

# PRIMO WATER CORP /CN/

## **FORM 8-K** (Current report filing)

Filed 06/13/16 for the Period Ending 06/13/16

Address	4221 W. BOY SCOUT BLVD. SUITE 400 TAMPA, FL, 33607
Telephone	813-313-1732
CIK	0000884713
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SIC Code	2086 - Bottled and Canned Soft Drinks and Carbonated Waters
Industry	Non-Alcoholic Beverages
Sector	Consumer Non-Cyclicals
Fiscal Year	12/28

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

**Date of Report (Date of earliest event reported): June 13, 2016**

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**Cott Corporation**

(Exact name of registrant as specified in its charter)

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**Canada**  
(State or other jurisdiction  
of incorporation)

**001-31410**  
(Commission  
File Number)

**98-0154711**  
(IRS Employer  
Identification No.)

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**6525 Viscount Road**  
**Mississauga, Ontario, Canada**

**L4V1H6**

**5519 West Idlewild Avenue**  
**Tampa, Florida, United States**  
(Address of Principal Executive Offices)

**33634**  
(Zip Code)

**Registrant's telephone number, including area code: (905) 672-1900 (813) 313-1800**

**N/A**  
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 7.01 Regulation FD Disclosure.*****Proposed Notes Offering***

On June 13, 2016, Cott Corporation (the “Company”) issued a press release announcing that its wholly owned subsidiary, Cott Finance Corporation (the “Escrow Issuer”), intends to offer, subject to market and other customary conditions, up to €450 million in aggregate principal amount of senior notes due 2024 (the “notes”) in a private offering. The notes are being issued in connection with the previously announced acquisition (the “Eden Acquisition”) of Hydra Dutch Holdings 1 B.V. (“Eden Holdings”) by Carbon Acquisition Co B.V., a wholly owned subsidiary of the Company, pursuant to that certain Share Purchase Agreement, dated as of June 7, 2016, by and among Carbon Acquisition Co B.V., as the purchaser, the Company, as the purchaser’s guarantor, and Hydra Luxembourg Holdings S.à.r.l., as the seller. The Escrow Issuer has been declared an unrestricted subsidiary under the Indentures governing Cott Beverages Inc.’s 5.375% Senior Notes due 2022 and its 6.75% Senior Notes due 2020, as well as DS Services of America, Inc.’s 10.000% Senior Notes due 2021. Each of Cott Beverages Inc. and DS Services of America, Inc. is a wholly owned subsidiary of Cott Corporation.

Unless the Eden Acquisition has occurred at or prior to the consummation of the notes offering, the gross proceeds of the notes will be deposited into an escrow account together with an amount sufficient to fund a special mandatory redemption of the notes. Prior to the release of the gross proceeds from escrow, the notes will be secured by a first-priority security interest in the escrow account and all deposits and investment property therein. The release of the gross proceeds from escrow will be subject to the satisfaction of certain escrow release conditions, including the consummation of the Eden Acquisition. Prior to the satisfaction of the escrow release conditions, the notes will not be guaranteed. Substantially simultaneously with the Eden Acquisition, the Escrow Issuer will amalgamate with the Company and the Company will assume all of the obligations of the Escrow Issuer under the notes. Following the satisfaction of the escrow release conditions, the notes will be fully and unconditionally guaranteed on a senior, unsecured basis by the Company’s existing and future subsidiaries that guarantee the obligations under the Company’s existing asset based lending (“ABL”) credit facility. It is anticipated that if the Eden Acquisition does not occur on or before October 31, 2016, the notes will be redeemed by a special mandatory redemption.

The Company intends to use the net proceeds from the notes offering to finance a portion of the purchase price payable with respect to the Eden Acquisition, to repay a portion of certain of the outstanding indebtedness of Eden (as defined below) and its subsidiaries and to pay certain related fees and expenses.

The notes are being offered only to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), or, outside the United States, to persons other than “U.S. persons” in compliance with Regulation S under the Securities Act and, if investors are residents of a member state of the European Economic Area, only to qualified investors. This Current Report on Form 8-K (“Current Report”) does not constitute an offer to sell or the solicitation of an offer to buy the notes. Any offers of the notes will be made only by means of a private offering memorandum. The notes have not been registered under the Securities Act, or the securities laws of any other jurisdiction, and may not be offered or sold in the United States without registration or an applicable exemption from registration requirements.

The press release, relating to the notes offering, is attached hereto as Exhibit 99.1.

***Financial Information***

In connection with the notes offering, the Company provided potential investors with unaudited pro forma condensed combined financial information consisting of unaudited pro forma condensed combined statements of operations for the three months ended April 2, 2016, the twelve months ended April 2, 2016 and the year ended January 2, 2016 and an unaudited pro forma condensed combined balance sheet as of April 2, 2016. The unaudited pro forma condensed combined financial information is derived from the historical financial statements of the Company and Hydra Dutch Holdings 2 B.V. (“Eden”), a wholly owned subsidiary of Eden Holdings, adjusted to give effect

to the consummation of the Eden Acquisition, the repayment of certain of Eden's and its subsidiaries' outstanding indebtedness, the issuance of the notes and the use of proceeds therefrom, additional borrowings under the Company's ABL credit facility in the amount of approximately \$71 million and the payment of certain related fees and expenses (collectively, the "Transactions"). The unaudited pro forma condensed combined balance sheet as of April 2, 2016 gives effect to the Transactions as if they had occurred on April 2, 2016. The unaudited pro forma condensed combined statement of operations data for the three months ended April 2, 2016, the twelve months ended April 2, 2016 and the year ended January 2, 2016 assume that the Transactions were consummated on January 4, 2015. Eden Holdings does not have any material assets or operation other than its direct ownership of 100% of the capital stock of Eden.

The pro forma adjustments are preliminary and have been made solely for informational purposes. As a result, the pro forma condensed combined financial information is not intended to represent and does not purport to be indicative of what the Company's financial condition or results of operations would have been had the Transactions occurred at an earlier date. In addition, the pro forma condensed combined financial information does not purport to project the future financial condition and results of operations of the Company. The actual results of the Company may differ significantly from those reflected in the pro forma condensed combined financial information.

The (i) unaudited pro forma condensed combined financial information as of and for the three months ended April 2, 2016, for the twelve months ended April 2, 2016 and for the year ended January 2, 2016; (ii) Eden's audited consolidated financial statements as of and for the years ended December 31, 2015 and 2014; (iii) Eden's audited consolidated financial statements as of and for the year ended 2013; (iv) Eden's unaudited condensed consolidated financial statements as of March 31, 2016 and for the three months ended March 31, 2016 and 2015, are attached hereto as Exhibits 99.2, 99.3, 99.4 and 99.5, respectively.

### ***Other Information***

Certain sections of the preliminary offering memorandum related to the notes are "furnished" as Exhibit 99.6 hereto.

In connection with the notes offering, management will be making roadshow presentations to potential investors. Certain slides that will be used in making such presentations are attached hereto as Exhibit 99.7.

The financial information of the Company included in the preliminary offering memorandum and the roadshow presentation has been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The financial information of Eden included therein has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and not GAAP. The financial information in the preliminary offering memorandum and the roadshow presentation includes certain "non-GAAP financial measures" and "non-IFRS financial measures," that is, financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with GAAP or IFRS, as applicable. Reconciliations of such non-GAAP financial measures and non-IFRS financial measures to the comparable measures calculated and presented in accordance with GAAP or IFRS, as applicable, are contained in the reconciliation tables included in the offering memorandum and in the roadshow presentation.

The information "furnished" pursuant to this Item 7.01, including Exhibits 99.1, 99.2, 99.3, 99.4, 99.5, 99.6 and 99.7, shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, and it shall not be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, except as expressly set forth by specific reference in such filing.

### **Forward-Looking Statements**

This Current Report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, including, but not limited to, statements regarding the proposed Eden Acquisition, the note offering and our intention to finance the Eden Acquisition with the net proceeds of the note offering. Forward-looking statements involve inherent risks and uncertainties, many of which are beyond the Company's control. The Company cautions you that a number of important factors could cause actual results to differ materially from those contained in any such forward-looking statement. The forward-looking statements are based on assumptions regarding management's current plans and estimates. Management believes these assumptions to be reasonable but there is no assurance that they will prove to be accurate. Factors that could cause actual results to differ materially from those described in this Current Report include those risks and uncertainties indicated from time to time in the Company's filings with the Securities and Exchange Commission (the "SEC"). Readers are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date hereof. Readers are urged to carefully review and consider the various disclosures, including but not limited to risk factors contained in the Company's Annual Report on Form 10-K and its quarterly reports on Form 10-Q, as well as other periodic reports filed with the SEC. The Company does not undertake to update or revise any of these statements in light of new information or future events, except as expressly required by applicable law.

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**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release of Cott Corporation dated June 13, 2016.
99.2	Unaudited pro forma condensed combined financial statements as of and for the three months ended April 2, 2016, for the twelve months ended April 2, 2016 and for the year ended January 2, 2016.
99.3	Audited consolidated financial statements of Hydra Dutch Holdings 2 B.V. as of and for the years ended December 31, 2015 and 2014.
99.4	Audited consolidated financial statements of Hydra Dutch Holdings 2 B.V. as of and for the year ended December 31, 2013.
99.5	Unaudited condensed consolidated financial statements of Hydra Dutch Holdings 2 B.V. as of and for the three months ended March 31, 2016.
99.6	Certain sections of the preliminary offering memorandum related to the notes.
99.7	Certain slides from the roadshow presentation in connection with the notes offering.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Cott Corporation  
(Registrant)

June 13, 2016

By: /s/ Marni Morgan Poe  
Marni Morgan Poe  
Vice President, General Counsel and Secretary

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## EXHIBIT INDEX

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Press Release

**CONTACT:**

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[Investorrelations@cott.com](mailto:Investorrelations@cott.com)

**COTT ANNOUNCES INTENTION TO OFFER €450 MILLION OF SENIOR NOTES**

**TORONTO, ON and TAMPA, FL – June 13, 2016** – Cott Corporation (“Cott”) (NYSE:COT; TSX:BCB) announced today that its wholly owned subsidiary, Cott Finance Corporation (the “Issuer”), intends, subject to market and other customary conditions, to offer €450 million aggregate principal amount of senior notes due 2024 (the “Notes”) in a private offering. The Notes will be offered to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and to non-U.S. persons in accordance with Regulation S under the Securities Act and other applicable laws.

The Notes are being issued in connection with the previously announced acquisition (the “Eden Acquisition”) of Hydra Dutch Holdings 1 B.V. (“Eden”) by Carbon Acquisition Co B.V., a wholly owned subsidiary of Cott. Unless the Eden Acquisition has occurred at or prior to the consummation of the Notes offering, the gross proceeds of the Notes will be deposited into an escrow account together with an amount sufficient to fund a special mandatory redemption of the Notes. The release of the gross proceeds from escrow will be subject to the satisfaction of certain escrow release conditions, including the consummation of the Eden Acquisition, and such special mandatory redemption shall occur if the Eden Acquisition is not ultimately consummated. Substantially simultaneously with the Eden Acquisition, the Escrow Issuer will amalgamate with Cott and Cott, as the combined company, will assume all of the obligations of the Escrow Issuer under the Notes. Following the satisfaction of the escrow release conditions, the Notes will be fully and unconditionally guaranteed on a senior, unsecured basis by Cott’s existing and future subsidiaries that are also guarantors of the obligations under Cott’s existing ABL credit facility.

Cott intends to use the net proceeds from the Notes offering to finance a portion of the purchase price payable with respect to the Eden Acquisition, to repay a portion of certain of the outstanding indebtedness of Eden and its subsidiaries and to pay certain related fees and expenses.

This press release is for informational purposes only and is not an offer to buy or the solicitation of an offer to sell any securities.

The Notes have not been registered under the Securities Act or any state securities laws and, unless so registered, may not be offered or sold in the United States except pursuant to an applicable exemption from the registration requirements of



the Securities Act and applicable state securities laws. In Canada, the Notes will be offered and sold on a private placement basis in certain provinces to accredited investors in reliance on available exemptions from the prospectus requirement of applicable Canadian securities laws.

It may be unlawful to distribute this press release in certain jurisdictions. This press release is not for distribution in Japan or Australia. The information in this press release does not constitute an offer of securities for sale in Japan or Australia.

**Safe Harbor Statements**

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, including, but not limited to, statements regarding the proposed Eden Acquisition, the note offering and our intention to finance the Eden Acquisition with the net proceeds of the note offering. Such statements convey management’s expectations as to the future based on plans, estimates and projections at the time Cott makes the statements. Forward-looking statements involve inherent risks and uncertainties and Cott cautions you that a number of important factors could cause actual results to differ materially from those contained in any such forward-looking statement. The forward-looking statements contained in this press release include, but are not limited to, statements related to Cott’s intention to offer notes, the principal amount and maturity date of such notes and Cott’s use of the net proceeds from the offering of such notes. The forward-looking statements are based on assumptions regarding the time necessary to satisfy the conditions to the closing of the transaction and management’s current plans and estimates. Management believes these assumptions to be reasonable but there is no assurance that they will prove to be accurate. Readers are urged to carefully review and consider the various disclosures, including but not limited to the risk factors contained in Cott’s Annual Report on Form 10-K and its quarterly reports on Form 10-Q, as well as other filings with the Securities and Exchange Commission. Cott does not undertake to update or revise any of these statements in light of new information or future events, except as expressly required by applicable law.

**United Kingdom**

This press release is for distribution only to and is directed only at persons who are “qualified investors” within the meaning of Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive and that also (i) are “investment professionals” with professional experience in matters relating to investments which fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc”) of the Financial Promotion Order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”).

This press release is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this announcement relates is available only to relevant persons and will be engaged in only with relevant persons.

**EEA**

This press release has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area (“EEA”) which has implemented the Prospectus Directive (2003/71/EC, as amended) (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make any offer in that Relevant Member State of Notes which are the subject of the offering contemplated in this press release, may only do so in circumstances in which no obligation arises for the Issuer or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any of the initial purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the Notes contemplated in this announcement. Neither the Issuer nor any of the initial purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any initial purchaser to publish or supplement a prospectus for such offer.

## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information of Cott Corporation (the “Company” or “Cott”) consists of the unaudited pro forma condensed combined statements of operations for the three months ended April 2, 2016, the twelve months ended April 2, 2016 and the year ended January 2, 2016, and an unaudited pro forma condensed combined balance sheet as of April 2, 2016. The following unaudited pro forma condensed combined financial information represents the pro forma impacts of the Eden Acquisition, which is described in the following paragraph, and financing adjustments associated with financing the acquisition.

### The Eden Acquisition

On June 7, 2016, Carbon Acquisition Co B.V., a private company with limited liability incorporated under the laws of the Netherlands and a wholly-owned subsidiary of Cott, as the purchaser, and Cott, as the purchaser’s guarantor, entered into a Share Purchase Agreement (the “Share Purchase Agreement”) with Hydra Luxembourg Holdings S.à.r.l., a private limited liability company incorporated in Luxembourg, as the seller, to acquire the sole issued and outstanding share in the share capital of Hydra Dutch Holdings 1 B.V. (“Eden Holdings”), the indirect parent company of Eden Springs Europe B.V., a leading provider of water and coffee solutions in Europe (the “Eden Acquisition”). The unaudited pro forma condensed combined financial information is based on the financial information of Hydra Dutch Holdings 2 B.V. (“Eden”), a direct wholly-owned subsidiary of Eden Holdings. We believe that the only material differences between Eden Holdings and Eden relate to additional cash and cash equivalents held in Eden Holdings and intercompany transactions that are either substantially eliminated on consolidation or will be settled concurrent with the closing of this transaction. No separate financial information has been provided in this offering memorandum for Eden Holdings. See “*Risk Factors —The financial statements of Eden presented in this offering memorandum do not satisfy our obligations under the Exchange Act and the financials of Eden Holdings that we will file may materially differ from those presented herein .*”

The purchase consideration is approximately €470 million, subject to customary adjustments for cash, debt, working capital and other items, payable at closing in cash of which approximately \$407 million will be used to pay the outstanding third-party indebtedness of Eden’s subsidiaries.

The Company has received committed financing from Deutsche Bank Securities Inc., J.P. Morgan Securities plc, Wells Fargo Securities, Merrill Lynch International and SunTrust Robinson Humphrey, Inc., or affiliates of the foregoing entities, to support the Eden Acquisition. The Company intends to finance the acquisition through a combination of the proceeds of this offering, incremental borrowings under the Company’s asset based lending facility (“ABL Facility”) of approximately \$71 million and cash on hand.

The Company expects to incur approximately \$6.4 million of acquisition costs. This estimate does not include financing fees related to the debt financing and other financing-related costs, which are estimated to be approximately \$31 million.

### Basis for Pro Forma Information

The unaudited pro forma condensed combined balance sheet data as of April 2, 2016 gives effect to the Eden Acquisition as if it occurred on April 2, 2016. The unaudited pro forma condensed combined statements of operations data for the year ended January 2, 2016, the three months ended April 2, 2016 and the twelve months ended April 2, 2016 assume that the Eden Acquisition was consummated on January 4, 2015.

The unaudited pro forma condensed combined statement of operations data for the twelve months ended April 2, 2016 is derived from the audited and unaudited historical financial statements of Cott and Eden as follows: (i) the audited consolidated statement of operations data for the years ended January 2, 2016 and December 31, 2015, respectively, plus (ii) the unaudited consolidated statement of operations data for the three

months ended April 2, 2016 and March 31, 2015, respectively, less (iii) the unaudited consolidated statement of operations data for the three months ended April 4, 2015 and March 31, 2015, respectively, and (iv) adjusted for the appropriate pro forma adjustments for the twelve month period ended April 2, 2016.

Cott's historical financial data for the year ended January 2, 2016 and as of and for the three month period ended April 2, 2016 is derived from Cott's audited financial statements for the year ended January 2, 2016 and its unaudited interim historical consolidated financial statements for the three months ended April 2, 2016, respectively, each of which is included elsewhere herein.

The historical financial data for Eden, and its subsidiaries for the year ended December 31, 2015 and for the three months ended March 31, 2016 is derived from its audited consolidated financial statements for the year ended December 31, 2015 and its unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016, respectively, each of which is included elsewhere herein. All references to January 2, 2016, reflect Eden's historical financial statements for the year end December 31, 2015, and all references to April 2, 2016, reflect Eden's unaudited consolidated financial statements as of and for the three months ended March 31, 2016 and for the twelve months ended March 31, 2016.

We believe that the only material differences between Eden Holdings and Eden relate to additional cash and cash equivalents held in Eden Holdings and intercompany transactions that are either substantially eliminated on consolidation or will be settled concurrent with the closing of this transaction. These assets and liabilities will not have an impact on the estimated purchase consideration or the preliminary purchase price allocation. The historical financial data used to prepare the unaudited pro forma condensed combined statement of operations data for the twelve months ended April 2, 2016 is derived from the audited and unaudited historical financial statements of Cott and Eden as follows: (i) the audited consolidated statement of operations data for the year ended January 2, 2016 and December 31, 2015, respectively, plus (ii) the unaudited consolidated statement of operations data for the three months ended April 2, 2016 and March 31, 2015, respectively; less (iii) the unaudited consolidated statement of operations data for the three months ended April 4, 2015 and March 31, 2015, respectively.

The historical financial information has been adjusted to give effect to matters that are (i) directly attributable to the Eden Acquisition, (ii) factually supportable, and (iii) with respect to the unaudited pro forma condensed combined statement of operations, expected to have a continuing impact on the operating results of the combined entities.

The unaudited pro forma condensed combined financial information should be read in conjunction with:

- the accompanying notes to the unaudited pro forma condensed combined financial information;
- the audited consolidated financial statements of Cott as of and for the year ended January 2, 2016, included in Cott's Annual Report on Form 10-K filed with the SEC on February 29, 2016 and included herein;
- the unaudited condensed consolidated financial statements of Cott as of and for the three month period ended April 2, 2016, included in Cott's Quarterly Report on Form 10-Q filed with the SEC on May 9, 2016 and included herein;
- the audited consolidated financial statements of Eden as of and for the year ended December 31, 2015 included herein;
- the unaudited condensed consolidated financial statements of Eden as of and for the three month period ended March 31, 2016 included herein;

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting in accordance with the business combination accounting guidance as provided in Accounting

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Standards Codification 805, *Business Combinations*, with Cott treated as the accounting acquirer. The unaudited pro forma condensed combined financial information will differ from the final acquisition accounting for a number of reasons, including the fact that the estimates of fair values of assets and liabilities acquired are preliminary and subject to change when the formal valuation and other studies are finalized and the unaudited pro forma condensed combined financial information is based on Eden Holdings financial information. Furthermore, accounting for income taxes in accordance with Accounting Standards Codification 740, *Income Taxes*, is preliminary and deferred tax assets and liabilities may change when final fair value adjustments and additional information is considered. Also, the definitive determination of the fair value of assets acquired and liabilities assumed will occur on the date of acquisition, which will also have an impact on the final acquisition accounting, and ultimately on goodwill. The differences that will occur between the preliminary estimates and the final acquisition accounting could have a material impact on the accompanying unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information is provided for informational purposes only and is not necessarily indicative of the operating results that would have occurred if the Eden Acquisition had been completed as of the dates set forth above, nor is it indicative of the future results of the combined entities. The unaudited pro forma condensed combined financial information does not purport to project the future operating results or financial position of the combined entities following the Eden Acquisition and the transactions related thereto. The unaudited pro forma condensed combined statements of operations do not reflect any revenue or cost savings from synergies that may be achieved with respect to the combined entities, or the impact of non-recurring items, including synergies, directly related to the Eden Acquisition.

