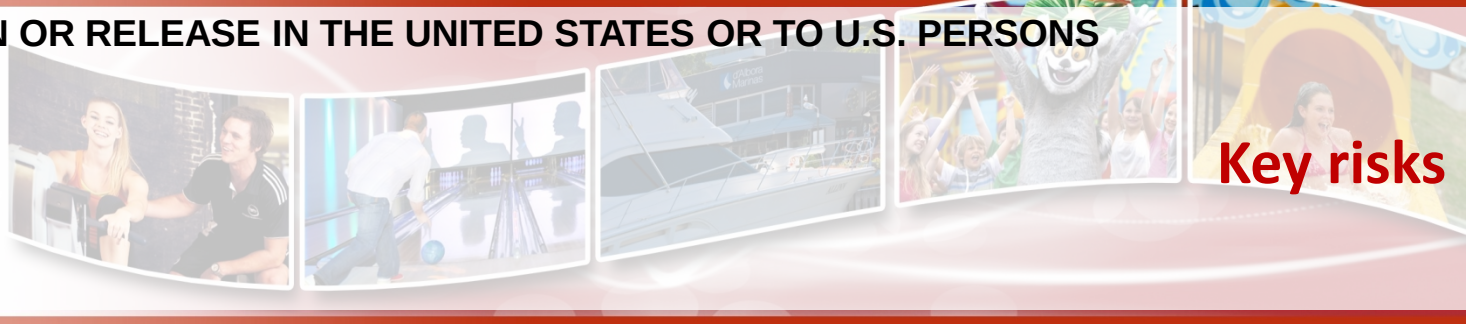

Key risks

There are a number of risks, both specific to Ardent Leisure and of a general nature, which may affect the future operating and financial performance of Ardent Leisure, its investment returns and the value of its stapled securities. Many of the circumstances giving rise to these risks are beyond the control of Ardent Leisure.

This section describes certain specific areas that are believed to be the major risks associated with an investment in Ardent Leisure. Each of the risks described below could, if they eventuate, have a material adverse effect on Ardent Leisure's operating and financial performance. You should note that the risks in this section are not exhaustive of the risks faced by a potential investor in Ardent Leisure. You should consider carefully the risks described in this section, as well as other information in this presentation, and consult your financial or other professional adviser before making an investment decision.

General risks

Stapled security price risk	There are general risks associated with an investment in the share market. As such, the value of New Securities may rise above or fall below the issue price under the Placement, depending on the financial position and operating performance of Ardent and other factors. Further, broader market factors affecting the price of Ardent stapled securities are unpredictable and may be unrelated or disproportionate to the financial or operating performance of Ardent. Recent turmoil in global credit markets has negatively affected economies across the globe and led to increased volatility in stock markets, including the ASX. Continued volatility in global markets could negatively impact the value of the New Securities.
Risks related to changes in taxation law	Future changes in taxation law in Australia and in other jurisdictions, including changes in interpretation or application of the law by the courts or taxation authorities in Australia or other jurisdictions, may affect taxation treatment of an investment in Ardent stapled securities, or the holding or disposal of those stapled securities.
Accounting standards	Ardent prepares its general purpose financial statements in accordance with AIFRS and with the Corporations Act. Australian Accounting Standards are subject to amendment from time to time, and any such changes may impact on Ardent's statement of financial position or statement of financial performance.
Asset impairment	Under AIFRS, Ardent is required to review the carrying value of its assets, other than inventory and deferred tax assets, annually or whenever there is an indication of impairment. If there is any indication of impairment, then the assets recoverable amount is estimated. Changes in assumptions underlying the recoverable amount of certain assets of Ardent as a result of deteriorating market conditions or increasing cost of capital could result in an impairment of such assets, which may have a material adverse effect on Ardent's financial performance and position.
Economic risk	The operating and financial performance of Ardent is influenced by a variety of general economic and business conditions, including the level of inflation, interest rates, exchange rates, government policy, consumer spending, consumer confidence and employment rates. Adverse changes in factors such as the level of inflation, interest rates, exchange rates, government policy, consumer spending, consumer confidence and employment rates are outside of Ardent's control and that of the Directors and may result in a material adverse impact on Ardent's business, financial condition, prospects and results of operation.