**Unaudited Pro Forma Condensed Combined Balance Sheet**  
( dollars in millions )

	Historical		Reclassification Adjustments	Pro Forma Adjustments			As of April 2, 2016	
	As of April 2, 2016	As of March 31, 2016		Financing Adjustments	Acquisition Adjustments	Pro Forma Combined		
	Cott	Eden						
<b>ASSETS</b>								
<i>Current Assets</i>								
Cash & cash equivalents	\$ 55.1	\$ 20.5	\$ —	\$ 552.5	3(c)	\$ (575.6)	3(d)	\$ 52.5
Accounts receivable, net of allowance	320.4	75.2	—	—	—	—	—	395.6
Income taxes recoverable	0.9	2.9	—	—	—	—	—	3.8
Receivable from related parties	—	0.2	—	—	—	(0.2)	3(f)	—
Inventories	254.7	21.3	—	—	—	3.3	3(e)	279.3
Prepaid expenses and other current assets	20.9	16.5	13.2	—	—	—	—	50.6
Financial asset at fair value through profit or loss	—	13.2	(13.2)	—	—	—	—	—
<b>Total current assets</b>	<b>652.0</b>	<b>149.8</b>	<b>—</b>	<b>552.5</b>	<b>—</b>	<b>(572.5)</b>	<b>—</b>	<b>781.8</b>
Property, plant and equipment, net	774.6	99.0	—	—	—	—	—	873.6
Goodwill	779.8	195.8	—	—	—	57.7	3(e)	1,033.3
Intangibles and other assets, net	710.9	103.4	3.3	—	—	133.6	3(e)	951.2
Deferred tax assets	10.3	19.8	—	—	—	—	—	30.1
Other non-current assets	—	3.3	(3.3)	—	—	—	—	—
<b>Total assets</b>	<b>\$2,927.6</b>	<b>\$ 571.1</b>	<b>\$ —</b>	<b>\$ 552.5</b>	<b>—</b>	<b>\$ (381.2)</b>	<b>—</b>	<b>\$ 3,670.0</b>
<b>LIABILITIES AND EQUITY</b>								
<i>Current Liabilities</i>								
Short-term borrowings	\$ 62.8	\$ 4.8	\$ —	71.0	3(c)	\$ (4.8)	3(f)	\$ 133.8
Current maturities of long-term debt	3.4	—	—	—	—	—	—	3.4
Accounts payable and accrued liabilities	420.7	—	137.0	—	—	—	—	557.7
Trade accounts payable	—	44.1	(44.1)	—	—	—	—	—
Current tax liability	—	5.1	(5.1)	—	—	—	—	—
Other current liabilities	—	48.9	(48.9)	—	—	—	—	—
Customer deposits and prepaid income	—	37.3	(37.3)	—	—	—	—	—
Provisions	—	1.6	(1.6)	—	—	—	—	—
Payable to parent company	—	0.1	—	—	—	(0.1)	3(f)	—
<b>Total current liabilities</b>	<b>486.9</b>	<b>141.9</b>	<b>—</b>	<b>71.0</b>	<b>—</b>	<b>(4.9)</b>	<b>—</b>	<b>694.9</b>
Long-term debt	1,524.1	388.9	—	504.2	3(c)	(388.9)	3(f)	2,028.3
Deferred tax liabilities	65.9	24.2	—	—	—	27.7	3(e)	117.8
Other long-term liabilities	71.8	0.1	13.5	—	—	(6.4)	3(f)	79.0
Provisions	—	1.1	(1.1)	—	—	—	—	—
Liability for employee rights	—	6.0	(6.0)	—	—	—	—	—
Borrowings from shareholder and related parties	—	66.7	—	—	—	(66.7)	3(f)	—
Derivative financial instruments	—	6.4	(6.4)	—	—	—	—	—
<b>Total liabilities</b>	<b>2,148.7</b>	<b>635.3</b>	<b>—</b>	<b>575.2</b>	<b>—</b>	<b>(439.2)</b>	<b>—</b>	<b>2,920.0</b>
<i>Equity</i>								
Common shares	682.2	—	—	—	—	—	—	682.2
Additional paid-in capital	50.8	15.3	—	—	—	(15.3)	3(g)	50.8
Retained earnings (accumulated deficit)	119.0	(89.9)	—	(22.7)	3(c)	89.9	3(g)	89.9
Accumulated other comprehensive income (loss)	(78.8)	10.2	—	—	—	(10.2)	3(g)	(78.8)
<b>Total Cott Corporation equity</b>	<b>773.2</b>	<b>(64.4)</b>	<b>—</b>	<b>(22.7)</b>	<b>—</b>	<b>58.0</b>	<b>—</b>	<b>744.1</b>
Non-controlling interests	5.7	0.2	—	—	—	—	—	5.9
<b>Total equity</b>	<b>778.9</b>	<b>(64.2)</b>	<b>—</b>	<b>(22.7)</b>	<b>—</b>	<b>58.0</b>	<b>—</b>	<b>750.0</b>
<b>Total liabilities and equity</b>	<b>\$2,927.6</b>	<b>\$ 571.1</b>	<b>\$ —</b>	<b>\$ 552.5</b>	<b>—</b>	<b>(381.2)</b>	<b>—</b>	<b>\$ 3,670.0</b>

The accompanying notes are an integral part of, and should be read together with, this unaudited pro forma condensed combined financial information.

**Unaudited Pro Forma Condensed Combined Statement of Operations**  
**For the Year Ended January 2, 2016**  
*( dollars in millions, except for per share data )*

	Historical		Reclassifi- cation Adjustments 4(b)	Pro Forma Adjustments		For the Year Ended January 2, 2016	
	For the Year Ended January 2, 2016	For the Year Ended December 31, 2015		Financing Adjustments	Acquisition Adjustments 4(a)		Pro Forma Combined
	Cott	Eden 4(a)					
<b>Revenue, net</b>	\$ 2,944.0	\$ 395.1	\$ —	\$ —	\$ —	\$ 3,339.1	
Cost of sales	<u>2,048.5</u>	<u>131.4</u>	—	—	<u>3.3</u> 4(e)	<u>2,183.2</u>	
<b>Gross profit</b>	895.5	263.7	—	—	(3.3)	1,155.9	
Selling, general and administrative expenses	768.6	—	243.0	—	(12.4) 4(f)	1,022.5	
Service expenses	—	150.3	(150.3)	—	—	—	
Sales & marketing expenses	—	39.9	(39.9)	—	—	—	
General and administration expenses	—	29.4	(29.4)	—	—	—	
Amortization of customer portfolio and trademarks	—	12.4	(12.4)	—	—	—	
Other operating income/(expenses) - net	—	24.4	(24.4)	—	—	—	
Loss on disposal of property, plant and equipment	6.9	—	(0.2)	—	—	6.7	
Acquisition and integration expenses	<u>20.6</u>	—	<u>13.6</u>	—	—	<u>34.2</u>	
<b>Operating income</b>	99.4	7.3	—	—	(14.2)	92.5	
Other (income) expense, net	(9.5)	—	2.3	—	—	(7.2)	
Interest expense, net	111.0	—	38.6	(38.6) 4(c)	—	140.1	
Financial income	—	3.9	(3.9)	—	—	—	
Financial expenses	—	(44.8)	44.8	—	—	—	
<b>Income (loss) before income taxes</b>	(2.1)	(33.6)	—	9.5	(14.2)	(40.4)	
Income tax (benefit) expense	<u>(22.7)</u>	<u>0.1</u>	—	<u>(7.5)</u> 4(d)	<u>(2.8)</u> 4(g)	<u>(32.9)</u>	
<b>Net income (loss)</b>	\$ 20.6	\$ (33.7)	\$ —	\$ 17.0	\$ (11.4)	\$ (7.5)	
Less: Net income attributable to non-controlling interest	6.1	0.1	—	—	—	6.2	
Less: Accumulated dividends on convertible preferred shares	4.5	—	—	—	—	4.5	
Less: Accumulated dividends on non-convertible preferred shares	1.4	—	—	—	—	1.4	
Less: Foreign exchange impact on redemption of preferred shares	<u>12.0</u>	—	—	—	—	<u>12.0</u>	
<b>Net (loss) income attributed to Cott Corporation</b>	<u>\$ (3.4)</u>	<u>\$ (33.8)</u>	<u>\$ —</u>	<u>\$ 17.0</u>	<u>\$ (11.4)</u>	<u>\$ (31.6)</u>	
<b>Net loss per common share</b>							
Basic	\$ (0.03)					\$ (0.31) 4(h)	
Diluted	\$ (0.03)					\$ (0.31) 4(h)	
<b>Weighted average outstanding shares (in thousands)</b>							
Basic	103,037					103,037 4(h)	
Diluted	103,037					103,037 4(h)	

The accompanying notes are an integral part of, and should be read together with, this unaudited pro forma condensed combined financial information.

**Unaudited Pro Forma Condensed Combined Statement of Operations**  
**For the Three Months Ended April 2, 2016**  
*( dollars in millions , except per share data )*

	Historical		Reclassification Adjustments	Pro Forma Adjustments		Three Months Ended April 2, 2016 Pro Forma Combined
	Three Months Ended April 2, 2016	Three Months Ended March 31, 2016		Financing Adjustments	Acquisition Adjustments	
	Cott	Eden		4(b)	4(a)	
<b>Revenue, net</b>	\$ 698.4	\$ 92.1	\$ —	\$ —	\$ —	\$ 790.5
Cost of sales	484.4	30.2	—	—	—	514.6
<b>Gross profit</b>	214.0	61.9	—	—	—	275.9
Selling, general and administrative expenses	197.0	—	56.4	—	(3.1) 4(f)	255.3
					5.0 4(f)	
Service expenses	—	35.3	(35.3)	—	—	—
Sales & marketing expenses	—	9.4	(9.4)	—	—	—
General and administration expenses	—	7.1	(7.1)	—	—	—
Amortization of customer portfolio and trademarks	—	3.1	(3.1)	—	—	—
Other operating income/(expenses) - net	—	3.9	(3.9)	—	—	—
Loss on disposal of property, plant and equipment	0.9	—	0.2	—	—	1.1
Acquisition and integration expenses	1.4	—	2.2	—	—	3.6
<b>Operating income</b>	14.7	3.1	—	—	(1.9)	15.9
Other (income) expense, net	(2.2)	—	2.4	—	—	0.2
Interest expense, net	27.8	—	8.3	(8.3) 4(c)	—	35.1
				7.3 4(c)		
Financial income	—	1.0	(1.0)	—	—	—
Financial expenses	—	(11.7)	11.7	—	—	—
<b>Income (loss) before income taxes</b>	(10.9)	(7.6)	—	1.0	(1.9)	(19.4)
Income tax (benefit) expense	(9.0)	0.6	—	(1.9) 4(d)	(0.4) 4(g)	(10.7)
<b>Net (loss) income</b>	\$ (1.9)	\$ (8.2)	\$ —	\$ 2.9	\$ (1.5)	\$ (8.7)
Less: Net income attributable to non-controlling interest	1.4	—	—	—	—	1.4
<b>Net (loss) income attributed to Cott Corporation</b>	<u>\$ (3.3)</u>	<u>\$ (8.2)</u>	<u>\$ —</u>	<u>\$ 2.9</u>	<u>\$ (1.5)</u>	<u>\$ (10.1)</u>
<b>Net loss per common share</b>						
Basic	\$ (0.03)					\$ (0.09) 4(h)
Diluted	\$ (0.03)					\$ (0.09) 4(h)
<b>Weighted average outstanding shares (in thousands)</b>						
Basic	113,267					113,267 4(h)
Diluted	113,267					113,267 4(h)

The accompanying notes are an integral part of, and should be read together with, this unaudited pro forma condensed combined financial information.



**Unaudited Pro Forma Condensed Combined Statement of Operations**  
**For the Twelve Months Ended April 2, 2016**  
*( dollars in millions )*

	Historical		Reclassification Adjustments	Pro Forma Adjustments		For the Twelve Months Ended April 2, 2016 Pro Forma Combined
	For the Twelve Months Ended April 2, 2016	For the Twelve Months Ended March 31, 2016		Financing Adjustments	Acquisition Adjustments	
	Cott	Eden				
<b>Revenue, net</b>	\$ 2,932.6	\$ 394.4	\$ —	\$ —	\$ —	\$ 3,327.0
Cost of sales	2,024.4	129.8	—	—	—	2,154.2
<b>Gross profit</b>	908.2	264.6	—	—	—	1,172.8
Selling, general and administrative expenses	777.1	—	240.7	—	(12.6) 4(e)	1,027.6
					22.4 4(e)	
Service expenses	—	149.3	(149.3)	—	—	—
Sales & marketing expenses	—	39.7	(39.7)	—	—	—
General and administration expenses	—	29.3	(29.3)	—	—	—
Amortization of customer portfolio and trademarks	—	12.6	(12.6)	—	—	—
Other operating income/(expenses) - net	—	23.0	(23.0)	—	—	—
Loss on disposal of property, plant and equipment	6.4	—	—	—	—	6.4
Acquisition and integration expenses	17.3	—	13.2	—	—	30.5
<b>Operating income</b>	107.4	10.7	—	—	(9.8)	108.3
Other (income) expense, net	(1.3)	—	4.9	—	—	3.6
Interest expense, net	111.1	—	37.2	(37.2) 4(b)	—	140.2
				29.1 4(b)		
Financial income	—	2.6	(2.6)	—	—	—
Financial expenses	—	(44.7)	44.7	—	—	—
<b>Income (loss) before income taxes</b>	(2.4)	(31.4)	—	8.1	(9.8)	(35.5)
Income tax (benefit) expense	(22.3)	0.1	—	(7.5) 4(c)	(1.2) 4(f)	(30.9)
<b>Net income (loss)</b>	\$ 19.9	\$ (31.5)	\$ —	\$ 15.6	\$ (8.6)	\$ (4.6)
Less: Net income attributable to non-controlling interest	6.2	0.1	—	—	—	6.3
Less: Accumulated dividends on convertible preferred shares	1.8	—	—	—	—	1.8
Less: Accumulated dividends on non-convertible preferred shares	0.6	—	—	—	—	0.6
Less: Foreign exchange impact on redemption of preferred shares	12.0	—	—	—	—	12.0
<b>Net (loss) income attributed to Cott Corporation</b>	<u>\$ (0.7)</u>	<u>\$ (31.6)</u>	<u>\$ —</u>	<u>\$ 15.6</u>	<u>\$ (8.6)</u>	<u>\$ (25.3)</u>

The accompanying notes are an integral part of, and should be read together with, this unaudited pro forma condensed combined financial information.

## 1. Basis of Presentation

The unaudited pro forma condensed combined financial information presented above gives effect to the Eden Acquisition. The historical financial information of Cott is presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The historical financial information of Eden is presented in accordance with the International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. Cott assessed the need to make certain adjustments to Eden’s historical financial statements prepared under IFRS to conform to Cott’s accounting framework and accounting policies under U.S. GAAP and noted no significant adjustments were needed in the preparation of this unaudited pro forma condensed combined financial information. Certain historical financial information of Eden has been reclassified to conform to the presentation of historical financial information of Cott. However, the pro forma financial statements may not reflect all the adjustments necessary to conform the accounting policies of Eden to those of Cott as the Company is still in the process of conforming the accounting policies of Eden to those of Cott as of the date of this offering.

The unaudited pro forma condensed combined balance sheet at April 2, 2016 was prepared using the historical unaudited consolidated balance sheets of Cott and Eden as of April 2, 2016 and March 31, 2016, respectively. Cott’s historical financial information for the year ended January 2, 2016 and as of and for the three month period ended April 2, 2016 is derived from the Company’s Form 10-K and 10-Q filed with the SEC on February 29, 2016 and May 9, 2016, respectively. The historical financial information for Eden for the year ended December 31, 2015 is derived from its audited consolidated financial statements for the year ended December 31, 2015 and for the three month period ended March 31, 2016 from its unaudited condensed consolidated financial statements for the three months ended March 31, 2016 included in this offering memorandum

The historical financial information has been adjusted to give effect to matters that are (i) directly attributable to the Eden Acquisition, (ii) factually supportable, and (iii) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the operating results of the combined entities. The pro forma adjustments are preliminary and based on estimates of the fair value and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the Eden Acquisition and certain other adjustments. The final determination of the purchase price allocation will be based on the fair values of assets acquired and liabilities assumed as of the date the respective acquisitions close, and could result in a significant change to the unaudited pro forma condensed combined financial information, including goodwill.

## 2. Calculation of Purchase Consideration and Preliminary Purchase Price Allocation of the Eden Acquisition

### Estimated Purchase Consideration

The estimated purchase consideration to be transferred on the Eden Acquisition date includes the value of the estimated cash consideration and the repayment of the outstanding indebtedness of Eden and its subsidiaries. The aggregate purchase consideration is subject to customary adjustments for cash, debt, working capital and other items. A preliminary estimate of the purchase consideration is as follows:

<b>(Dollars in millions)</b>	
Cash to seller	\$ 95.8
Cash paid on behalf of Eden to retire outstanding indebtedness	406.8
Settlement of intra-group financing receivables and payables	66.6
<b>Estimated purchase consideration</b>	<b>\$569.2</b>

The working capital adjustment will be determined as the difference between the actual working capital at closing and the target working capital specified in the Share Purchase Agreement. For purposes of the pro forma consolidated balance sheet, no amounts has been included in the purchase consideration as any estimated amount for the working capital adjustment would be offset by a corresponding change in working capital.

### Preliminary Purchase Price Allocation

Under the acquisition method of accounting, the identifiable assets acquired and liabilities assumed of Eden are recorded at the acquisition date fair values and added to those of Cott. The pro forma adjustments are based on preliminary estimates of the fair value and useful lives of the assets acquired and liabilities assumed as of the acquisition date and have been prepared to illustrate the estimated effect of the Eden Acquisition. The allocation is dependent upon certain valuation and other studies that have not yet been completed. Accordingly, the pro forma purchase price allocation is subject to further adjustment as additional information becomes available and as additional analyses and final valuations are completed. There can be no assurances that these additional analyses and final valuations will not result in significant changes to the estimates of fair value set forth below.

The following table sets forth a preliminary allocation of the estimated purchase consideration to the identifiable tangible and intangible assets acquired and liabilities assumed of Eden based on Eden's March 31, 2016 balance sheet, with the excess recorded as goodwill:

<b>(Dollars in millions)</b>	
<b>Assets Acquired</b>	
Cash & cash equivalents	\$ 20.5
Accounts receivable, net of allowance	75.2
Income taxes recoverable	2.9
Inventories	24.6
Prepaid expenses and other current assets	29.7
Property, plant and equipment, net	99.0
Intangibles and other assets, net	240.3
Deferred tax assets	19.8
<b>Total assets</b>	<b>\$512.0</b>
<b>Liabilities Assumed</b>	
Accounts payable and accrued liabilities	137.0
Deferred tax liabilities	51.9
Other long-term liabilities	7.4
<b>Total liabilities</b>	<b>\$196.3</b>
<b>Net assets acquired (a)</b>	<b>315.7</b>
<b>Estimated purchase consideration (b)</b>	<b>569.2</b>
<b>Estimated goodwill (b) -(a)</b>	<b>\$253.5</b>

The Company is still in the process of validating and performing valuations for the assets acquired and liabilities assumed. Preliminary identifiable intangible assets in the pro forma financial statements consist of intangibles derived from customer relationships and trade names. Acquired intangible assets of Eden have both indefinite and definite lives. The amortization related to definite lived intangible assets is reflected as a pro forma adjustment, as further described in Note 4(f). The identifiable intangible assets' estimated fair value and related amortization estimates are preliminary and are based on management's estimates after consideration of similar transactions. As discussed above, the amount that will ultimately be allocated to identifiable intangible assets and liabilities, and the related amount of amortization, may differ materially from this preliminary allocation. In addition, the periods in which the amortization expense is recorded ultimately will be based upon the periods in

which the associated economic benefits or detriments are expected to be derived, or where appropriate, based on the use of a straight-line method. Therefore, the amount of amortization following the Eden Acquisition may differ significantly between periods based upon the final value assigned, and amortization methodology used, for each identifiable intangible asset.

The deferred income tax assets have been adjusted to tax effect the difference between the carrying value and fair value of Eden's assets acquired and liabilities assumed by Cott using a blended statutory tax rate of 20.0%. This determination is preliminary and subject to change based upon the final determination of the fair value of the identifiable intangible assets and liabilities in each of the jurisdictions in which Eden operates.

Goodwill represents the excess of the preliminary estimated purchase consideration over the fair value of the net assets acquired. Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually, absent any indicators of impairment. Goodwill recognized in the Eden Acquisition is not expected to be deductible for tax purposes.

The final determination of the purchase price allocation of the Eden Acquisition will be based on Eden Holdings' net assets acquired as of the Eden Acquisition date. The purchase price allocation may change materially based on the receipt of more detailed information. Therefore, the actual allocations will differ from the pro forma adjustments presented.

### 3. Notes to Unaudited Pro Forma Condensed Combined Balance Sheet

- (a) These amounts in millions of U.S. Dollars have been converted from euro at a conversion rate of 1.1386, which approximates the exchange rate at April 2, 2016.
- (b) Certain historical financial information of Eden has been reclassified to conform to the presentation of historical financial information of Cott.
- (c) These amounts represent the issuance of Senior Notes due 2024 and additional borrowings on Cott's ABL facility to fund the Eden Acquisition, less related debt financing costs.

<b>(dollars in millions)</b>	
Senior Notes	\$ 512.4
Draw down from existing ABL facility	71.0
Debt financing costs associated with the Senior Note issuance	(8.2)
Eden senior note make whole fees	(11.3)
Bridge financing commitment fees	(5.5)
Other fees	(5.9)
<b>Net cash inflow</b>	<b>\$ 552.5</b>
<b>Short-term borrowings</b>	
	<b>71.0</b>
Senior Notes borrowings	512.4
Debt financing costs associated with the Senior Note issuance	(8.2)
<b>Total long-term debt</b>	<b>504.2</b>

The costs associated with the Eden senior note make whole fees, bridge financing commitment fees and other fees aggregating to \$22.7 million have been determined to be acquisition related and have been charged to retained earnings.

The following additional borrowings to finance the Eden Acquisition have the assumed interest rates, maturity dates and payment terms for each case indicated below.

	<u>Assumed Interest Rate</u>	<u>Maturity</u>	<u>Payments</u>
Senior Notes	5.25%	8 years	Interest paid semi-annually when due and principal on maturity
ABL Facility	LIBOR plus 175 bps	2.5 years	Interest paid monthly when due and principal on maturity

As of April 2, 2016 the interest rate on the ABL facility was 2.19% based on the 1-Month LIBOR rate of 44 basis points plus a LIBOR spread of 175 basis points. The effect of a 1/8% variance in interest rates on the ABL facility and senior notes is described in note 4(c). For purposes of the pro forma statement of operations, an assumed interest rate of 5.25% on the Senior Notes offered hereby was used to calculate interest expense.

- (d) Represents the use of the additional borrowings, discussed in 3(c) above, to fund the estimated purchase consideration, as described in Note 2 of \$569.2 million, as well as \$6.4 million of other acquisition related costs in relation to the Eden Acquisition.
- (e) Reflects the acquisition method of accounting based on the estimated fair value of the assets of Eden as discussed in Note 2 above.

<b>(dollars in millions)</b>	
Inventories	\$ 3.3
Goodwill - Elimination	(195.8)
Goodwill - Addition	253.5
Intangible assets - Elimination	(103.4)
Intangible assets - Addition	237.0
Deferred tax liabilities - Elimination	(19.4)
Deferred tax liabilities - Addition	47.1

- (f) These amounts represent payments on behalf of Eden to retire outstanding indebtedness and elimination of capitalized debt financing fees.

<b>(dollars in millions)</b>	
<b>Payments to retire outstanding indebtedness</b>	
Short-term borrowings	\$ 4.8
Long-term debt	402.0
Seller's financing payables, net	66.6
Other long-term liabilities	6.4
<b>Total</b>	<b>\$479.8</b>
Capitalized debt financing fees included in long-term debt	\$ (13.1)

- (g) Reflects the elimination of Eden's historical equity accounts.
- (h) Represents adjustments to retained earnings for \$6.4 million of estimated transaction costs incurred in relation to the Eden Acquisition.

#### 4. Notes to Unaudited Pro Forma Condensed Combined Statements of Operations

(a) These amounts in millions of U.S. Dollars have been converted from Euro at a conversion rate of 1.1103 for the year ended January 2, 2016, which approximates the average exchange rate over the period from January 4, 2015 through January 2, 2016, and 1.10285 for three month period ended April 2, 2016, which approximates the average exchange rate over the period from January 3, 2016 through April 2, 2016.

(b) Certain historical financial information of Eden has been reclassified to conform to the presentation of historical financial information of Cott.

(c) To reverse historical interest expense of Eden and record estimated interest expense and amortization of debt financing fees associated with anticipated borrowings, as described in Note 3(c).

(dollars in millions)	For the Year Ended January 2, 2016	Three Months Ended April 2, 2016	Twelve Months Ended April 2, 2016
Reversal of Eden interest expense and amortization of capitalized debt financing fees	\$ (38.6)	\$ (8.3)	\$ (37.2)
Interest expense on new financing	29.1	7.3	29.1
<b>Pro forma interest expense adjustment</b>	<b>\$ (9.5)</b>	<b>\$ (1.0)</b>	<b>\$ (8.1)</b>

A sensitivity analysis on interest expense for the year ended January 2, 2016 and the three and twelve month period ended April 2, 2016 has been performed for the ABL facility and the Senior Notes offered hereby to assess the effect that a change of 12.5 basis points of the hypothetical interest rates would have on the debt financing. The following table shows the change in interest expense for the year ended January 2, 2016 and the three and twelve month period ended April 2, 2016:

(dollars in millions)	For the Year Ended January 2, 2016	Three Months Ended April 2, 2016	Twelve Months Ended April 2, 2016
<b>Interest expense assuming</b>			
Increase of 0.125%	0.7	0.2	0.7
Decrease of 0.125%	(0.7)	(0.2)	(0.7)

(d) Represents adjustment to income tax expense as a result of the tax impact on the pro forma adjustments related to financing. For Eden, the reversal of interest and related expenses was not tax-effected as these related to tax losses for which no benefit was recognized for the periods presented. Cott's interest expense on new financing related to the Eden acquisition was tax-effected at the statutory tax rate of 25.7%.

(e) Represents adjustment related to the change in the fair value of inventory of \$3.3 million that is recognized in cost of sales upon sale of the finished goods inventory for the year ended January 2, 2016.

(f) Represents adjustment to record straight line amortization expense related to identifiable intangible assets, except for customer relationships which is being amortized based upon the periods over which the economic benefits of the asset is expected to be realized.

The net adjustment to SG&A for the amortization of intangible assets is as follows:

(dollars in millions)	For the Year Ended January 2, 2016	Three Months Ended April 2, 2016	Twelve Months Ended April 2, 2016
Reversal of Eden historical intangible asset amortization	\$ (12.4)	\$ (3.1)	\$ (12.6)
Amortization of acquired identifiable intangible assets	23.3	5.0	22.4
<b>Pro forma intangible asset amortization expense adjustment</b>	<b>\$ 10.9</b>	<b>\$ 1.9</b>	<b>\$ 9.8</b>

The table below indicates the estimated fair value of each of the intangibles identified and the approximate useful life of each.

<b>(dollars in millions)</b> <b>Intangible Asset</b>	<b>Estimated Fair Value</b>	<b>Estimated Useful Life</b>
Customer relationships	\$ 161.0	15 years
Trademarks and trade names	71.3	Indefinite
Software	4.7	4 years
<b>Total</b>	<b>\$ 237.0</b>	

For purposes of valuing the intangible assets, the income approach was primarily used. Specifically, the relief from royalty method was used to value the trademarks and trade names, and the multi-period excess earnings method was used to value the customer relationships.

The estimated effect of amortization of the customer relationships on the operating results for the five years following the acquisition is expected to be as follows:

<b>(dollars in millions)</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Amortization of customer relationships	\$ 23.3	20.1	16.8	14.5	12.3

- (g) Represents adjustment to income tax expense as a result of the tax impact on the pro forma adjustments related to purchase price allocation adjustments based on an estimated statutory tax rate of approximately 20.0% for the year ended January 2, 2016 and the three and twelve month period ended April 2, 2016.
- (h) Represents pro forma basic and diluted loss per share (“EPS”). To calculate diluted EPS, any impact of the potential dilutive instruments (i.e. stock options, performance-based restricted share units (“RSU”), timed based RSUs and the Convertible Preferred Shares) would be antidilutive as these would decrease the loss per share. As such, the basic and diluted EPS are the same for the pro forma periods presented.

<b>Pro Forma Basic and Diluted Loss Per Common Share</b>	<b>For the Year Ended January 2, 2016</b>	<b>Three Months Ended April 2, 2016</b>
Pro forma net loss attributable to Cott (dollars in millions)	\$ (31.6)	\$ (10.1)
Weighted average outstanding shares (basic and diluted, in thousands)	103,037	113,267
Basic and diluted loss per share	\$ (0.31)	\$ (0.09)

**INDEPENDENT AUDITOR'S REPORT****To the shareholders of****HYDRA DUTCH HOLDINGS 2 B.V.**

We have audited the accompanying consolidated financial statements of Hydra Dutch Holdings 2 B.V. which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive Loss, changes in deficit and cash flows for the years ended on those dates and the related summary of accounting policies and other explanatory notes.

**Owner's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of those consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements, that are free from material misstatement, whether due to fraud or error.

**Auditor responsibilities**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conduct our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hydra Dutch Holdings 2 B.V. and its subsidiaries as at December 31, 2015 and 2014 and their financial performance and cash flows for the year ended December 31, 2015 and 2014 in accordance with International Financial Reporting standards (IFRS).

/s/ Kesselman & Kesselman

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Tel-Aviv, Israel  
March 31, 2016

Kesselman & Kesselman,  
Certified Public Accountants (Isr.)

A member firm of Pricewaterhouse Coopers  
International Limited

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**Hydra Dutch Holdings 2 B.V.**  
**Consolidated Balance Sheets**  
in '000 €

	<i>Notes</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	5	12,524	17,741
Trade receivables—net	6	68,105	60,088
Income tax receivable		2,224	1,165
Receivable from related parties	22	115	93
Prepaid and other assets	7	7,767	10,841
Inventories	8	17,944	14,446
		<u>108,679</u>	<u>104,374</u>
Non-current assets			
Property, plant and equipment	9	82,360	71,970
Goodwill	10	164,511	135,789
Other intangible assets	10	91,055	88,114
Deferred tax assets	14	15,956	14,360
Other non-current assets		2,332	2,437
		<u>356,214</u>	<u>312,670</u>
Total assets		<u>464,893</u>	<u>417,044</u>
<b>LIABILITIES</b>			
Current liabilities			
Borrowings	16	4,767	55,116
Trade accounts payable		36,805	33,083
Current tax liability		4,626	4,921
Other current liabilities	11	44,651	36,127
Customer deposits and prepaid income	12	33,534	30,707
Provisions	13	2,208	3,826
Payable to parent company	22	75	75
		<u>126,666</u>	<u>163,855</u>
Non-current liabilities			
Deferred tax liabilities	14	19,178	18,347
Borrowings	16	298,616	204,870
Other non current liabilities		52	69
Provisions	13	1,026	1,128
Liability for employee rights	15	5,250	5,240
Borrowings from shareholders and other related parties	22	57,394	47,792
Derivative financial instruments	17	5,201	5,420
		<u>386,717</u>	<u>282,866</u>
Total liabilities		<u>513,383</u>	<u>446,721</u>
<b>DEFICIT</b>			
Share capital	20	—	—
Share premium		13,430	13,430
Other reserves	21	(371)	(1,038)
Currency translation adjustment		9,649	(1,222)
Accumulated deficit		(71,352)	(40,935)
		<u>(48,644)</u>	<u>(29,765)</u>
Non controlling interests in equity		154	88
Total deficit		<u>(48,490)</u>	<u>(29,677)</u>
Total liabilities net of deficit		<u>464,893</u>	<u>417,044</u>

*The accompanying notes are an integral part of these consolidated financial statements*

Raanan Zilberman  
Chief Executive Officer

Itamar Eder  
Chief Financial Officer

Stephane Parised  
Group Financial Controller

/s/ Raanan Zilberman

/s/ Itamar Eder

/s/ Stephane Parised

**Hydra Dutch Holdings 2 B.V.**  
**Consolidated Statements of Comprehensive Loss**  
in '000 €

	<i>Notes</i>	<b>2015</b>	<b>2014</b>
<b>Revenue</b>		<b>355,816</b>	<b>283,144</b>
Cost of goods sold		(118,349)	(99,093)
<b>Gross profit</b>		<b>237,467</b>	<b>184,051</b>
Service expenses		(135,390)	(106,800)
Sales & marketing expenses		(35,909)	(25,933)
General and administration expenses		(26,446)	(19,467)
Amortization of customer relations and tradenames	<i>10</i>	(11,209)	(8,041)
Other operating expenses	<i>24</i>	(21,940)	(16,711)
<b>Income from operations</b>		<b>6,573</b>	<b>7,099</b>
Financial income	<i>26</i>	3,492	4,701
Financial expenses	<i>26</i>	(40,344)	(36,882)
Net financial expenses		(36,852)	(32,181)
<b>Loss before taxes on income</b>		<b>(30,279)</b>	<b>(25,082)</b>
Taxes on income	<i>27</i>	(72)	(2,818)
<b>Net loss</b>		<b>(30,351)</b>	<b>(27,900)</b>
Other comprehensive income (loss)—net of taxes:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		10,871	(475)
Items that will not be reclassified to profit or loss:			
Remeasurements of post employment benefit obligations, net of taxes		667	(888)
<b>Total other comprehensive income (loss)—net of taxes</b>		<b>11,538</b>	<b>(1,363)</b>
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(18,813)</b>	<b>(29,263)</b>
<b>Net loss attributable to:</b>			
Equity holders of the company		(30,417)	(27,946)
Non controlling interest		66	46
		<b>(30,351)</b>	<b>(27,900)</b>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the company		(18,879)	(29,309)
Non controlling interest		66	46
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(18,813)</b>	<b>(29,263)</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**Hydra Dutch Holdings 2 B.V.**  
**Consolidated Statements of Cash Flows**  
in '000 €

	<i>Notes</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxes on income		(30,279)	(25,082)
Adjustment for:			
Depreciation and amortization		34,667	26,391
Amortization of capitalized financial costs		5,780	12,761
Financial expenses net, included in loss before taxes on income		30,325	16,122
Loss / (gain) on disposal of property, plant and equipment		(175)	169
Derivative financial instruments		(219)	3,297
Result from release of customer deposits		(89)	(24)
Other operating items		584	(104)
<i>Operating cash flow before working capital changes</i>		<u>40,594</u>	<u>33,530</u>
<i>Changes in operating working capital</i>			
Decrease (Increase) in Trade receivables		(5,307)	114
Increase in inventories		(1,974)	(1,599)
Decrease in Prepaid and other assets		4,869	815
Increase in Trade accounts payable		993	6,326
Increase (Decrease) in Other current liabilities and Provisions		(3,322)	165
Balances with related parties and shareholders		820	422
<i>Cash flows generated from operating activities</i>		<u>36,673</u>	<u>39,773</u>
Income tax paid		(4,199)	(3,695)
<i>Net cash flows generated from operating activities</i>		<u>32,474</u>	<u>36,078</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment (PPE) and software		(24,676)	(17,239)
Proceeds from sale of PPE		1,976	1,180
Acquisition of subsidiaries	29	(40,021)	(40,820)
Loan to others, net		140	—
Interest received		129	10
<i>Net cash used in investing activities</i>		<u>(62,452)</u>	<u>(56,869)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term borrowings (net of borrowing costs)		142,096	251,092
Repayment of long term borrowings		(104,275)	(165,907)
Repayment of other liabilities		(334)	(349)
Borrowings from Shareholders		5,200	
Repayment to Shareholders including accumulated interests of 3.6 million		—	(44,800)
Prepaid borrowing costs		—	(1,978)
Interest paid		(20,570)	(14,148)
<i>Net cash provided by financing activities</i>		<u>22,117</u>	<u>23,910</u>
<b>Net increase of cash</b>		<u>(7,861)</u>	<u>3,119</u>
Effect of exchange rate changes		486	51
Cash and cash equivalents at beginning of year		17,741	14,571
<b>Cash, cash equivalents and bank overdraft at end of period</b>		<u><b>10,366</b></u>	<u><b>17,741</b></u>

*The accompanying notes are an integral part of these consolidated financial statements*

**Hydra Dutch Holdings 2 B.V.**  
**Consolidated Statements of Changes in Deficit**  
in '000 €

	Attributable to equity holders of the Company						Total deficit
	Share Capital	Share Premium	Currency translation adjustment	Other reserve	Accumulated Deficit	Non controlling Interest	Total
<b>Balance at January 1, 2014</b>	—	13,430	(747)	(150)	(13,035)	42	(460)
Change in 2014							
<b>Comprehensive Loss:</b>							
Remeasurement of post employment obligations	—	—	—	(888)	—	—	(888)
Currency translation adjustment	—	—	(475)	—	—	—	(475)
Loss	—	—	—	—	(27,900)	46	(27,854)
Total comprehensive loss for the period	—	—	(475)	(888)	(27,900)	46	(29,217)
<b>Balance at 31 December 2014</b>	—	13,430	(1,222)	(1,038)	(40,935)	88	(29,677)
<b>Balance at January 1, 2015</b>	—	13,430	(1,222)	(1,038)	(40,935)	88	(29,677)
Change in 2015							
<b>Comprehensive income:</b>							
Remeasurement of post employment obligations	—	—	—	667	—	—	667
Currency translation adjustment	—	—	10,871	—	—	—	10,871
Loss	—	—	—	—	(30,417)	66	(30,351)
Total comprehensive loss for the period	—	—	10,871	667	(30,417)	66	(18,813)
<b>Balance at 31 December 2015</b>	—	13,430	9,649	(371)	(71,352)	154	(48,490)

*The accompanying notes are an integral part of these consolidated financial statements*

## 1. General information

Hydra Dutch Holdings 2 B.V. (hereafter—the Company) has been established on 16 May 2013 as Rhone Capital IV LP's indirect wholly-owned investment vehicle. On the 14th of June 2013 the Company signed an agreement with Eden Springs BV to acquire the entire shareholding and control of the direct wholly-owned subsidiaries of Eden Springs B.V.: Eden Springs Europe B.V. and the Israeli subsidiaries. On 23 October 2013 the transaction was completed and Company entered as a new 100% shareholder of Eden Springs Europe B.V. and Israeli activities.

Since the closing of the acquisition in October 2013 and the recent acquisition of Nestle Water Direct, the Company and its subsidiaries (together—the Group) is active in 19 countries and is mainly engaged in Home & Office Delivery (HOD) of water cooler bottles. Additionally, the Group offers customers in most markets a range of direct-marketing products such as water filters and Lavazza coffee products.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

### 2.1. Basis of preparation

The Consolidated Financial statements are presented in Euros (€), which is the Group's functional and presentation currency.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared on a historical cost basis except for the following:

- Derivative instrument measured at fair value.
- Defined Benefit Pension Plans—Plan assets measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

#### 2.1.1. Accounting policy and disclosures

##### *a. New standards, amendments and interpretations adopted by the Group*

The following amendment has been adopted for the first time for the financial year beginning on or after 1 January 2015:

- IFRS 8—requires disclosure of the judgments made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported. The company applied for the first time amendment to IFRS 8 prospectively. Its application had no material effect on the financial statements.

The following standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods but the Group has not early adopted them:

- IFRS 9—"Financial Instruments" (hereafter—IFRS 9), addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the „hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. Currently, the Group is assessing the impact of IFRS 9.
- IFRS 15, „Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue misrecognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. Currently, the Group is assessing the impact of IFRS 15.
- In January 2016, the IASB issued IFRS 16—Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract and replaces the previous leases standard, IAS 17—Leases. IFRS 16 eliminates the classification of leases for the lessee as either operating leases or finance leases as required by IAS 17 and instead introduces a single lessee accounting model whereby a lessee is required to recognize assets and liabilities for all leases with a term that is greater than 12 months, unless the underlying asset is of low value, and to recognize depreciation of leases assets separately from interest on lease liabilities in the income statement. As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, a lessor will continue to classify its leases as operating leases or finance leases and to account for those two types of leases differently. IFRS 16 is effective from January 1, 2019 with early adoption allowed only if IFRS 15—Revenue from Contracts with Customers is also applied. Currently, the Group is assessing the impact of IFRS 16.