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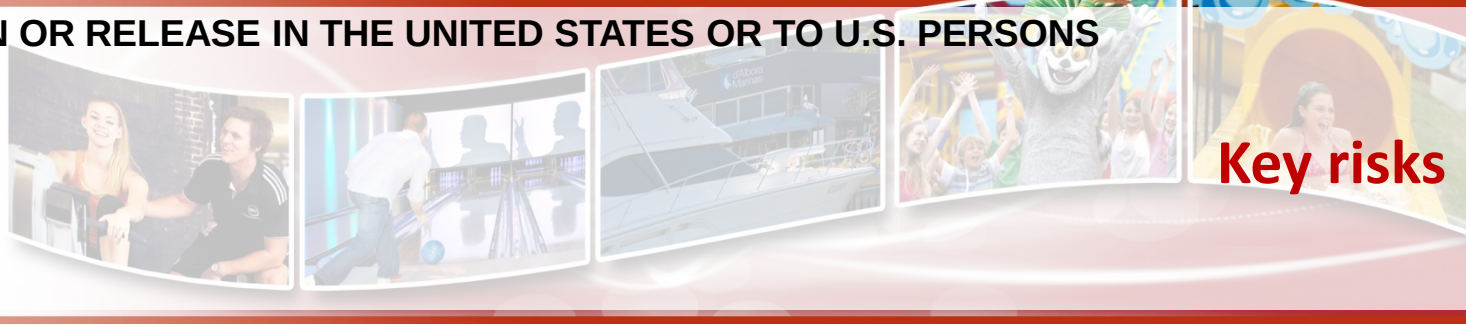

Key risks

Acquisition risks

Completion risk	Completion of the acquisition is conditional on certain matters. If any of the conditions are not met, completion of the Acquisition may be deferred or cancelled. Failure to complete this transaction and any action required to be taken to deploy capital raised may have a material adverse effect on Ardent's financial performance, financial position and security price.
Declining membership numbers in health clubs	A significant proportion of earnings from Fitness First's WA Fitness Clubs are derived from ability to attract and retain members. Any deterioration in the number of members could adversely affect the Ardent business, results of operations or financial condition and performance. Ardent has undertaken financial and business analysis of Fitness First's WA Fitness Clubs in order to determine its attractiveness to Ardent and whether to pursue the transaction. To the extent that the actual results achieved by Fitness First's WA Fitness Clubs are weaker than those indicated by Ardent's analysis, there is a risk that the profitability and future results of the operations of Ardent may differ (including in a materially adverse way) from Ardent's expectations.
Realisation of synergies	The transaction involves the integration of businesses that have previously operated independently. The long term success of the combined group (and the ability to realise synergies) will depend, in part, on the success of integration of Fitness First's WA Fitness Clubs and Ardent's current operations. The integration process will involve, among other things, integrating personnel and combining different corporate and workplace cultures. The process of integrating operations could, among other things, divert management's attention, interrupt or lose momentum in the activities of the businesses and could result in the loss of key personnel. There is also a risk that the integration of Fitness First's WA Fitness Clubs may be more complex than currently anticipated, encounter unexpected challenges or issues and takes longer than expected. In addition, it may not be possible to achieve the integration or otherwise realise the full cost synergies that Ardent anticipates or in the timeframe that Ardent anticipates. Any of these outcomes could have an adverse effect on the combined group's business, results of operations or financial condition and performance.
Asset impairment	Ardent undertook a due diligence process in respect of Fitness First's WA Fitness Clubs, which relied in part on the review of financial and other information provided by the vendors. Ardent has prepared (and made assumptions in the preparation of) the financial information relating to Fitness First's WA Fitness Clubs on a stand-alone basis and also to Ardent post-acquisition ("Combined Group") included in this presentation, in reliance on financial information and other information provided by the vendors. Ardent is unable to verify the accuracy or completeness of all of that information. If any of the data or information provided to and relied upon by Ardent in its due diligence process and its preparation of this presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of Fitness First's WA Fitness Clubs and the Combined Group may be materially different to the financial position and performance expected by Ardent and reflected in this presentation. Investors should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the acquisition have been identified. Therefore, there is a risk that unforseen issues and risks may arise, which may also have a material impact on Ardent.
Economic risk	Ardent has undertaken financial, business and other analyses of Fitness First's WA Fitness Clubs in order to determine its attractiveness to Ardent and whether to pursue the acquisition. It is possible that such analyses and the best estimate assumptions made by Ardent draws conclusions and forecasts that are inaccurate or which are not realised in due course. To the extent that the actual results achieved by Fitness First's WA Fitness Clubs are different than those indicated by Ardent's analysis, there is a risk that the profitability and future earnings of the operations of the Combined Group may be materially different from the profitability and earnings expected as reflected in this presentation.

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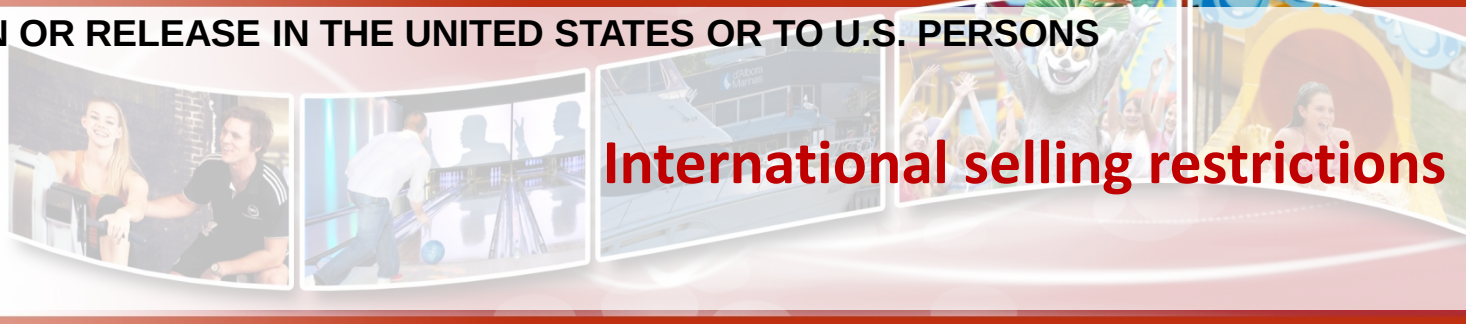

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- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
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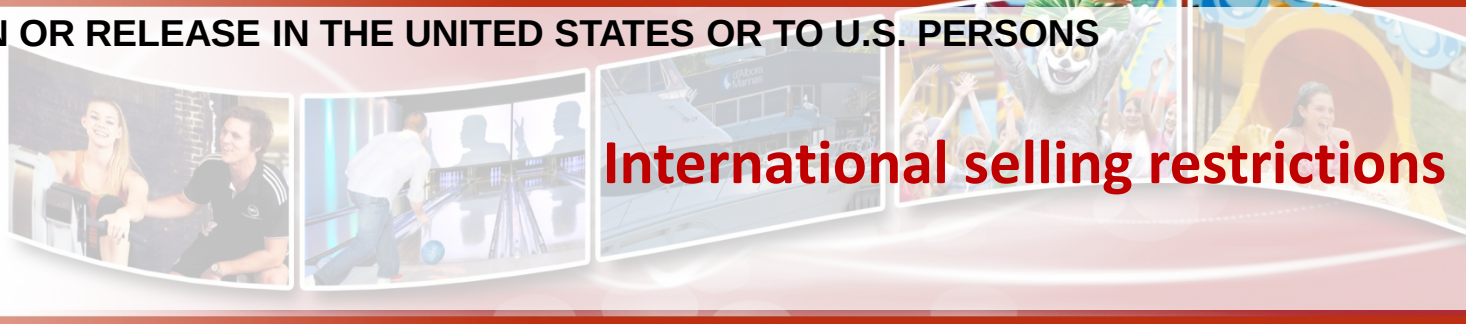