### **2.1.2. Consolidation**

The consolidated financial statements are a consolidation of the financial statements of the Company and its Subsidiaries. The list of the companies included in these consolidated financial statements is presented in appendix A.

#### *Subsidiaries and business combinations*

1. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the

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ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

2. The Group accounts for business combinations using the acquisition method. The consideration transferred for the acquisition of a subsidiary (hereinafter — the acquiree) is calculated as a total of fair values of the assets transferred by the group and the liabilities that the Group incurs to the previous owners of the acquiree and the equity rights issued by the Group in a business combination. The consideration transferred includes the fair value of all asset or liability arising from the contingent consideration arrangement. Costs associated with the purchase are recognized in income or loss as incurred.
3. Contingent consideration recognised in a business combination is measured at fair value as of the date of the business combination. Subsequent changes in the fair value of liability for the contingent consideration are recognized in profit or loss.
4. Identifiable assets acquired and liabilities and contingent liabilities assumed by the Group in a business combination (excluding certain exceptions detailed in IFRS 3 “Business Combinations” (hereinafter—IFRS 3R) are initially measured at fair values on the date of acquisition. In each business combination, the Group determines whether to recognize non-controlling interest in the acquiree at fair value or proportionally to the rate of non-controlling interest at the fair value of net identifiable assets of the acquiree. This determination is done for each transaction separately.
5. The excess of transferred consideration, the amount of non-controlling interest in the acquiree and the fair value as of the date of acquisition of any previous interest in the interest of the acquiree beyond the net amount, at the date of acquisition, of identifiable assets acquired and liabilities assumed, all measured as above, as goodwill (see also f. below).
6. Inter-company balances and unrealized gains on transactions between Group companies are eliminated.
7. The accounting policy applied by subsidiaries was changed as needed to ensure consistency with the accounting policy adopted by the group.

## **2.2. Foreign currency translation**

### *Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Euro (€), which is the Company’s functional and presentation currency.

### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses are presented in the income statement within “Financial Income” or “Financial Expenses”.

Foreign exchange gains and losses with respect to financial assets and liabilities that are classified as financial instruments at fair value through profit and loss, are recognized in the statement of income as part of the gain or loss relating to changes in fair value.

### Group companies

The results and financial position of all the Group entities—none of which has the currency of a hyperinflationary economy—that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at periodic average exchange rates; and
- (iii) all resulting exchange differences are recognised first in Other Comprehensive Income and then accumulated as a separate component of equity. On consolidation, exchange differences arising from the transaction of any net investment in Foreign entities are recognised in other comprehensive income until the related foreign investment is disposed of (sold, liquidated, abandoned, repayment of share capital, etc.).

Goodwill and fair value adjustments arising on the acquisition of a subsidiary with a functional currency other than the Euro, are treated as assets and liabilities of the subsidiary and translated at the closing rate of each balance sheet presented.

### 2.3. Property, plant and equipment

- a. An item of property, plant and equipment is measured at cost upon its initial recognition, which includes its purchase price (including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates), costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management).
- b. The Group elected the cost method as its accounting policy for the measurement of its property, plant and equipment subsequent to initial recognition.
- c. The depreciable amount of each asset is allocated on a systematic basis over its useful life using the straight-line method.

The Group depreciates separately each portion of property, plant and equipment that represents a significant part of the total cost of the item. The estimated useful lives are as follows:

	<u>Years</u>
Buildings	5 - 40 years
Plant, machinery	10 - 14 years
Water coolers and containers and bottles	4 - 11 years
Dishwashers, coffee and food machines	7 - 10 years
Computers	3 - 4 years
Office equipment	4 - 17 years
Vehicles	5 - 7 years

Leasehold improvements are amortized by the straight-line method over the term of the lease, which is shorter than the estimated useful life of the improvements.

- d. At each financial year-end, the Group reviews the residual value, the useful life and the depreciation method it uses. If there have been significant changes in the expected residual value, the useful life or significant change in the expected pattern of consumption of the future economic benefits embodied in the asset that may indicate that a change in the depreciation method is required, such changes are treated as changes in accounting estimates. In the reported periods, no material changes, as above, have taken place with any material effect on these consolidated financial statements.



## 2.4. Intangible assets

### a) Goodwill

Goodwill represents the excess of the consideration in a business combination over the Group's portion of the fair value of the investee underlying net assets, liabilities and contingent liabilities at the date of acquisition, and it is included at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill is tested for impairment once a year, or more frequently, in the presence of events or circumstances indicating a possible impairment in the value of such assets. The carrying value of the cash generating unit (CGU) containing the goodwill is compared to the recoverable amount. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### b) Customer relations

Customer relations have definite useful lives and are stated at cost, less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method based on the estimated useful lives of customer relations.

### c) Tradenames

Tradenames were acquired in a business combination and are recognized at fair value at the acquisition date.

Tradenames are presented at cost less accumulated amortization, and are amortized over their estimated useful lives, using the straight line method.

### d) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product is available
- The expenditure attributable to the software product during its development can be reliably measured.

Direct attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other software development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

## **2.5. Impairment of non-monetary assets**

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-monetary assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

## **2.6. Current and deferred income tax**

- a. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generate taxable income. The Group's management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.
- b. The Group fully recognizes deferred taxes, using the liability method, on temporary differences arising between the carrying amounts in the consolidated financial statements of assets and liabilities and their tax bases. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.  
  
Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.
- c. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- d. Deferred income taxes are not provided on temporary differences arising on investments in subsidiaries, since the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.
- e. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## **2.7. Revenue recognition**

The Group's revenues are measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a) *Sale of goods*

Revenue from sale of goods is recognized when all the following conditions have been satisfied, which generally occurs when goods are delivered to the customer : (a) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) the amount of revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group's products are sometimes sold on quantity discount terms. Sale revenues are recognized on the basis of the price stated in the contract after deduction of an estimate as of the date of the sale of the quantity discount. The Group's accumulated experience serves to facilitate the determination of estimates and provisions in relation to discounts. The estimation of quantity discounts is based on the degree of expected sales for the year.

b) *Revenue from rental of water coolers and coffee machines*

Revenue from rental of water coolers and coffee machines are recognized rateably over the rental period.

## **2.8. Financial assets**

The group classifies its financial assets in the following categories: *loans and receivables*

Cash and cash equivalents include cash in hand, short-term bank deposits, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within bank borrowings among current liabilities on the balance sheet.

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

Trade receivables are carried at original invoice amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statements of comprehensive income.

## **2.9. Inventories**

Inventories are valued at the lower of cost or net realization value.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The Group allocates fixed production overheads to the cost of conversion based on the normal capacity of the production facilities.

The cost of inventories is determined as follows:

- Raw materials, auxiliary supplies, packaging materials and spare parts: on the weighted average basis.
- Finished products: on the basis of production costs.

- Raw material and auxiliary supplies: on the weighted average basis.
- Labor and indirect expenses: on the weighted average basis.
- Purchased products: on the “first-in, first-out” basis.
- Spare parts: on the weighted average basis.

## **2.10. Share capital**

Ordinary shares are classified as equity.

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction from the issuance proceeds.

## **2.11. Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## **2.12. Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the amounts initially recognised and the redemption value is recognized in the income statement over the term of the borrowings using the effective interest method.

Fees paid for a credit facility is recognized as transaction costs that are attributable to the relevant loan if it is probable that part or all the facility will be utilized. In such case, the recognition of fee is deferred until money is actually drawn from the facility. If no evidence exist that part or all of the loan facility is utilized, the fee is capitalized as prepayment for financing services, and is depreciated over the period of the relevant loan facility.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value. Similarly, a substantial modification of the terms of an existing debt instrument or part thereof is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

If the modification or exchange does not cause a material change of the liability, the treatment applied is a change of the terms of the existing liability without an immediate impact of profit or loss but spread throughout the remaining life of the liability.

Terms are substantially different if the discounted present value of the cash flows under the new instrument is at least 10% different from that of the remaining cash flows of the original financial liability.

## **2.13. Employee benefits**

### *a) Pension and retirement benefit obligations*

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

#### Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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Group purchases insurance policies and contributes to pension benefit funds against the obligation to pay pension benefits. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

#### Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income (loss) in the period in which they arise.

Past service costs are recognized immediately in income.

Amounts funded for retirement benefits are measured at fair value. These amounts funded represent “plan assets”, as defined by IAS 19, and therefore deducted from the balance of retirement benefit obligation for balance sheet presentation.

#### *b) Vacation and recreation benefits*

Employees in Israel are legally entitled to vacation and recreation benefits, both computed on an annual basis. The Group accumulates a liability and expense due to vacation and recreation pay, based on the benefits that have been accumulated for each employee.

#### *c) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

#### *d) Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### **2.14. Share-based payment**

With respect to equity-settled grants to employees, the value of the labor services received from them in return, is measured on the date of grant, based on the fair value of the equity instruments granted to the employees. The value of the transactions, measured as aforesaid, is expensed over the period during which the employee’s right to exercise or receive the underlying equity instruments vests; commensurate with every periodic recognition of the expense, a corresponding increase is recorded as a capital surplus, included under the Group’s equity. Non-

market performance and service conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. The Company recognizes the impact of the revision to original estimate, if any, in the statements of operations, with a corresponding adjustment to equity or liability, as applicable.

## **2.15. Provisions**

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation;
- and the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments; they are recognised in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employees representatives specifying the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms.

Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

## **2.16. Derivatives financial instruments**

Derivative instruments are recognised in the balance sheet at fair value. The derivative instruments utilized by the Group mitigate the exposures to variability in cash flows associated with variable rate borrowings. Since these derivative instruments have not been designated as hedging instruments for accounting purposes, periodic changes in their fair value are recognized in the consolidated statement of income.

## **2.17. Leases**

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other non-current liabilities. 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 lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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 the Group is a lessor in an operating lease, the leased assets are included in the statements of financial position based on their nature, and are depreciated over their estimated useful lives. Rental income is recognized ratable over the lease term.

## 2.18. Customer deposits

The Group receives deposits from customers at the initiation of a contract and during the contractual period. Such deposits are disclosed in the balance sheet as current liabilities in “Customer deposits”.

Unclaimed customer deposits in respect of water containers and coolers are derecognised from the balance sheet and recorded in the income statement in “Other Operating Income” on a customer by customer basis, when the client is legally released from the primary responsibility for the liability, by law or by the customer.

## 2.19. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer.

## 3. Financial instruments and risk management

The Group’s activities expose it to a variety of financial risks: foreign currency exchange risk, cash flow interest rates risk, credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

### 3.1 Financial risk management

#### a. Market risks

##### 1. Foreign currency exchange risk (FX)

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the following currencies: Swedish Kroner, Danish Kroner, Norwegian Kroner, Polish Zloty, British Pound, Swiss Franc, US Dollar, Russian Rouble and Israeli new shekel. The Israeli activity is also exposed mainly to foreign currency exchange risk on imported goods and on charges to other companies within the Group for IT services.

The company has certain investments in foreign operations, whose net assets are exposed to currency translation risk—currency changes would affect the book value of assets and liabilities, with corresponding effect equity through the currency translation account. The following companies are concerned: Sweden, Denmark, Poland, United Kingdom, Norway, Switzerland, Russia and Israel. Management has set up a policy to require Group companies to have local borrowings in their local currency and hence these positions, at consolidated level, are not sensitive to changes in exchange rates.

At 31 December 2015, there are a number of intercompany loans between companies with different functional currencies. The table below details the Group’s sensitivity to a 10% decrease/increase in the currency pairs involved in the intercompany loans.

31.12.2015 Currency pairs	Effect on profit of + movements	Effect on profit of - movements
SEK / EUR	(370)	370
CHF / EUR	(948)	948
EUR / GBP	(4,042)	4,042
PLN / EUR	(776)	776
ILS / EUR	(1,701)	1,701
EUR/RUB	(427)	427
Total	(8,264)	8,264

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**b. Cash flow interest rate risk**

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings and finance leases. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2015, the Group's borrowings amounting to 191 million were at variable rates (Prime linked rates, and mainly EURIBOR) and were denominated mainly in EUR.

The sensitivity analysis calculates the impact from changes in interest rates for liabilities that represent the major interest-bearing positions. The computation is not intended to represent actual gains or losses to be incurred by the Group. The Company cannot predict actual future movements in such market rates and it does not claim that these results are indicative of future movements in such market rates or to be representative of any actual impact that future changes in market rates may have on the Company's future results of operations or financial position.

At 31 December 2015, if interest rates had been 1% higher/lower with all other variables held constant, post-tax profit for the period would have been lower/higher by € 145 on EUR denominated borrowings (taking into account the effect of the hedging instrument), as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2015, if the SWAP rates negotiated on the markets had been 1% higher/lower, with the same variables than the signed swap, the fair value of the instrument would have been € 4 854 higher/lower but would still be disclosed as a liability.

**c. Credit risk**

Credit risk arises from credit exposure to customers, including outstanding receivables and committed transactions. The Group has no significant concentration of credit risk other than from its key distributor Jafora Tabori, see below. The Group deals only with a limited number of banks with secure credit ratings and has policies that limit the amount of credit exposure to any one financial institution. In the HOD business there is a high number and diversity of customers, with policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

The Company's maximum exposure for net credit is with Jafora Tabori Ltd. (hereafter—Jafora), the Group's key distributor (less the amounts that the Company owes to Jafora), which amounted to € 6,475 as of 31 December 2015. Jafora does not put up collateral against the credit it receives.

**d. Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility) and cash on the basis of expected cash flow.



The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

The Group has a regular number of customers making deposits as a guarantee of the rental equipment at the customer premises. The rental contracts have no contractual maturity dates and it is impractical to calculate a maturity analysis.

<b>Financial liabilities</b>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	<b>Total</b>
<b>At 31 December 2015</b>					
Borrowings	22,277	22,121	334,978	—	<b>379,376</b>
Capital leases	1,203	1,144	1,956	138	<b>4,441</b>
Trade accounts payables	36,805	—	—	—	<b>36,805</b>
Customer deposits	16,383	—	—	3,189	<b>19,572</b>
Borrowing and Payable to related parties and shareholder	—	—	84,543	—	<b>84,543</b>
Other current liabilities	44,651	—	—	—	<b>44,651</b>
<b>Total</b>	<b>121,319</b>	<b>23,265</b>	<b>421,477</b>	<b>3,327</b>	<b>569,388</b>

<b>Financial liabilities</b>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	<b>Total</b>
<b>At 31 December 2014</b>					
Borrowings	70,731	17,531	233,566	—	<b>321,828</b>
Capital leases	1,218	959	2,344	315	<b>4,836</b>
Trade accounts payables	33,083	—	—	—	<b>33,083</b>
Customer deposits	14,373	—	—	3,139	<b>17,512</b>
Borrowing and Payable to related parties and shareholder	—	—	—	76,291	<b>76,291</b>
Other current liabilities	38,720	—	—	—	<b>38,720</b>
<b>Total</b>	<b>158,125</b>	<b>18,490</b>	<b>235,910</b>	<b>79,745</b>	<b>492,270</b>

<b>Interest rate Swaps</b>	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	<b>Total</b>
<b>At 31 December 2015</b>					
Outflow	(798)	(798)	(1,521)	(1,721)	<b>(4,838)</b>
Inflow	(111)	(111)	(211)	(239)	<b>(672)</b>

<b>Interest rate Swaps</b>	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	<b>Total</b>
<b>At 31 December 2014</b>					
Outflow	(798)	(798)	(1,596)	(3,242)	<b>(6,434)</b>
Inflow	66	66	133	270	<b>535</b>

#### *e. Capital Risk Management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors its capital structure on the basis of a leverage ratio, defined as: net debt divided by operating EBITDA. Net debt is calculated as the total of the consolidated short-term and long-term borrowings, less cash and cash equivalents. Operating EBITDA is calculated as earnings before other operating expenses, interest, taxes, depreciation and amortization paid to shareholders.

**f. Fair value estimation**

At 31 December 2015, the carrying value less impairment provision of all financial assets and liabilities approximate their fair values.

Following is an analysis of the financial instruments measured at fair value, by valuation methods. The different levels have been defined as follow:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

	<u>2015</u> Level 2	<u>2014</u> Level 2
<b>Liabilities</b>		
Derivatives Financial Instruments:		
Hedging derivatives	(5,201)	(5,420)
<b>Total Liabilities</b>	<u>(5,201)</u>	<u>(5,420)</u>

**3.2. Financial instruments by category**

The Group's accounting policy with respect to financial instruments was applied in relation to the following categories:

3.2. Financial instruments at 31 December 2015 by category

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<b>Loans and receivables</b>		
Assets:		
Trade and other receivables excluding prepayments	76,127	69,431
Cash and cash equivalents	12,524	17,741
<b>Total</b>	<u>88,651</u>	<u>87,172</u>

At 31 December 2015	Liability at fair value through profit and loss	Other financial liability at amortized cost	Total
<b>Liabilities:</b>			
Borrowings		(303,383)	<b>(303,383)</b>
Derivative financial instruments	(5,201)		<b>(5,201)</b>
Accounts payable and others		(81,583)	<b>(81,583)</b>
Deposits from customers		(19,572)	<b>(19,572)</b>
Borrowings from shareholders and other related parties		(62,161)	<b>(62,161)</b>
<b>Total</b>	<b>(5,201)</b>	<b>(466,699)</b>	<b>(471,900)</b>

At 31 December 2014	Liability at fair value through profit and loss	Other financial liability at amortized cost	Total
<b>Liabilities:</b>			
Borrowings		(259,986)	<b>(259,986)</b>
Derivative financial instruments	(5,420)		<b>(5,420)</b>
Accounts payable and others		(71,873)	<b>(71,873)</b>
Deposits from customers		(17,512)	<b>(17,512)</b>
Borrowings from shareholders and other related parties		(47,774)	<b>(47,774)</b>
<b>Total</b>	<b>(5,420)</b>	<b>(397,145)</b>	<b>(402,565)</b>

#### 4. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

##### Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.5. The recoverable amounts of cash generating units have been determined based on fair value less costs to sell calculations. These calculations require the use of estimate.

##### Purchase price allocation

Purchase price allocations conducted by the Group with respect to business combinations entered into, require the use of significant estimates pertaining to the calculation of the fair value of assets acquired and liabilities assumed, primarily identifiable intangible assets.

##### Deferred tax assets

The Group is subject to income tax in numerous jurisdictions. Significant judgment is required in determining the portion of tax losses carried forward which can be offset against future taxable profit. In order to assess if there is any future benefit, forecasts are made of the future taxable profits by legal entity. Actual tax outcomes could vary significantly from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made (Note 14).

### Useful lives of depreciable and amortizable assets

Group management estimates the useful asset lives and the related depreciation and amortization costs in respect of all its fixed assets and intangible assets. The estimate is based on the expected life cycle of the Group's products. Estimates may vary significantly commensurate with changes in customer installations and quits and other technological changes.

### Provision for contingencies

Estimating provisions management considers the likelihood that cash resources will indeed be diverted towards a settlement of the liabilities, and also considers its estimate of the present value of the cash flows expected to be required for the settlement of existing liabilities.

### 5. Cash and Cash equivalents

	31.12.2015	31.12.2014
Cash at bank and in hand	10,482	17,741
Short term deposits (less than 3 months)	2,042	—
	<u>12,524</u>	<u>17,741</u>

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	31.12.2015	31.12.2014
Cash and cash equivalents	12,524	17,741
Bank overdrafts	(2,158)	—
	<u>10,366</u>	<u>17,741</u>

### 6. Trade receivables—net

	31.12.2015	31.12.2014
Trade receivables	73,774	65,469
Check receivable and credit card	3,365	3,094
Provision for impairment	(9,034)	(8,475)
Net trade receivables	<u>68,105</u>	<u>60,088</u>

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2015, trade receivables amounting to € 16,418 were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing of these receivables is as follows:

### Age analysis of trade receivables past due but not impaired

	31.12.2015	31.12.2014
0 - 90 days	10,956	9,738
90 - 180 days	2,552	2,049
180 - 360 days	1,476	1,231
> 360 days	1,434	811
Trade receivables—past due but not impaired	<u>16,418</u>	<u>13,829</u>

The creation and usage of provision for impaired receivables have been included in “General and administrative expenses” in the statement of comprehensive income. Movements of the group provision for impairment of trade receivables are as follows:

#### Movements on the provision for impairment of trade receivables

	31.12.2015	31.12.2014
Provision amount at January 1	(8,475)	(8,990)
Provision for receivables impairment	(828)	(1,883)
Receivables written off during the year as uncollectible	506	2,438
Other movements	(33)	(615)
Unused amounts reversed	222	616
Currency translation adjustments	(426)	(41)
Provision amount at December 31	<u>(9,034)</u>	<u>(8,475)</u>

#### 7. Prepaid and other assets

	31.12.2015	31.12.2014
Prepaid and deferred expenses	2,192	2,103
Accrued income	868	1,148
Advances to suppliers and guarantee deposits	890	559
Restricted cash	456	60
VAT receivable	183	424
Other current assets	3,178	6,547
	<u>7,767</u>	<u>10,841</u>

#### 8. Inventories

	31.12.2015	31.12.2014
Raw materials (caps, labels)	1,513	1,017
Spare parts	4,031	2,869
Auxiliary and packaging materials	4,718	4,327
Finished goods (water, coffee machines)	7,324	5,904
Other Inventories	426	367
Total Gross Inventories	<u>18,012</u>	<u>14,484</u>
Provision for impairment	(68)	(38)
	<u>17,944</u>	<u>14,446</u>

## 9. Property, Plant and Equipment

	Land & buildings	Vehicles	Plant, machinery	Distribution equipment	Office equipment	Leasehold improvement	Total
<b>At 01.01.2014</b>	10,934	4,819	16,013	30,503	1,963	1,780	66,012
Business combinations	900	288	104	5,080	594	—	6,966
Currency translation adjustments	46	76	226	231	27	22	628
Additions	97	1,885	728	12,219	809	544	16,282
Purchase price allocation adjustment	(549)	—	—	—	—	—	(549)
Transfers	(175)	(125)	(298)	478	120	—	—
Disposals	—	(135)	(16)	(1,064)	(115)	—	(1,330)
Depreciation	(560)	(1,334)	(1,890)	(10,924)	(976)	(355)	(16,039)
<b>Net book amount at 31.12.2014</b>	<u>10,693</u>	<u>5,474</u>	<u>14,867</u>	<u>36,523</u>	<u>2,422</u>	<u>1,991</u>	<u>71,970</u>
<b>At 31.12.2014</b>							
Cost	11,387	7,097	17,297	50,173	3,637	2,431	92,022
Accumulated depreciation	(694)	(1,623)	(2,430)	(13,650)	(1,215)	(440)	(20,052)
<b>Net book amount</b>	<u>10,693</u>	<u>5,474</u>	<u>14,867</u>	<u>36,523</u>	<u>2,422</u>	<u>1,991</u>	<u>71,970</u>
	Land & buildings	Vehicles	Plant, machinery	Distribution equipment	Office equipment	Leasehold improvement	Total
<b>At 01.01.2015</b>	10,693	5,474	14,867	36,523	2,422	1,991	71,970
Business combinations (note 29)	910	1,884	332	2,350	133	—	5,609
Currency translation adjustments	630	510	1,456	1,141	103	220	4,060
Additions	481	1,011	1,792	19,432	1,200	248	24,164
Transfers	94	—	140	(160)	(74)	—	—
Disposals	(498)	(76)	(4)	(1,481)	(129)	—	(2,188)
Depreciation	(696)	(2,119)	(2,125)	(14,569)	(1,304)	(441)	(21,254)
<b>Net book amount at 31.12.2015</b>	<u>11,614</u>	<u>6,684</u>	<u>16,458</u>	<u>43,235</u>	<u>2,351</u>	<u>2,018</u>	<u>82,360</u>
<b>At 31.12.2015</b>							
Cost	13,004	10,426	21,013	71,454	4,870	2,899	123,666
Accumulated depreciation	(1,390)	(3,742)	(4,555)	(28,219)	(2,519)	(881)	(41,306)
<b>Net book amount</b>	<u>11,614</u>	<u>6,684</u>	<u>16,458</u>	<u>43,235</u>	<u>2,351</u>	<u>2,018</u>	<u>82,360</u>

Total depreciation expense for the year ended December 31, 2015 amounts to € 21,254 and is allocated as follows: € 16,833 in costs of goods sold, € 4,069 in sales, marketing and service expenses, € 310 in general and administration expenses and € 42 in other operating expenses.

Total depreciation expense for the year ended December 31, 2014 amounts to € 16,039 and is allocated as follows: € 12,788 in costs of goods sold, € 2,578 in sales, marketing and service expenses, € 596 in general and administration expenses and € 77 in other operating expenses.

## 10. Goodwill and other intangible assets

	Goodwill	Customers relations	Tradenames	Other	Total
<b>At 01.01.2014</b>	103,000	64,707	13,564	4,311	185,582
Business combinations	31,359	12,426	177	2,209	46,171
Amortization	—	(6,897)	(1,144)	(2,311)	(10,352)
Currency translation adjustments	1,431	881	120	70	2,502
<b>Net book amount at 31.12.2014</b>	<u>135,790</u>	<u>71,117</u>	<u>12,717</u>	<u>4,279</u>	<u>223,903</u>
<b>At 31.12.2014</b>					
Cost	135,790	79,105	14,075	7,110	236,080
Accumulated amortization and impairment	—	(7,988)	(1,358)	(2,831)	(12,177)
<b>Net book amount</b>	<u>135,790</u>	<u>71,117</u>	<u>12,717</u>	<u>4,279</u>	<u>223,903</u>
	Goodwill	Customers relations	Tradenames	Other	Total
<b>At 01.01.2015</b>	135,790	71,117	12,717	4,279	223,903
Business combinations (note 29)	25,814	8,173	1,980	81	36,048
Additions	412	180	—	2,090	2,682
Decrease	(295)	(374)	—	(109)	(778)
Transfers	(485)	485	126	(126)	—
Amortization	—	(9,077)	(2,080)	(2,255)	(13,412)
Currency translation adjustments	3,275	2,774	627	447	7,123
<b>Net book amount at 31.12.2015</b>	<u>164,511</u>	<u>73,278</u>	<u>13,370</u>	<u>4,407</u>	<u>255,566</u>
<b>At 31.12.2015</b>					
Cost	164,511	90,343	16,808	9,493	281,155
Accumulated amortization and impairment	—	(17,065)	(3,438)	(5,086)	(25,589)
<b>Net book amount</b>	<u>164,511</u>	<u>73,278</u>	<u>13,370</u>	<u>4,407</u>	<u>255,566</u>

### Goodwill Impairment Test 2015

During the fourth quarter the Group conducted its annual goodwill impairment test. Following the impairment test, the Group recorded no impairment charge. An operating segment-level summary of the goodwill allocation is presented below:

### Valuation of recoverable amounts

The recoverable amount of all CGUs has been determined based on fair value less cost to disposed calculations (“income approach”, using the DCF method). This method uses post-tax cash flow projections based on a five-year business plan approved by management. Cash flows beyond the five-year plan are extrapolated using long-term growth rates.

### 31.12.2015

CGU	UK	France	Poland	Swiss	Spain	NL	Nordics	Baltics	Israel	Russia	Germany	Portugal
Carrying amounts	53,341	35,018	23,264	22,857	8,827	13,189	17,449	4,971	53,639	35,483	21,795	2,555
CGU	UK	France	Poland	Swiss	Spain	NL	Nordics	Baltics	Israel	Russia	Germany	Portugal
Recoverable amounts	72,269	48,638	27,175	42,716	18,228	18,662	25,737	5,694	56,659	38,511	26,310	3,978

**31.12.2014**

CGU	UK	France	Poland	Swiss	Spain	NL	Nordics	Baltics	Israel
Carrying amounts	51,791	35,589	25,385	21,337	9,650	3,143	16,907	4,866	53,283
CGU	UK	France	Poland	Swiss	Spain	NL	Nordics	Baltics	Israel
Recoverable amounts	59,362	41,646	25,665	27,206	13,476	6,915	21,046	4,898	58,939

**Key assumptions**

The key assumptions used for calculating the recoverable amounts during the 2015 test are as follows:

**31.12.2015****Key assumptions**

CGU	UK	France	Poland	Swiss	Spain	NL	Nordics	Baltics	Israel	Russia	Germany	Portugal
Long term growth rates	2.0%	2.0%	1.5%	1.5%	1.5%	1.5%	1.3%	1.5%	2.0%	1.5%	1.5%	1.5%
Post tax discount rates	13.0%	12.0%	12.5%	11.0%	12.5%	12.0%	12.0%	12.0%	13.0%	16.0%	11.5%	13.5%

**31.12.2014****Key assumptions**

CGU	UK	France	Poland	Swiss	Spain	NL	Nordics	Baltics	Israel
Long term growth rates	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Post tax discount rates	13.5%	12.5%	13.0%	12.0%	14.0%	15.0%	13.0%	14.0%	13.0%

Growth rates—weighted average growth rates are based on management assumptions for each specific CGU and are consistent with forecasts included in industry reports.

Discount rates—the expected net cash flows are discounted by using specific post-tax discount rates for each market. Discount rates reflect the risk factors specific to each relevant CGU.

The fair value of the CGU is level 3 measurement.

**Acquisition of Goodwill and Customer Portfolio**

During 2015, the Group made 2 acquisitions which explains the increase of the Goodwill and the Customer Relations. The purchase price is provisional.

**Nestlé Water Direct Russia LLC (RUS):** 100% of the shares were acquired on 02.02.2015 for a cash consideration of € 40,498. The customer base comprises of water customers. The goodwill of € 25,814 arises from expected synergies.

**Water Company (SWE):** On March 1st, 2015, the water customer base was acquired for a cash consideration of € 180. No goodwill was recorded.



## 11. Other current liabilities

	31.12.2015	31.12.2014
VAT and other taxes	5,157	3,904
Employees, Social security and related payables	14,340	11,653
Liabilities arising from acquisitions	113	1,134
Accrued expenses	21,973	16,961
Others	3,069	2,475
	<u>44,651</u>	<u>36,127</u>

## 12. Customer deposits and prepaid income

	31.12.2015	31.12.2014
Customer deposits	19,572	17,512
Prepaid Income	13,961	13,195
	<u>33,534</u>	<u>30,707</u>

## 13. Provisions

	Litigation	Integration and restructuring	Retail incentive	Others	Total
<b>At 01.01.2015</b>	1,148	341	3,017	448	4,954
Acquisition of subsidiaries (note 29)	—	—	—	—	—
Additional provisions	—	940	1,320	98	2,358
Unused amounts reversed	(337)	(8)	—	(12)	(357)
Used during year	(5)	(721)	(3,306)	—	(4,032)
Currency translation adjustments	(2)	2	309	2	311
<b>At 31.12.2015</b>	<u>804</u>	<u>554</u>	<u>1,340</u>	<u>536</u>	<u>3,234</u>

### Provisions for litigation

See Note 18.

### Provisions for integration and restructuring

The provision for integration and restructuring includes mainly severance costs for employees in Germany and Netherlands whose contracts have been terminated. The litigation refers to a dispute with a former landlord in France, the former employee in Poland and in Germany. The Retail incentive include provision for retail incentives, which arose in the ordinary course of the business of the Israeli activities.

## 14. Deferred income taxes

	31.12.2015	31.12.2014
Deferred income tax asset to be recovered after more than 12 months	(13,813)	(13,157)
Deferred income tax asset to be recovered within 12 months	(2,143)	(1,203)
Deferred income tax assets:	<u>(15,956)</u>	<u>(14,360)</u>
Deferred income tax liability to be recovered after more than 12 months	19,049	18,289
Deferred income tax liability to be recovered within 12 months	129	58
Deferred income tax liabilities:	<u>19,178</u>	<u>18,347</u>
<b>Deferred income tax liabilities (net)</b>	<u>3,222</u>	<u>3,987</u>

	2015	2014
The gross movement on the deferred tax account for the period is as follows:		
Beginning of the year	3,987	4,476
Currency translation adjustments	195	6
Business Combination (note 29)	1,941	628
Charged to other comprehensive income	176	(1,587)
Credited to income statement (Note 27)	<u>(3,077)</u>	<u>463</u>
<b>End of year</b>	<u><u>3,222</u></u>	<u><u>3,986</u></u>

At December 31, 2015 the Group had losses carried forward of € 160.6 million for which € 48.9 million deferred tax asset was recognized. € 149.3 million have no expiration term; the remaining € 11.3 million losses carried forward will expire in years 2016 to 2024. No tax losses have been considered for Hydra Dutch Holdings 2 B.V. The movement in deferred income tax assets and liabilities during the period is as follows:

#### Taxable temporary differences (Deductible temporary differences)

	Accelerated Tax Depreciation	Intangibles	Others	Total
<b>At 01.01.2014</b>	3,037	17,413	77	20,527
Charged (credited) to income statement	(32)	(1,394)	165	(1,261)
Charged (credited) to equity	—	(1,050)	—	(1,050)
Business Combination	—	637	—	637
Exchange differences	(60)	171	(617)	(506)
<b>At 31 December 2014</b>	<u><u>2,945</u></u>	<u><u>15,777</u></u>	<u><u>(375)</u></u>	<u><u>18,347</u></u>

	Provisions	Tax losses	Others	Total
<b>At 01.01.2014</b>	(888)	(14,370)	(793)	(16,051)
Credited (charged) to income statement	(186)	2,425	(512)	1,726
Credited (charged) to equity	2	(12)	(528)	(538)
Business Combination	(10)	—	—	(10)
Transfer	—	—	—	—
Exchange differences	10	(93)	596	513
<b>At 31 December 2014</b>	<u><u>(1,072)</u></u>	<u><u>(12,050)</u></u>	<u><u>(1,237)</u></u>	<u><u>(14,360)</u></u>

	Accelerated Tax Depreciation	Intangibles	Others	Total
<b>At 01.01.2015</b>	2,640	15,477	230	18,347
Credited to income statement	(1,092)	(461)	33	(1,520)
Business Combination	189	1,752	—	1,941
Transfer	276	(403)	—	(127)
Currency translation adjustments	53	512	(28)	537
<b>At 31 December 2015</b>	<u><u>2,066</u></u>	<u><u>16,877</u></u>	<u><u>235</u></u>	<u><u>19,178</u></u>

	Provisions	Tax losses	Others	Total
<b>At 01.01.2015</b>	(1,078)	(11,702)	(1,580)	(14,360)
Credited (charged) to income statement	51	(2,125)	517	(1,557)
Credited to other comprehensive income	—	—	176	176
Business Combination	96	—	(96)	—
Transfer	—	127	—	127
Currency translation adjustments	(119)	(85)	(138)	(342)
<b>At 31 December 2015</b>	<u><u>(1,050)</u></u>	<u><u>(13,785)</u></u>	<u><u>(1,121)</u></u>	<u><u>(15,956)</u></u>

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## **15. Employee rights**

**A.** The Group contributes to retirement benefit schemes in conformity with the laws and usual practices of countries where the Group operates. As a result of contributions paid under such schemes to private or state sponsored pension funds, the companies have no significant actuarial liability, with the exception of Switzerland and Israel.

**B.** The Israeli companies' pension and severance pay obligation to its employees in Israel under section 14 to the Israel Severance Pay Law is covered by regular contributions to defined contribution plans. The amounts funded as above are not reflected in the balance sheet.

**C.** The Israeli companies have the obligation to pay severance pay to their employees, constituting defined benefit plans. In respect of this obligation, the companies have amounts funded and retirement insurance coverage (known in Israel as senior employees insurance) to which subsidiaries contribute. The amount of net severance pay obligation, as presented in the balance sheets for December 31, 2015, reflects the difference between the obligation for severance pay and the severance pay plan asset.

### **D. Management Equity Plan**

On October 23, 2013, the closing date of the acquisition of Eden Holdings, certain management members ("Grantees") were allotted shares in Hydra Luxembourg Holdings S.a.r.l. ("Hydra Luxembourg"), who indirectly controls the Company which was invested by the Grantees in the share capital of Hydra Luxembourg (the "Management Investment"). The initial allotment is 11% of the share capital of Hydra Luxembourg, with an additional one percent to be allotted to the Grantees if minimum EBITDA targets would be met over a pre defined period following the date of grant. The agreement also defines the method of calculation of the returns the allotted shares would be entitled to out of the total returns of Hydra Luxembourg.

The plan prescribes a graded vesting schedule which ends after five years from the date of grant. Under the plan, the Grantees would be entitled to receive a cash consideration upon leaving the Company, which would be determined based on whether the shares have vested and whether they would meet the definition of a "good leaver" in the plan. Grantees who leave the Company in the future would receive a cash consideration equal to the fair value for their vested shares, provided the definition of a "good leaver" is met. Otherwise, a leaver would receive a cash consideration equal to the lower of his initial investment and fair value of the shares allotted to him.

The Company has accounted for the transaction under the provisions of IFRS 2, Share Based Payment. Since the fair value of the allotted shares approximated the Management Investment amount, the fair value of the granted benefit was calculated to approximate zero and, thus, no compensation expenses are to be recognized in the Company's consolidated financial statements.

### **E. Swiss Defined Benefit Plans**

Apart from the social security plans fixed by the law, the Swiss entities (Eden Springs (Switzerland) SA and Eden Springs International SA sponsor two independent pension plans.

All employees are covered by these plans, which are defined benefit plans. Liabilities and assets are revised periodically by an independent actuary.

## F. Pension benefits

The amounts recognised in the balance sheet are determined as follows:

	31.12.2015	31.12.2014
Present Value of funded obligations	21,958	19,206
Fair value of plan assets	(16,709)	(13,966)
Liability in the balance sheet	<u>5,250</u>	<u>5,240</u>

The amounts recognised in the income statement are as follows:

	2015	2014
Current service cost	1,644	1,268
Interest cost	168	159
Others	(1,135)	(904)
Total	<u>677</u>	<u>523</u>

Split of the total charges:

	2015	2014
Cost of goods sold	57	62
Selling and Marketing expenses	356	257
Selling expenses	90	152
Administrative expenses	75	(41)
Finance expenses	99	93
	<u>677</u>	<u>523</u>

The main assumptions used for the calculation of the pension liabilities and the defined benefit obligation for the year 2015 are the following:

	2015	2014
	%	%
Discount rate	1.00 - 4.80	2.30 - 5.30
Expected return on plan asset	4.00 - 4.70	3.90 - 5.20
Future salary increases	0.50 - 3.50	1.00 - 3.50
Future pension increase	0.25 - 0.50	0.20 - 0.50
	%	%
Turnover	0% - 64%	0% - 64%
Inflation rate	1.70% - 2.80%	1.70% - 2.80%

## 16. Borrowings

	31.12.2015	31.12.2014
<b>Non-Current</b>		
Senior secured notes and bank borrowings, net	295,378	201,252
Finance lease liabilities	3,238	3,618
	<u>298,616</u>	<u>204,870</u>
<b>Current</b>		
Bank borrowings, net	2,158	1,000
Finance lease liabilities	1,203	1,218
Loan from minority, net of minority debt	—	319
Other borrowings	1,406	52,579
	<u>4,767</u>	<u>55,116</u>
<b>Total borrowings</b>	<u>303,383</u>	<u>259,986</u>

On 29 April 2014, Hydra Dutch Holdings 2 BV successfully issued a Floating Rate Senior Secured Notes of EUR 210 million traded on the Luxembourg Stock exchange, as well as a Revolving Credit Facility of EUR 45 mio. At the same time the existing bank financing facilities were repaid.

The Senior Secured Note is issued with a 3-months EURIBOR plus 5.5% per annum, reset quarterly. Payments are quarterly in arrears and maturity is on 15 April 2019. The proceeds were used to repay the existing bank loan, repay related party loans of €50 million and pay the transactions fees. The Company may redeem prior to 15 April 2015—all or part—at a ‘make-whole’ premium equal the net present value of the remaining interest payments to 15 April 2015 plus 1% margin, between 15 April 2015 and 15 April 2016 at 101% and at a 100% thereafter. The Notes and Guarantees will be secured by first-ranking security interests over all the capital stock of the Company and certain of its subsidiaries, intercompany receivables, bank accounts and intellectual property and certain of its subsidiaries and substantially all assets of certain subsidiaries.

The Revolving Credit Facility is issued with an initial 3.5% margin plus EURIBOR and the maturity is on 29 January 2019. The Company may make a voluntary prepayment or cancellation at any time without penalty on 5 or 3 Business days respectively. The security securing the Notes will also secure on a ‘super senior’ basis the Company’s obligations under the Revolving Credit Facility and certain hedging obligations.

On 29 January 2015, the Company successfully issued EUR 160 million of 8% Senior Secured Notes due 15 April 2019 comprising of EUR 35 million of Exchange Notes of the existing EUR 210 million Floating Rate Senior Secured Notes due 2019 and EUR 125 million of New Cash Notes to finance the acquisition of the Nestle Waters Direct water solutions businesses in Germany, the Netherlands, Portugal, Russia and Poland from Nestle Waters as well as repaying in full the utilization of the Bridge facility.

The Notes are redeemable by the Company at any time prior to their maturity, based on prices and terms stipulated in the Notes agreement which include a make-whole call premium if the Notes are redeemed prior to 1 February 2017.