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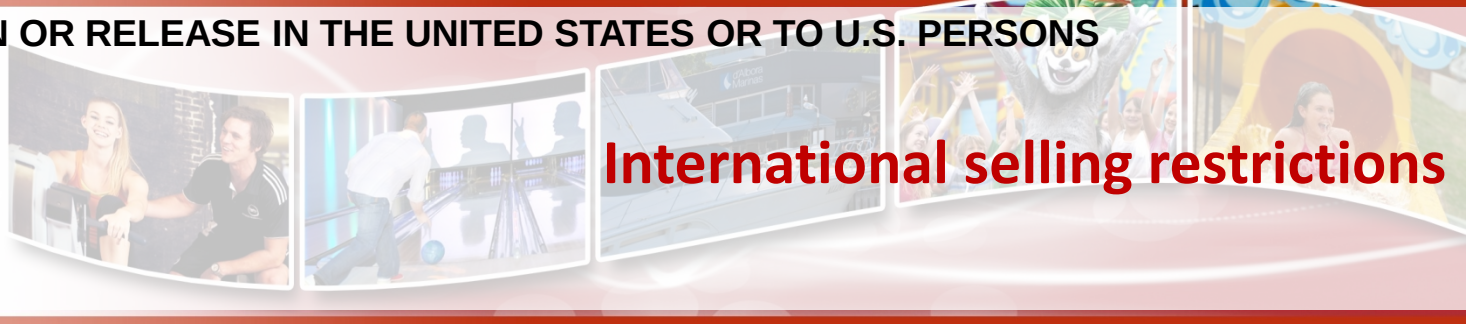

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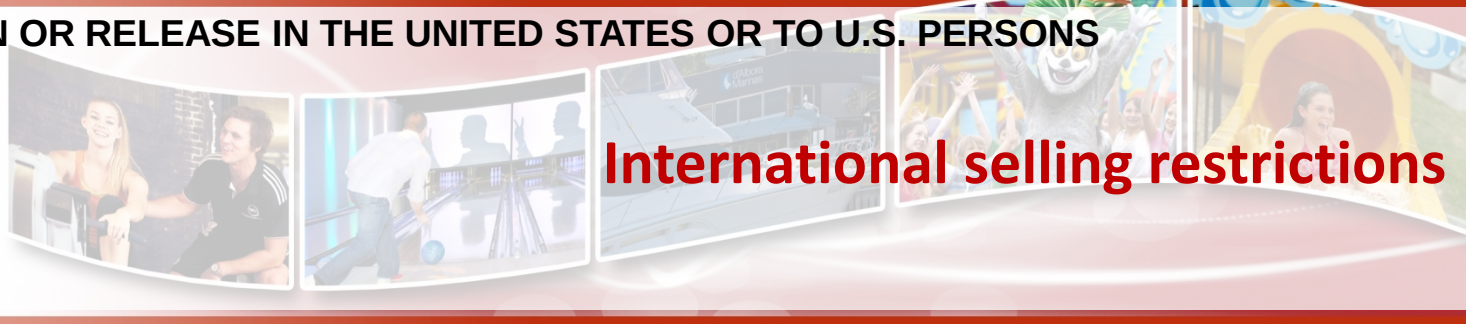

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