Therefore, on 29 January 2015, the Company used the first portion of the proceeds from the New Cash Notes to repay EUR 53.2 million of the Bridge Facility that was partially drawn on 28 November 2014 in connection with the first stage of the acquisition of three of the five Nestle Waters Direct water solutions businesses from Nestle Waters. The closing date for the acquisition of the businesses in the Netherlands, Portugal and Germany occurred on 1 December 2014.

On 2 February 2015, the Company used a second portion of the proceeds from the New Cash Notes to settle the purchase price for the acquisition of Nestle Waters Direct water solution business in Russia. The remainder of the proceeds from the New Cash Notes was deposited into an Escrow Account held with the Escrow Agent in the name of the Company pursuant to an Escrow Agreement. This remainder of the proceeds from the New Cash Notes was to be used to pay the purchase price for the acquisition of Nestle Waters Direct water solution business in Poland.

As the acquisition of Nestle Water Direct Poland did not occur on or prior to 31 October 2015 (the “Polish NWDE Closing Date”) the Company redeemed EUR 34.9 million in aggregate principal amount of EUR 160 million 8% Senior Secured Notes due 2019 (the “Notes”) at a price equal to 101% of that aggregate principal amount of the Notes plus accrued but unpaid interest on 9 November 2015 (the “Redemption Date”). Following the Redemption Date, the outstanding principal amount of the Notes is EUR 125.1 million.

On 30 October 2015 the Company secured an increase of the existing Revolving Credit Facility Agreement (the “RCF”) that was entered on 15 April 2014. The RCF increased from an aggregate amount of EUR 45 million to EUR 65 million.

	31.12.2015	31.12.2014
The maturity of the borrowings are as follow:		
6 months or less	4,297	54,606
6-12 months	470	510
1-7 years	298,616	204,870
	<u>303,383</u>	<u>259,986</u>
Current effective interest on Senior secured notes at the company	8.1%	7.6%
Current effective interest on Long term bank credit at Israeli activities	N/A	3.8%
	31.12.2015	31.12.2014
The Group borrowings are denominated in the following currencies:		
Euro	298,588	254,909
New Israeli Shekels	3,438	4,068
Polish Zloty	926	498
Swiss Franc	431	498
Other currencies	—	13
	<u>303,383</u>	<u>259,986</u>

The fair value of current liabilities approximates their carrying amount, as the impact of discounting is not significant. Consequently the fair values have not been separately disclosed.

The fair value of long-term bank liabilities approximates their carrying value, since they bear interest at variable market rates.

## 17. Derivative Financial instruments

	31.12.2015 Liabilities	31.12.2014 Liabilities
Non current interest rate SWAP derivative	<u>5,201</u>	<u>5,240</u>

The Group uses interest rate swaps (hereafter—IRS) to manage its exposure to interest rate risks resulting from financial arrangements. These derivative instruments are floating-to-fixed interest rate swaps which have the economic effect converting borrowings from floating rates to fixed rates.

In the course of 2014, following the issuance of EUR 210 million floating rate Notes, the Group adapted its hedging coverage structure through the combination of existing and new interest rate swaps (pay fixed, receive variable) in order to reduce the exposure from the risk of variability in cash flows associated with recognized liabilities. Therefore, Swaps duration was extended to match the underlying financing instrument maturity of 15 April 2019 and the outstanding IRS amount was increased to reach 80% of the floating rate senior secured notes financing amortizing over the years.

In January 2015, as part of the EUR 160 million issuance of 8% senior secured notes, a portion of EUR 35 million of the existing EUR 210 million floating rate senior secured notes has been exchanged into the EUR 160 million fixed 8% senior secured notes. Therefore, the EUR 210 million aggregate principal of floating rate senior secured notes was reduced to EUR 175 million. As a consequence, the IRS coverage mechanically increased from 80% to 96% of the floating rate senior secured notes.

Gains and losses were recognised in the Income Statement.

## 18. Commitments and Contingent liabilities

### A. Commitments

#### Operating lease commitments

The Group has operating lease agreements for the rental of warehouses, office spaces and distribution centers in various locations for periods ending in 2016 through 2020. The annual rental payments under such leases are mainly linked to the CPI. In addition, The Group has operating lease agreements for the vehicles they use, for periods ending in 2016 through 2021. The annual rental payments under such leases are linked to the CPI (=Consumer Price Index).

The Group place deposits with several leasing companies to secure the payment of rental for the last months of the lease. The future aggregate minimum lease payments under operating leases as of December 31, 2015 are as follows:

	31.12.2015	31.12.2014
2015	—	9,922
2016	11,193	7,882
2017	8,602	6,172
2018	6,145	4,519
2019	3,901	5,206
Later than 2019	5,027	—
	<u>34,868</u>	<u>33,701</u>

#### Other commitments

1.) Mey Eden Marketing (2000) Ltd., an Israeli subsidiary (hereafter—MEM) has entered into a distribution agreements with Jafora Tabori Ltd. (hereafter—Main agreement and Tabori, respectively). Pursuant to the Main agreement, Tabori is to serve as the exclusive distributor of all the small-packs of mineral water products that are produced and/or imported by the group and/or that are marketed under the brand name “Mey Eden”, including future products, in all areas of Israel with the exception of the city of Eilat and the Palestinian Authority. In consideration for the distribution rights, MEM shall pay Tabori a fixed distribution commission. Tabori is to purchase the products for distribution from MEM at the price to retailers, net of the aforementioned distribution commission. The Main agreement is for a period of 10 years. At the end of this period, the Main agreement will be automatically renewed for an additional 10-year periods. Either party is entitled to call for the termination of the Main agreement at any time after the first 10 years period, subject to 36 months’ prior notice. If an exemption

from the need to obtain an authorization for an agreement in restraint of trade is not received from the antitrust commissioner for a part of the first period or subsequent periods, the period of the Main agreement is to be cut short in accordance with the authorized periods of exemption.

In June 30, 2004, the Commissioner approved a 5-year exemption from the need to obtain authorization for an agreement in restraint of trade, commencing from the date of the approval. On March 28 2010, the Commissioner extended the authorization for 5 years commencing this date.

On December 2014 MEM requested a renewal of the exemption from the antitrust commissioner which was received on September 2015 for another 5 years.

2.) On November 2013 Mey Eden Bar—First Class Services Ltd., and Israeli subsidiary (hereafter—MEB) and Tabori entered into a distribution agreement regarding distribution of Tabori products (soft drinks bottles) by MEB in Eilat in its surroundings (hereafter—Eilat Agreement). The Eilat Agreement is materially a mirror like agreement to the Main Agreement. The period of the Eilat Agreement is linked to the Main Agreement. In consideration for the distribution rights, Tabori shall pay MEB a fixed distribution commission. The parties requested an exemption from the antitrust commissioner regarding the Eilat Agreement, which was received on September 2015 for another 5 years.

3.) On November 9, 2015 Mey Eden Bar—First Class Services Ltd. (hereafter—MEB) entered into an agreement with Electra Consumer Products (1951) Ltd. regarding the sale of Electra's activities in the field of water coolers.

Under the agreement, Electra will sell and transfer all their activity including the inventory of water coolers, spare parts, rights and obligations in accordance with customer agreements, intellectual property rights; agreements with manufacturers and licenses; all as specified in the agreement.

The Closing is subject to fulfillment of conditions precedent stipulated in the agreement, including the approval of the Antitrust Commissioner, approval from the manufacturers to assign their agreements with Electra to MEB, and the absence of a critical finding, as defined in the agreement in the due diligence that will be performed by MEB.

For the sale of all the operations (except inventory), MEB will pay NIS 21,3 million (approximately € 5.0 million) plus VAT, subject to the payment adjustment mechanism stipulated in the agreement in relation to the findings of the due diligence. Half of the consideration will be paid upon closing and the rest will be paid (without interest or linkage carry) in monthly installments for the period and the manner prescribed in the agreement. In addition, in exchange for the acquired inventory, MEB will pay the cost of inventory acquired less a deduction amount stipulated in the agreement.

## **B. Contingencies**

1) The French, Polish, Israeli and German subsidiaries are involved in legal actions in the ordinary course of business. The total amount thereof is approximately € 968 thousand. A total provision of € 804 thousand is recorded as of 31 December 2015.

2) On March 13, 2011, a lawsuit filed by Comité Interprofessionnel du Vin de Champagne (CIVC) to the Tel Aviv District Court and against the Company, Mr. Raanan Zilberman, Mey Eden Production, Mey Eden Bar, Mey Eden Marketing, Mey Eden Ltd and Mr. Eyal Carmi, the former CEO of the Israeli subsidiaries. The lawsuit is related to the Israeli subsidiaries activity. The lawsuits main argument is that marketing and advertising products under the symbol of "Mey Eden—nature's champagne", allegedly violating CIVC intellectual property rights. On May 19 2015, the District Court issued a judgment in favor of the CIVC. The Court determined that the slogan "Mey Eden—Nature's Champagne" infringes the CHAMPAGNE Registered Appellation of Origin that the use of the slogan amounts to Passing-Off and Dilution of the goodwill in Champagne. The Court rejected CIVC causes of action of Trademark Infringement, unjust enrichment and infringement of Geographical Indication. Following the judgement, The Group paid a total sum of NIS 710 thousand (approximately € 167 thousand) (which includes damages, attorney fees and court fees and expenses, as ruled by the district court).



3) On 29 September 2014 a request for a class action was filed against Mey Eden Bar—First Class Services Ltd. (hereafter—MEB) by a former HOD customer. The plaintiff claims that MEB raised the prices of the HOD dispensers without a proper prior notice, that the total amount of the raises was unreasonably high and that in some of the raises the notice of the raise was not in line with the actual raise. The plaintiff estimated the total damages to all MEB customers in the sum of NIS 67 million (approximately € 15.8 million) . At this stage, the probabilities of the claim being accepted and that financial resources will be required to discharge the claim, could not be estimated by the company and the company’s lawyers.

4) On 25 February 2015 a request for a class action was filed against Mey Eden Bar—First Class Services Ltd. (hereafter—MEB) in the sum of NIS 444 million (approximately € 104 million) . The plaintiff’s claim is that the UV light in the company’s water bars marketed by MEB did not function as it was supposed to. At this stage, the probabilities of the claim being accepted and that financial resources will be required to discharge the claim, could not be estimated by the company and the company’s lawyers.

5) On July 20, 2015, a request for a class action was filed against Manufacturing in the sum of NIS 7 million (approximately € 1.6 million). The plaintiff’s claim is that the components markings on the company’s water containers produced by Manufacturing are deviating from an Israeli standard, because it is printed on the back part of the external wrapping of the water containers. On January 16 2016, the court approved the dismissal of the request for a class action after Manufacturing agreed to pay attorney’s fee and compensation in the amount of NIS 20 thousand (approximately € 5 thousand).

## 19. Guarantees given and pledged assets

<i>Description /Type of Asset</i>	<b>31.12.2015</b>
Real estate in Hamilton (production, warehouse and offices)	<u>1,364</u>

The above amount corresponds to the net book value of the building. This guarantee relates to the long-term mortgage in the UK.

For the senior secured notes and the revolving credit facility, the following companies have been nominated as guarantors:

- Eden Springs Europe B.V.
- Eden Springs Nederland B.V.
- Eden Springs Sp. z o.o.
- Eden Springs (Europe) S.A.
- Eden Springs (Norway) AS
- Eden Springs (Sweden) AB
- Eden Springs (Switzerland) S.A.
- SEMD S.A.
- Eden Springs International S.A.
- Eden Springs UK Limited - Kafevend Holdings Limited - Kafevend Group Limited - Eden Water & Coffee Deutschland GmbH
- LLC Eden Springs

## 20. Share Capital

The issued capital amount is € 1 (one euro). The total issued number of share is 1, with a par value of € 1. The share issued is fully paid.

## 21. Other reserves

	OCI Pension Fund 2015	OCI Pension Fund 2014
<b>01.01.2015</b>	(1,038)	(150)
Remeasurement of post employment benefit obligation	667	(888)
<b>Balance at 31 December 2015</b>	<u>(371)</u>	<u>(1,038)</u>

## 22. Related-parties

The following transactions were carried out with related parties:

	2015	2014
<b>Purchases of goods and services</b>		
Management fees and transaction related costs	1,601	3,439
<b>Key management compensation</b>		
Salaries and short-term employee benefits	2,979	2,892
Post-employment benefits	436	452
Total Key management compensation	3,415	3,344
Interests paid to related parties	4,403	4,195
<b>Shareholders borrowing and payable to parent company</b>		
	<b>31.12.2015</b>	<b>31.12.2014</b>
Borrowings from related party*	57,394	47,792
	<b>31.12.2015</b>	<b>31.12.2014</b>
Receivables from related parties	115	93
Payable to related parties (short-term)	75	75

\* On October 2013 the Company entered into a loan agreement with the parent Company Hydra Dutch Holdings 1 BV. The loan bears an interest of 8.1576%. Unpaid interest is added to the principal. The duration of the loan is 7 years.

On November 2014 the Company entered into loan agreement facility with the parent Company Hydra Dutch Holdings 1 BV for an amount of Euro 15.3 million of which Euro 5.2 million and Euro 5.2 million were utilized on November 2014 and February 2015, respectively. The loan bears an interest rate of 8%. Unpaid interest is added to the principal.

## 23. Expenses by nature

	2015	2014
Depreciation and amortization (9 and 10)	34,666	26,336
Employee benefit expense (Note 25)	116,799	85,662
Raw materials and consumables used	78,876	63,844
Transportation costs	9,278	7,942
Vehicles expenses	20,147	17,329
Commissions (dealers)	23,207	18,723
Maintenance and rent	15,371	12,548
Communication	2,240	1,792
Professional fees	6,878	5,017
Travel and entertainment	2,353	2,184
Advertising and promotion	5,901	5,193
Office expenses	3,391	2,452
Other expenses	8,198	10,312
Total	<u>327,303</u>	<u>259,334</u>

## 24. Other Operating Expenses

	2015	2014
Acquisition and integration costs	12,258	5,175
Other	9,682	11,536
	<u>21,940</u>	<u>16,711</u>

## 25. Employee benefit expense

The following staff expenses are included in the Statement of Comprehensive Income (Cost of Goods sold, Service expenses, Selling expenses, General and Administration Expenses and Other operational expenses):

	2015	2014
Salaries	88,462	63,946
Social charges	14,316	11,966
Defined contributions plans	3,725	2,984
Pension benefit plans (Note 15)	5,229	3,239
Others	5,067	3,527
Total salaries and related expenses	<u>116,799</u>	<u>85,662</u>

## 26. Financial income / (expenses)

	2015	2014
Foreign exchange gain	2,813	4,554
Interest income	128	(26)
Other Income	551	174
Total Financial income	<u>3,492</u>	<u>4,702</u>
Foreign exchange loss	4,891	980
Interest expense	24,742	18,094
Interest expense with related parties	4,403	4,595
Amortization of capitalised financial costs	5,780	12,761
Other expenses	528	452
Total Financial expenses	<u>40,344</u>	<u>36,882</u>
Total Financial income	3,492	4,702
Total Financial expenses	<u>(40,344)</u>	<u>(36,882)</u>
Net Financial expenses	<u>(36,852)</u>	<u>(32,180)</u>

## 27. Taxation

	2015	2014
Current taxes	(3,634)	(2,063)
Deferred taxes (Note 14)	3,077	(463)
Previous years	907	188
Other tax	(422)	(480)
	<u>(72)</u>	<u>(2,818)</u>

The tax on the group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

Profit / Loss before tax	(30,279)	(25,082)
Tax calculated at domestic tax rates applicable to profits in the respective countries	8,308	6,386
Tax losses for which no deferred tax asset was recognized	(10,251)	(13,260)
Expenses not deductible for tax purposes	517	(221)
Income not subject to tax	1,033	1,252
Revenues subject to Income tax at lower rate	—	—
Tax credits or special allowances	—	—
Adjustments in respect of prior years	907	289
First time recognition of deferred tax asset on losses carried forward	—	(266)
Change in valuation of deferred tax assets	—	—
Utilization of previously unrecognised tax losses	—	3,108
Effect of changes in tax rate on opening deferred tax balances	20	52
Other	(605)	(158)
Tax benefit	(72)	(2,818)

The weighted average applicable tax rate was 25%.

#### a. Taxation of companies resident in Israel:

##### 1) Results measurements for tax purposes

Measurement of results for tax purposes under the Income Tax (Inflationary Adjustments) Law, 1985 (hereafter—the inflationary adjustments law) Under the inflationary adjustments law, results for tax purposes till the end of the 2007 tax year were measured in real terms, having regard to the changes in the CPI.

The Group was taxed under this law. In accordance with the provisions of the Income Tax (Inflationary Adjustments) (Amendment No. 20) Law, 2008 (“the amendment”), the Group will no longer be subject to the provisions of the inflationary adjustments law as from the 2008 tax year. In accordance with the provisions of the amendment, transitional regulations have been promulgated with respect to the cessation of applicability of the provisions of the inflationary adjustments law.

##### 2) Tax rates

On December 6, 2011, the Israeli Parliament (the Knesset) passed the Law for Tax Burden Reform (Legislative Amendments), 2011 (“the Law”) which, among others, cancels effective from 2012, the scheduled progressive reduction in the corporate tax rate. The Law also increases the corporate tax rate to 25% in 2012, and thereafter.

On August 5, 2013, the Law of Change in National Priorities (Legislative Achieve Budget for the Years 2013 and 2014), 2013, was published, which provided, inter alia, raising the corporate tax rate to a rate of 26.5% from 2014 and thereafter.

In January 2016 the corporate tax rate from 2016 and thereafter was reduced to 25% according to a law that was approved in January 2016. Had the law been approved at December 31, 2015, the deferred tax asset as of December 31, 2015 would have decreased in the amount of approximately EUR 34 thousand, with corresponding decrease in deferred tax income in the income statement.

#### b. Subsidiaries resident overseas

Subsidiaries incorporated in Europe are subject to the taxing statutes of their respective countries of residence. The principal tax rates applicable to the principal overseas-resident subsidiaries are as follows:

Companies incorporated in the Netherlands—25.5%;

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Companies incorporated in the United Kingdom—23.25%;  
Companies incorporated in France—33.34%;  
Companies incorporated in Poland—19%;  
Companies incorporated in Switzerland—22.64%;  
Companies incorporated in Russia—20.00%

As a general rule, inter-company transactions between Israel-resident companies and European subsidiaries are subject to the reporting provisions of the Income Tax (Determination of Market Conditions) Regulations, 2006.

**c. The Israeli Encouragement Laws:**

1) Tax benefits under the Capital Investments Encouragement Law, 1959

Under the provisions of the Capital Investments Encouragement Law, 1959 (“the law”), certain subsidiaries are entitled to various tax benefits by virtue of the status of approved enterprise accorded to the qualifying operations of those subsidiaries, as follows:

a) Reduced tax rates

During the period of benefits—commencing in the first year in which the companies earn taxable income from the approved enterprise—such income will be tax exempt for ten years, as follows: Tax exemption for ten years on income from expansion of a certain approved enterprise, for which it had previously opted for the “alternative benefits” track (involving the waiver of investment grants); the period of benefits for this expansion has not yet began. In the event of the distribution of cash dividend out of income that was tax exempt, the Companies would have to pay the 25% in respect of the amount distributed.

b) Accelerated depreciation

The Companies are entitled to claim accelerated depreciation as provided by law, commencing in the first year of operation of each asset, in respect of machinery and equipment used by the approved enterprise.

c) Benefit-related conditions

The entitlement to the above benefits is conditional upon the Companies fulfilling the conditions stipulated by the law, regulations published thereunder and the instruments of approval for the specific investments in approved enterprises. In the event of failure to comply with these conditions, the benefits may be cancelled and the Companies may be required to refund the amount of the benefits, in whole or in part, with the addition of interest. Company’s management is on the opinion that the Companies meet the conditions stipulated in the instrument of approval.

2) Industry (Taxes) Encouragement Law, 1969

Some of the Group’s companies are an “industrial company”, as defined by this law. As such, the companies are entitled to claim depreciation at increased rates, as stipulated by regulations published under the inflationary adjustments law.

**d. Tax assessments**

Final tax assessments have been raised on two subsidiaries for tax years up to and including the 2011 tax year. Self-assessment filed by Israeli Subsidiaries for the tax years up to 2008, are considered to be final.

## 28. Subsequent events

On 1 February 2016, the Group completed the third stage of the acquisition of the Nestlé Waters Direct (NWD) business in Poland. Due to anti-trust regulations and competition law in Poland we were able to acquire a portion of the NWD Polish business. The remaining assets that were not purchased by us were transferred to a third party company named GetFresh Sp. z o.o. (GetFresh). The overall purchase consideration for the assets transferred to us and the assets transferred to GetFresh amounts to EUR 32.7 million including a recoverable VAT amount of EUR 5.7 million. GetFresh remitted the purchase price by issuing EUR 10.9 million bonds in favor of Eden Springs Europe B.V. The EUR 18.2 million purchase price for the assets transferred to us has yet to be allocated, and will be preliminarily assigned to the fair values of assets acquired and liabilities assumed, during the quarter ending 31 March 2016 when disclosure of such provisional amounts will be provided. This third step of the NWD acquisition was entirely funded using borrowings under the revolving credit facility agreement.

On 30 March 2016, date of approval of the accounts Hydra Dutch Holdings 2 B.V. had no subsequent event leading to a modification of the financial statements.

## 29. Business combinations

In 2014 acquired business contributed revenues of €4'788 since the acquisition dates. If the acquisitions had occurred on 1 January 2014, the acquired businesses, for the period would have contributed revenues of €40'983.

Details of net assets acquired and intangibles are as follows:

Purchase consideration:	Nestle NL <u>31.12.2014</u>	Nestle PT <u>31.12.2014</u>	Nestle Germany <u>31.12.2014</u>	Others <u>31.12.2014</u>	Total <u>31.12.2014</u>
Cash consideration	12,266	(1,881)	23,557	3,947	37,890
Total Purchase Consideration	12,266	(1,881)	23,557	3,947	37,890
Fair Value of Net Assets Acquired	(2,573)	1,976	(2,794)	(3,140)	(6,531)
Goodwill	<u>9,693</u>	<u>96</u>	<u>20,763</u>	<u>808</u>	<u>31,359</u>

The total fair values of the assets and liabilities in the acquiree's financial statements are as follows:

	<u>31.12.2014</u>
Purchase consideration settled in cash	43,469
Cash in Subsidiaries Acquired	(2,649)
Cash Outflow on Acquisition	<u>40,820</u>
Adjustment for cash consideration not paid at period end and cash paid related to prior year acquisition	—
Net Cash Flow impact from Acquisitions	<u>40,820</u>

## Detail of assets acquired and liabilities assumed

	Nestle NL 31.12.2014	Nestle PT 31.12.2014	Nestle Germany 31.12.2014	Others 31.12.2014	Total 31.12.2014
<b>Provisional fair values</b>					
Cash and cash equivalents	2,551	298	(200)	—	2,649
Trade receivables	771	2,035	2,189	99	5,094
Prepaid and other current assets	153	429	245	—	827
Inventories	65	261	233	45	604
Property, plant and equipment	328	4,155	2,315	167	6,965
Customer portfolio and Trademarks	2,300	270	6,700	3,333	12,603
Other intangible assets	—	—	—	—	—
Other non-current assets	—	—	—	—	—
Deferred income tax assets	—	—	—	—	—
Trade payables	(304)	(1,236)	(1,243)	—	(2,783)
Other current liabilities	(2,716)	(1,728)	(7,445)	(325)	(12,214)
Borrowings	—	(6,398)	—	—	(6,398)
Other non-current liabilities	—	—	—	—	—
Deferred income tax liabilities	(575)	(62)	—	—	(637)
<b>Total identifiable net assets</b>	<b>2,573</b>	<b>(1,976)</b>	<b>2,794</b>	<b>3,319</b>	<b>6,710</b>
Goodwill	9,693	96	20,763	808	31,359
	<u>12,266</u>	<u>(1,881)</u>	<u>23,557</u>	<u>4,127</u>	<u>38,069</u>

In 2015 acquired business contributed revenues of € 20,371 since the acquisition dates. If the acquisitions had occurred on 1 January 2015, the acquired businesses, for the period would have contributed revenues of € 21,822. The Nestlé Waters Direct Russia entity is consolidated as of February 1st, 2015.

Details of net assets acquired and intangibles are as follows:

	Nestlé RUS 31.12.2015
Purchase consideration :	
Cash consideration	40,498
Total Purchase Consideration	40,498
Fair Value of Net Assets Acquired	(14,684)
Goodwill	<u>25,814</u>

The total fair values of the assets and liabilities in the acquiree's financial statements are as follows:

	31.12.2015
Purchase consideration settled in cash	40,498
Cash in subsidiaries acquired	(1,116)
Cash paid prior year acquisitions	639
Net Cash Flow impact from Acquisitions	<u>40,021</u>

## Detail of assets acquired and liabilities assumed

	Nestlé RUS
<b>Provisional fair values</b>	<b>31.12.2015</b>
Cash and cash equivalents	1,116
Trade receivables	830
Prepaid and other current assets	1,050
Inventories	470
Property, plant and equipment	5,609
Customer portfolio and Trademarks	10,153
Other intangible assets	81
Trade payables	(447)
Other current liabilities	(2,425)
Borrowings(2)	188
Other non-current liabilities	—
Deferred income tax liabilities	(1,941)
<b>Total identifiable net assets</b>	<b>14,684</b>
Goodwill	25,814
	<u>40,498</u>

(1) Based on a preliminary purchase price allocation conducted. The purchase price allocation is to be completed in first quarter 2016.

(2) Borrowings are presented net of intercompany loan which was acquired as part of Nestlé Waters Direct Russia acquisition.

On 28 October 2015 the Company has signed an amendment to the SAPA with Nestlé Waters SAS in which the Long Stop Date for the NWDE Poland Closing is extended to 31 January 2016.

### 30. Segment information

#### General

The chief operating decision maker of the Group (hereinafter—CODM). The CODM reviews internal reports of the Group to assess performance and for resource allocation. Group management identified operating segments based on those reports.

The CODM reviews the business activity based on geographical regions, and this serves management to assess performance of geographical regions and to allocate resources. European regions have been aggregated since they bear similar economic characteristics and are similar in the nature of products and production processes, types of customers and distribution methods

As of December 31, 2015, the CODM reviews the performance of operating segments in the year ended on that date based on measuring income before financing expenses, financing income, tax, depreciation, amortization, other expenses and income (loss) (operating EBITDA).

The Company has aggregated the European operating segments into one reportable segment, given the similarity in the Group's products and their production process, customer types and distribution methods, as well as in long term profit margins.



Information related to geographical segments:

	Europe	Israel	Total
<b>Segment income</b>	261,698	94,118	<b>355,816</b>
<b>Operating EBITDA</b>	52,297	10,883	<b>63,180</b>
<b>Capex</b>	16,449	6,251	<b>22,700</b>
	<u>31.12.2015</u>	<u>31.12.2014</u>	
Operating EBITDA of reporting segments	63,180	50,201	
Depreciation and amortization	(34,667)	(26,391)	
Other expenses—net	<u>(21,940)</u>	<u>(16,711)</u>	
Operating income	6,573	7,099	
Financing income	3,492	4,701	
Financing expenses	(40,344)	(36,882)	
Taxes on income	<u>(72)</u>	<u>(2,818)</u>	
<b>Net loss</b>	<u><u>(30,351)</u></u>	<u><u>(27,900)</u></u>	

The following is a breakdown of revenue from external customers of the Group's products:

	<u>31.12.2015</u>	<u>31.12.2014</u>
Water	285,411	221,492
Coffee	70,405	61,652
	<u>355,816</u>	<u>283,144</u>

**31. Consolidated companies at 31 December 2015**

<b>Country</b>	<b>Entities</b>	<b>% of control</b>
<b>Cyprus</b>	Valspar Investments Ltd.	100.0%
<b>Denmark</b>	Eden Springs (Denmark) AS	100.0%
<b>Estonia</b>	Eden Springs Estonia OÜ	100.0%
<b>Finland</b>	Eden Springs Finland OY	100.0%
<b>France</b>	Chateaud'eau SA	100.0%
<b>Germany</b>	Eden Springs (Deutschland) GmbH	100.0%
	Eden Springs Water & Coffee GmbH	100.0%
<b>Greece</b>	Eden Springs Hellas SA	100.0%
<b>Israel</b>	Mey Eden Ltd.	100.0%
	Mey Eden Bar—First Class Services Ltd.	100.0%
	Mey Eden Production (2007) Ltd.	100.0%
	Mey Eden Marketing (2000) Ltd.	100.0%
	Espresso Café—Italia Ltd.	100.0%
	Pauza Coffee Services Ltd.	96.0%
	Dispensing Coffee Club (IAI 2003) Ltd.	100.0%
<b>Latvia</b>	Eden Springs Latvia SIA	100.0%
<b>Lithuania</b>	UAB Eden Springs Lietuva	100.0%
<b>Luxembourg</b>	HorseLux Sàrl	100.0%
<b>Netherlands</b>	Eden Springs Nederland BV	100.0%
	Eden Springs Europe BV	100.0%
<b>Norway</b>	Eden Springs (Norway) AS	100.0%
<b>Poland</b>	Eden Springs Sp. Zo.o	100.0%
	Eden Dystrybucja sp. z o.o.	100.0%
<b>Portugal</b>	Eden Springs Portugal S.A.	100.0%
<b>Russia</b>	LLC Eden Springs	100.0%
<b>Spain</b>	Eden Springs Espana SA	100.0%
	Eden Integracion S.L.U.	100.0%
	Eden Centro Especial de Empleo S.L.U.	100.0%
<b>Sweden</b>	Eden Springs Scandinavia AB	100.0%
	Eden Springs (Sweden) AB	100.0%
	Eden Springs Porla AB	100.0%
<b>Switzerland</b>	Eden Springs (Europe) SA	100.0%
	Eden Springs International SA	100.0%
	Eden Springs (Switzerland) SA	100.0%
	SEMD SA	100.0%
<b>United Kingdom</b>	Eden Springs UK Ltd	100.0%
	Kafevend Holdings Ltd.	100.0%

Independent Auditor's Report  
To the shareholders of  
Hydra Dutch Holdings 2 B.V.

We have audited the accompanying consolidated financial statements of Hydra Dutch Holdings 2 B.V which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of comprehensive income, changes in deficit and cash flows for the period from October 1, 2013 (date of commencement of operations) to December 31, 2013 and the related summary of accounting policies and other explanatory notes.

Owner's responsibility for the consolidated financial statements and the summary combined financial statements

Management is responsible for the preparation and presentation of those consolidated financial statements and summary combined financial statements in accordance with International Financial Reporting Standards (IFRS), for determining that the basis of preparation of the summary combined financial statements is acceptable in the circumstances, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements and summary combined financial information, that are free from material misstatement, whether due to fraud or error.

Auditor responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conduct our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hydra Dutch Holdings 2 B.V. and its subsidiaries as at December 31, 2013 and their financial performance and cash flows for the period from October 1, 2013 (date of commencement of operations) to December 31, 2013 in accordance with International Financial Reporting standards (IFRS).

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Emphasis of matter

Without qualifying our opinion, we draw your attention to note 29, regarding the restatement of the consolidated financial statements as of December 31, 2013 originally issued on April 9, 2014, in order to retroactively reflect adjustments made during the first quarter of 2014 to the allocation of the purchase price of Eden Springs, pursuant to the provisions of IFRS3R.

Tel-Aviv, Israel  
October 13, 2014

/s/ Kesselman & Kesselman  
Kesselman & Kesselman,  
Certified Public Accountants (Isr.)

A member firm of Pricewaterhouse Coopers International Limited

	<i>Notes</i>	<b>31.12.2013</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	5	14,571
Trade receivables—net	6	54,858
Receivable from related parties	22	440
Prepaid and other assets	7	6,984
Inventories	8	12,074
		<u>88,927</u>
<b>Non-current assets</b>		
Property, plant and equipment	9	66,013
Goodwill	10	103,000*
Other intangible assets	10	82,582
Deferred tax assets	14	12,666*
Other non-current assets		4,399
		<u>268,660</u>
<b>Total assets</b>		<u><u>357,587</u></u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Borrowings	16	10,495
Trade amounts payable		21,921
Current tax liability		6,293
Other current liabilities	11	27,849
Customer deposits and Prepaid Income	12	23,722
Provisions	13	3,437
		<u>93,717</u>
Deferred tax liabilities	14	17,142*
Borrowings	16	150,608
Other non current liabilities		1,310
Provisions	13	1,218
Liability for employee rights	15	3,902
Borrowings from shareholders and other related parties	22	88,027
Derivative financial instruments	17	2,123
		<u>264,330</u>
<b>Total liabilities</b>		<u><u>358,047</u></u>
<b>DEFICIT</b>		
Share capital	20	
Share premium		13,430*
Other reserves	21	(150)
Currency translation adjustment		(747)*
Accumulated deficit		<u>(13,035)*</u>
		(502)
Non controlling interests in Equity		42
<b>Total deficit</b>		<u>(460)</u>
<b>Total liabilities net of deficit</b>		<u><u>357,587</u></u>

\* Restated-please refer to note 29.

The accompanying notes are an integral part of these consolidated financial statements

Hydra Dutch Holdings 2 B.V.  
Consolidated Statements of Comprehensive Loss  
in '000 €

	<i>Notes</i>	The period from 1 Oct 2013* to 31 Dec 2013
<b>Revenue</b>		<b>61,584</b>
Cost of goods sold		(20,327)
<b>Gross profit</b>		<b>41,257</b>
Service Expenses		(24,366)
Sales & Marketing expenses		(5,824)
General and administration expenses		(5,368)
Amortization of customer relations and tradenames	10	(1,305)**
Other operating expenses	24	(2,702)
<b>Loss from operations before Acquisition related costs</b>		<b>1,692</b>
2013 Eden Springs Acquisition related costs		(9,048)
<b>Loss from operations</b>		<b>(7,356)</b>
Financial Income	26	630
Financial expenses	26	(4,635)
Net Financial expenses		(4,005)
<b>Loss Before taxes on income</b>		<b>(11,361)</b>
Taxes on income	27	(1,670)**
<b>Net loss</b>		<b>(13,031)</b>
<b>Other comprehensive Loss—net of taxes:</b>		
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Currency translation differences, net of taxes		(747)**
<b>Items that will not be reclassified to profit or loss:</b>		
Remeasurements of post employment benefit obligations		(150)
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(13,928)</b>
<b>Net loss attributable to:</b>		
Equity holders of the company		(13,035)**
Non controlling interest		4
		<b>(13,031)</b>
<b>Total comprehensive loss attributable to:</b>		
Equity holders of the company		(13,932)
Non controlling interest		4
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(13,928)</b>

\* Date of commencement of operations

\*\* Restated-please refer to note 29

The accompanying notes are an integral part of these consolidated financial statements

	Notes	The period from 1 Oct 2013* to 31 Dec 2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>1,626</b>
Cash generated from operations (a)		
Income tax paid		(1,516)
<i>Net cash provided by operating activities</i>		<u>110</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant, equipment and software		(3,494)
Acquisition of subsidiaries, net of cash acquired	29	(69,360)
Proceeds from sale of property, plant and equipment		87
Proceeds from sale of short term investments		625
<i>Net cash used in investing activities</i>		<u>(72,142)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings (net of borrowing costs)**		126,769
Repayments of long term borrowings		(139,821)
Loan proceeds from Shareholder and other related parties		86,758
Issuance of shares		13,430
Interest paid		(887)
<i>Net cash from financing activities</i>		<u>86,249</u>
Effect of exchange rate changes on cash and cash equivalents		354
<b>Increase in cash and cash equivalents</b>		<b>14,571</b>
Cash and cash equivalents at the beginning period		<u>—</u>
<b>Cash and cash equivalents at end of the year</b>		<b><u>14,571</u></b>

\* Date of commencement of operations

\*\* thereof borrowing costs of €10'046

The accompanying notes are an integral part of these consolidated financial statements

	The period from 1 Oct 2013* to 31 Dec 2013
<b>(a) Cash generated from operations</b>	
Loss before taxes on income	(11,361)**
Adjustments in income and expense not involving cash flows:	
Interest expenses net, included in profit / (loss) before taxes on income	3,625
Exchange differences on principal and interest incurred on long-term loans and intercompany loans	164
Amortization of capitalized financial costs	217
Depreciation and amortization	5,838**
Capital gains/losses less of cost of goods sold, which were previously included amongst fixed assets, net	402
Employee related obligations, net	328
Release of customer deposits	(76)
Other operating items	(19)
Operating cash flow before working capital changes	(882)
Changes in operating working capital	
Decrease in Trade receivables	7,556
Decrease in Prepaid and other assets	1,168
Decrease in Trade accounts payable	(1,597)
Decrease in Prepaid income and Customer deposits	(307)
Decrease in Other current liabilities and Provisions	(4,418)
Decrease in related party receivables/payables	(252)
Decrease in Inventories	358
Operating cash flow	2,508
<b>Total cash generated from operations</b>	<b>1,626</b>

The accompanying notes are an integral part of these consolidated financial statements

\* Date of commencement of operations

\*\* Restated- please refer to note 29



Hydra Dutch Holdings 2 B.V.  
Consolidated Statements of Changes in Deficit  
in '000 €

	Attributable to equity holders of the Company						Total deficit
	Share capital	Share premium	Currency translation adjustment**	OCI Pension Fund	Accumulated Deficit**	Noncontrolling Interest	Total
Opening Balance	—	—	—	—	—	—	0
<b>Comprehensive income:</b>							
Remeasurement of post employment obligations	—	—	—	(150)	—	—	(150)
Currency translation adjustment	—	—	(747)	—	—	—	(747)
Loss	—	—	—	—	(13,035)	4	(13,031)
Total comprehensive loss for the period	—	—	(747)	(150)	(13,035)	4	(13,928)
<b>Transactions with owners:</b>							
Issuance of shares*	—	13,430	—	—	—	—	13,430
Business Combination	—	—	—	—	—	38	38
<b>Balance at 31 December 2013</b>	<u>0</u>	<u>13,430</u>	<u>(747)</u>	<u>(150)</u>	<u>(13,035)</u>	<u>42</u>	<u>(460)</u>

\* less than one thousand Euros

\*\* Restated- please refer to note 29

The accompanying notes are an integral part of these consolidated financial statements

## 1. General information

Hydra Dutch Holdings 2 B.V. (hereafter—the Company) has been established on 16 May 2013 as Rhone Capital IV LP's indirect wholly-owned investment vehicle for the acquisition of all of Eden Springs BV's subsidiaries (see below). Since the closing of the acquisition in October 2013, the Company and its subsidiaries (together—the Group) is active in 15 countries and is mainly engaged in Home & Office Delivery (HOD) of water cooler bottles. Additionally, the Group offers customers in most markets a range of direct-marketing products such as water filters and Lavazza coffee products.

On the 14th of June 2013 the Company signed an agreement with Eden Springs BV to acquire the entire shareholding and control of the direct wholly-owned subsidiaries of Eden Springs B.V.: Eden Springs Europe B.V. and the Israeli subsidiaries. On 23 October 2013 the transaction was completed and Hydra Dutch Holdings 2 B.V. entered as a new 100% shareholder of Eden Springs Europe B.V. and Israeli activities. For practical reasons and due to immateriality the Trading Results of the acquired entities have been consolidated for the period starting 1 October 2013 to 31 December 2013. The change of control required Eden Springs Europe B.V. to repay all of outstanding debt from the existing credit facility agreement with Rabobank (Netherlands). This external bank financing has been replaced by a shareholder loan on the same date (see also note 22).

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

### 2.1. Basis of preparation

The Consolidated Financial statements are presented in Euros (€), which is the Group's functional and presentation currency.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared on an accrual basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

#### 2.1.1. Accounting policy and disclosures

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013 or later periods but the Group has not early adopted them:

- IFRS 9—"Financial Instruments" (hereafter—IFRS 9), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement

categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

In November 2013, the IASB issued Phase 3 of IFRS 9 ("Phase 3 of IFRS 9") as part of the complete version of IFRS 9. Phase 3 of IFRS 9 includes the new hedge accounting requirements and related amendments to IFRS 9, IFRS 7 and IAS 39.

Below are the significant principles of hedge accounting under IFRS 9 (2013):

- Hedge accounting can be applied to the risk components of financial hedged items and nonfinancial hedged items provided that risk component is separately identifiable and can be reliably measured.
- The hedge effectiveness test is to be made only on a qualitative basis and the quantitative effectiveness test of the 80%-125% range is eliminated. The test focuses on achieving the hedge objectives and the economic relationship between the hedged item and the hedging instrument and the effect of credit risk on that relationship.

As part of the amendments included in Phase 3 of IFRS 9, the provisions regarding measurement of liabilities at fair value and presenting fair value changes in own credit risk in other comprehensive income can be applied before applying any other requirements in IFRS 9.

In July 2014, the IASB issued IFRS 9, The IASB has published the complete version of IFRS 9, Financial instruments, which replaces the guidance in IAS 39. IFRS 9 has three classification categories for debt instruments: amortized cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classification under IFRS 9 for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ('SPPI'). An entity's business model determines whether the cash flows will result from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect, it may be classified as amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

IFRS 9 also introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which differs from the currently applied incurred loss model, and which will require entities to record a loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). IFRS 9 contains a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the group until 1 January 2014.

- Financial Instruments: Recognition and Measurement Amendment to IAS 39 ‘Novation of derivatives’ This amendment provides relief from discontinuing hedge accounting when novation to a hedging instrument to a central counter party meets specified criteria. The amendment is not mandatory for the group until 1 January 2014.
- In May 2014, the IASB issued IFRS 15, Revenue from contracts with customers. The objective of the new revenue standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services, based on a five step model that includes the identification of the contract with the customer and the performance obligations in the contract, determination of the transaction price, allocation of the transaction price to the performance obligations in the contract and recognizing revenue when (or as) the entity satisfies a performance obligation. The revenue standard is effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted.

## Consolidation

The consolidated financial statements are a consolidation of the financial statements of the Company and its Subsidiaries. The list of the companies included in these consolidated financial statements is presented in appendix A.

### a) Subsidiaries

1. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.
2. Subsidiaries are consolidated as from the date on which the Group acquires control. Conversely, such consolidation ceases on the date on which control ends.
3. The Group accounts for business combinations using the acquisition method. The consideration transferred for the acquisition of a subsidiary (hereinafter—the acquiree) is calculated as a total of fair values of the assets transferred by the group and the liabilities that the Group incurs to the previous owners of the acquiree and the equity rights issued by the Group in a business combination. The consideration transferred includes the fair value of all asset or liability arising from the contingent consideration arrangement. Costs associated with the purchase are recognized in income or loss as incurred.
4. Goodwill is presented in the consolidated statements of financial position, and represents the excess of the cost of acquisition of an investment in a subsidiary over the Eden Holdings’ share in the fair value of the subsidiary’s identifiable assets (including intangible assets), net of the fair value of its identifiable liabilities (net of related taxes), at the date of acquisition.
5. Contingent consideration recognised in a business combination is measured at fair value as of the date of the business combination. Subsequent changes in the fair value of liability for the contingent consideration are recognized under IAS 39 “Financial Instruments: Recognition and Measurement” in income or in other comprehensive income.
6. Identifiable assets acquired and liabilities and contingent liabilities assumed by the Group in a business combination (excluding certain exceptions detailed in IFRS 3 “Business Combinations” (hereinafter—IFRS 3R) are initially measured at fair values on the date of acquisition. In each business combination, the Group determines whether to recognize non-controlling interest in the acquiree at fair value or proportionally to the rate of non-controlling interest at the fair value of net identifiable assets of the acquiree. This determination is done for each transaction separately.

7. The excess of transferred consideration, the amount of non-controlling interest in the acquiree and the fair value as of the date of acquisition of any previous interest in the interest of the acquiree beyond the net amount, at the date of acquisition, of identifiable assets acquired and liabilities assumed, all measured as above, as goodwill (see also f. below).
8. Intra-Group balances and transactions including revenue, expenses and dividends on transactions between Group companies were eliminated. Income or loss resulting from intra-Group transactions that are recognized as assets (such as inventory and property, plant and equipment) were also eliminated. Such intra-Group losses may indicate an impairment of the assets.
9. The accounting policy applied by subsidiaries was changed as needed to ensure consistency with the accounting policy adopted by the group.
10. Transactions with non-controlling interest which do not result in loss of control are accounted for as transactions of Group shareholders. In such transactions, the difference between the fair value of any consideration paid or received and the amount in which the non-controlling interest are adjusted to reflect the changes in their proportional interest in a subsidiary are recognized directly in equity and attributed to the owners of the parent.

## **2.2. Foreign currency translation**

### **a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro (€), which is the Group's functional and presentation currency.

### **b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses are presented in the income statement within "Financial Income" or "Financial Expenses".

Foreign exchange gains and losses with respect to financial assets and liabilities that are classified as financial instruments at fair value through profit and loss, are recognized in the statement of income as part of the gain or loss relating to changes in fair value.

### **c) Group companies**

The results and financial position of all the Group entities—none of which has the currency of a hyperinflationary economy—that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- b) income and expenses for each income statement are translated at yearly average exchange rates; and
- c) all resulting exchange differences are recognised first in OCI and then accumulated as a separate component of equity.

Foreign exchange gains and losses from inter-company transactions of a long term investment nature, between ESE BV and its foreign entities are shown as a separate component of shareholders' equity under the heading "Currency translation adjustments" until the related foreign investment is disposed of (sold, liquidated, abandoned, repayment of share capital, etc.).

Goodwill and fair value adjustments arising on the acquisition of a subsidiary with a functional currency other than the Euro, are treated as assets and liabilities of the subsidiary and translated at the closing rate of each balance sheet presented.

### 2.3. Property, plant and equipment

The accounting treatment of property, plant and equipment in these consolidated financial statements are as follows:

- a. An item of property, plant and equipment is measured at cost upon its initial recognition, which includes its purchase price (including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates), costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, ). When the payment in respect of an item of property, plant and equipment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest expense over the period of credit.
- b. The Group elected the cost method as its accounting policy for the measurement of its property, plant and equipment subsequent to initial recognition.
- c. The depreciable amount of each asset is allocated on a systematic basis over its useful life using the straight-line method.

The Group depreciates separately each portion of property, plant and equipment that represents a significant part of the total cost of the item. The estimated useful lives are as follows:

	Years
Buildings	5 – 40 years
Plant, machinery	10 – 14 years
Water coolers and containers and bottles	4 – 11 years
Dishwashers, coffee and food machines	7 – 10 years
Computers	3 – 4 years
Office equipment	4 – 17 years
Vehicles	5 – 7 years

Leasehold improvements are amortized by the straight-line method over the term of the lease, which is shorter than the estimated useful life of the improvements.

- d. At each financial year-end, the Group reviews the residual value, the useful life and the depreciation method it uses. If there have been significant changes in the expected residual value, the useful life or significant change in the expected pattern of consumption of the future economic benefits embodied in the asset that may indicate that a change in the depreciation method is required, such changes are treated as changes in accounting estimates. In the reported periods, no material changes, as above, have taken place with any material effect on these consolidated financial statements.

### 2.4. Intangible assets

The accounting treatment of intangible assets in these consolidated financial statements is as follows:

#### a) Goodwill

Goodwill represents the excess of the consideration in a business combination over the Group's portion of the fair value of the investee underlying net assets, liabilities and contingent liabilities at the date of acquisition, and it is included at cost less any accumulated impairment losses.

Goodwill is tested for impairment once a year, or more frequently, in the presence of events or circumstances indicating a possible impairment in the value of such assets. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of testing impairment, the Group allocates the goodwill to a relevant cash-generating unit.

#### Customer relations

Customer relations have definite useful lives and are stated at cost, less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method based on the estimated useful lives of customer accounts.

b) Trademarks were acquired in a business combination and are recognized at fair value at the acquisition date.

Trademarks are presented at cost less accumulated amortization, and are amortized over their estimated useful lives, using the straight line method.

#### c) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the Software product is available
- The expenditure attributable to the software product during its development can be reliably measured.

Direct attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

### **2.5. Impairment of non-monetary assets**

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-monetary assets other than goodwill that have been impaired are reviewed for reversal of the impairment at each reporting date.

## 2.6. Current and deferred income tax

- a. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generate taxable income. The Group's management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.
- b. The Group fully recognizes deferred taxes, using the liability method, on temporary differences arising between the carrying amounts in the consolidated financial statements of assets and liabilities and their tax bases. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.  
Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.
- c. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- d. Deferred income taxes are not provided on temporary differences arising on investments in subsidiaries, since the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.
- e. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.7. Revenue recognition

The Group's revenues are measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### a) Sale of goods

Revenues stemming from the sale of goods are recognized when one of the companies in the Group has transferred the goods to the purchaser and when no obligation which could affect the completed sale status of the transaction remains outstanding. Goods are not regarded as having been delivered until they have been shipped to the specified destination, the risks of obsolescence and loss have been transferred to the purchaser, and either the purchaser has received the goods in accordance with the terms of the contract of sale or the Group has objective evidence to the effect that all the criteria for acceptance have been satisfied.

The Group's products are sometimes sold on quantity discount terms. Sale revenues are recognized on the basis of the price stated in the contract after deduction of an estimate as of the date of the sale of the quantity discount. The Group's accumulated experience serves to facilitate the determination of estimates and provisions in relation to discounts. The estimation of quantity discounts is based on the degree of expected sales for the year.

Revenue from sale of goods is recognized when all the following conditions have been satisfied: (a) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (b) the Group



retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) the amount of revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

- b) Revenue from rental of water coolers and coffee machines

Revenue from rental of water coolers and coffee machines are recognized rateably over the rental period.

## 2.8. Financial assets

The group classifies its financial assets in the following categories: loans and receivables

Cash and cash equivalents include cash in hand, short-term bank deposits, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within bank borrowings among current liabilities on the balance sheet.

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

Trade receivables are carried at original invoice amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within administrative and general expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative and general expenses in the statements of operations.

## 2.9. Inventories

Inventories are valued at the lower of cost or net realization value.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The Group allocates fixed production overheads to the cost of conversion based on the normal capacity of the production facilities. The financing element in purchases, in which payment is deferred beyond normal credit term in the industry, is recognized separately as interest expenses over the period of financing.

The cost of inventories of other items is determined as follows:

- Raw materials, auxiliary supplies, packaging materials and spare parts: on the weighted average basis
- Finished products: on the basis of production costs:
  - Raw material and auxiliary supplies: on the weighted average basis.
  - Labor and indirect expenses: on the weighted average basis.
  - Purchased products: on the "first-in, first-out" basis.
  - Spare parts: on the weighted average basis.

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## 2.10. Share capital

Ordinary shares are classified as equity.

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction from the issuance proceeds.

## 2.11. Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2.12. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the amounts initially recognised and the redemption value is recognized in the income statement over the term of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlements of the liability for at least 12 months after the balance sheet date.

Fees paid for a credit facility is recognized as transaction costs that are attributable to the relevant loan if it is probable that part or all the facility will be utilized. In such case, the recognition of fee is deferred until money is actually drawn from the facility. If no evidence exist that part or all of the loan facility is utilized, the fee is capitalized as prepayment for financing services, and is depreciated over the period of the relevant loan facility.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value. Similarly, a substantial modification of the terms of an existing debt instrument or part thereof is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

If the modification or exchange does not cause a material change of the liability, the treatment applied is a change of the terms of the existing liability without an immediate impact of profit or loss but spread throughout the remaining life of the liability.

Terms are substantially different if the discounted present value of the cash flows under the new instrument is at least 10% different from that of the remaining cash flows of the original financial liability. In addition to the quantitative test, the Group tests, among other things, if changes have also occurred in different economic parameters in the exchanged debt instruments.

## 2.13. Employee benefits

### a) Pension and retirement benefit obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

#### Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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Group purchases insurance policies and contributes to pension benefit funds against the obligation to pay pension benefits. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

#### Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets,

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows (after taking into account the expected rate of salary increases) using mainly interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to comprehensive income (loss) in the period in which they arise.

Past service costs are recognized immediately in income.

Amounts funded for retirement benefits are measured at fair value. These amounts funded represent “plan assets”, as defined by IAS 19, and therefore deduced from the balance of retirement benefit obligation for balance sheet presentation.

#### b) Vacation and recreation benefits

Employees in Israel are legally entitled to vacation and recreation benefits, both computed on an annual basis. The Group accumulates a liability and expense due to vacation and recreation pay, based on the benefits that have been accumulated for each employee.

#### c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

#### d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### **2.14. Share-based payment**

With respect to equity-settled grants to employees, the value of the labor services received from them in return, is measured on the date of grant, based on the fair value of the equity instruments granted to the employees. The value of the transactions, measured as aforesaid, is expensed over the period during which the employee's right to exercise or receive the underlying equity instruments vests; commensurate with every periodic recognition of the expense, a corresponding increase is recorded as a capital surplus, included under the Group's equity.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. The Company recognizes the impact of the revision to original estimate, if any, in the statements of operations, with a corresponding adjustment to equity or liability, as applicable.

#### **2.15. Provisions**

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation;
- and the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments; they are recognised in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employees representatives specifying the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms.

Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

#### **2.16. Derivatives financial instruments**

Derivative instruments are recognised in the balance sheet at fair value. The derivative instruments utilized by the Group mitigate the exposures to variability in cash flows associated with variable rate borrowings. Since these derivative instruments have not been designated as hedging instruments for accounting purposes, periodic changes in their fair value are recognized in the consolidated statement of income.

#### **2.17. Leases**

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other non-current liabilities. 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 lease

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period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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 the Group is a lessor in an operating lease, the leased assets are included in the statements of financial position based on their nature, and are depreciated over their estimated useful lives. Rental income is recognized ratable over the lease term.

### **2.18. Customer deposits**

The Group receives deposits from customers at the initiation of a contract and during the contractual period. Such deposits are disclosed in the balance sheet as current liabilities in “Customer deposits”.

Unclaimed customer deposits in respect of water containers and coolers are derecognised from the balance sheet and recorded in the income statement in “Other Operating Income” on a customer by customer basis, when the client is legally released from the primary responsibility for the liability, by law or by the customer.

### **2.19. Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer.

## **3. Financial instruments and risk management**

The Group’s activities expose it to a variety of financial risks: foreign currency exchange risk, cash flow interest rates risk, credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

### **3.1 Financial risk management**

#### **a. Market risks**

##### **1. Foreign currency exchange risk (FX)**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the following currencies: Swedish Kroner, Danish Kroner, Norwegian Kroner, Polish Zloty, British Pound, Swiss Franc, US Dollar, Estonian Kroon, Lithuanian Lita, Latvian Lat and Israeli new shekel. The Israeli activity is also exposed mainly to foreign currency exchange risk on imported goods and on charges to other companies within the Group for IT services.

The company has certain investments in foreign operations, whose net assets are exposed to currency translation risk—currency changes would affect the book value of assets and liabilities, with corresponding effect equity through the currency translation account. The following companies are concerned: Sweden, Denmark, Poland, United Kingdom, Switzerland, Estonia, Lithuania, Latvia and Israel. Management has set up a policy to require Group companies to have local borrowings in their local currency and hence these positions, at consolidated level, are not sensitive to changes in exchange rates.

At 31 December 2013, there are a number of intercompany loans between companies with different functional currencies. The table below details the Group's sensitivity to a 10% decrease/increase in the currency pairs involved in the intercompany loans.

31.12.2013	<u>Effect on profit of</u>	<u>Effect on profit of</u>
Currency pairs	+ movements	- movements
SEK / EUR	(876)	876
CHF / EUR	73	(73)
EUR / GBP	(11 899)	11 899
PLN / EUR	(1 697)	1 697
ILS/ EUR	(5 631)	5 631
LVL / EUR	116	(116)
LTL / EUR	157	(157)
Total	(19 757)	19 757

## 2 Cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings and finance leases. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2013, the Group's borrowings were at variable rates (EURIBOR, LIBOR, WIBOR and Prime linked rates) and were denominated in the following currencies: EUR, GBP, PLN and NIS (see note 16).

The sensitivity analysis calculates the impact from changes in interest rates for liabilities that represent the major interest-bearing positions. The computation is not intended to represent actual gains or losses to be incurred by the Group. The Company cannot predict actual future movements in such market rates and it does not claim that these results are indicative of future movements in such market rates or to be representative of any actual impact that future changes in market rates may have on the Company's future results of operations or financial position.

At 31 December 2013, if interest rates had been 1% higher/lower with all other variables held constant, post-tax profit for the period would have been lower/higher by € 65 on ILS denominated borrowings and by € 64 on EUR/GBP/PLN denominated borrowings (taking into account the effect of the hedging instrument), as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2013, if the SWAP rates negotiated on the markets had been 1% higher/lower, with the same variables than the signed swap, the fair value of the instrument would have been € 2 052 higher/lower but would still be disclosed as a liability.

### c. Credit risk

Credit risk arises from credit exposure to customers, including outstanding receivables and committed transactions. The Group has no significant concentration of credit risk other than from its key customer Jafora Tabori, see below. The Group deals only with a limited number of banks with secure credit ratings and has policies that limit the amount of credit exposure to any one financial institution. In the HOD business there is a high number and diversity of customers, with policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

The Company's maximum exposure for net credit is with Jafora Tabori Ltd. (hereafter- Jafora), the Group's key customer (less the amounts that the Company owes to Jafora), which amounted to € 6,482 as of 31 December 2013. Jafora does not put up collateral against the credit it receives.

#### d. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility) and cash on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

The Group has a regular number of customers making deposits as a guarantee of the rental equipment at the customer premises. The rental contracts have no contractual maturity dates and it is impractical to calculate a maturity analysis

<b>Financial liabilities</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>At 31 December 2013</b>					
Borrowings	27,736	24,398	99,212	187,422	338,768
Capital leases	1,154	917	1,923	583	4,577
Trade accounts payables	21,921	—	—	—	21,921
Customer deposits	12,071	—	—	—	12,071
Other current liabilities	27,849	—	—	—	27,849
<b>Total</b>	<b>90,731</b>	<b>25,315</b>	<b>101,135</b>	<b>188,005</b>	<b>405,186</b>
<b>Interest rate Swaps</b>					
<b>At 31 December 2013</b>					
Outflow	(890)	(864)	(1,665)	(1,351)	(4,770)
Inflow	306	301	593	534	1,734

#### e. Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors its capital structure on the basis of a leverage ratio, defined as: net debt divided by operating EBITDA. Net debt is calculated as the total of the consolidated short-term and long-term borrowings, less cash and cash equivalents. Operating EBITDA is calculated as earnings before other operating expenses, interest, taxes, depreciation and amortization paid to shareholders.

#### f. Fair value estimation

At 31 December 2013, the carrying value less impairment provision of all financial assets and liabilities approximate their fair values.

Following is an analysis of the financial instruments measured at fair value, by valuation methods. The different levels have been defined as follow:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets and liabilities that are measured at fair value:

	<u>2013</u>
	<u>Level 2</u>
<b>Liabilities-</b>	
Derivative financial instruments:	
Hedging derivatives	<u>(2,123)</u>
<b>Total liabilities</b>	<u><u>(2,123)</u></u>

### 3.2. Financial instruments by category

The Group's accounting policy with respect to financial instruments was applied in relation to the following categories:

#### 3.2. Financial instruments at 31 December 2013 by category

	<b>December 31, 2013 Loans and receivables Thousand Euros</b>
<b>Assets:</b>	
Trade and other receivables excluding prepayments	58,897
Cash and cash equivalents	<u>14,571</u>
<b>Total</b>	<u><u>73,468</u></u>

	<b>Liabilities at fair value through profit and loss</b>	<b>Other financial liability at amortized cost</b>	<b>Total</b>
<b>Liabilities:</b>			
Borrowings		(161,103)	<b>(161,103)</b>
Derivative financial instruments	(2,123)		<b>(2,123)</b>
Accounts payable and others		(49,770)	<b>(49,770)</b>
Deposits from customers		(12,071)	<b>(12,071)</b>
Borrowings from shareholders and other related parties		(87,027)	<b>(87,027)</b>
<b>Total</b>	<u><u>(2,123)</u></u>	<u><u>(222,944)</u></u>	<u><u>(225,067)</u></u>

### 4. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

#### **Estimated impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.5. The recoverable amounts of cash generating units have been determined based on fair value less costs to sell calculations. These calculations require the use of estimate

#### **Purchase price allocation**

Purchase price allocations conducted by the Group with respect to business combinations entered into, require the use of significant estimates pertaining to the calculation of the fair value of assets acquired and liabilities assumed, primarily identifiable intangible assets. As for changes made to the Purchase Price Allocation of Eden Springs, see note 29.

#### **Deferred tax assets**

The Group is subject to income tax in numerous jurisdictions. Significant judgment is required in determining the portion of tax losses carried forward which can be offset against future taxable profit. In order to assess if there is any future benefit, forecasts are made of the future taxable profits by legal entity. Actual tax outcomes could vary significantly from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made (Note 14).

#### **Useful lives of depreciable and amortizable assets**

Group management estimates the useful asset lives and the related depreciation and amortization costs in respect of all its fixed assets and intangible assets. The estimate is based on the expected life cycle of the Group's products. Estimates may vary significantly commensurate with changes in customer installations and quits and other technological changes.

#### **Provision for contingencies**

Provisions for contingent liabilities are made at the discretion of Group management. In making its decision, management considers the likelihood that cash resources will indeed be diverted towards a settlement of the liabilities, and also considers its estimate of the present value of the cash flows expected to be required for the settlement of existing liabilities.

#### **5. Cash and Cash equivalents**

	<b>31.12.2013</b>
Cash at bank and on hand	14,571

#### **6. Trade receivables—net**

	<b>31.12.2013</b>
Trade receivables	60,815
Check receivable and credit card	3,033
Provision for impairment	<u>(8,990)</u>
Net trade receivables	<u>54,858</u>

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2013, trade receivables amounting to € 14'793 were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing of these receivables is as follows:

#### Age analysis of trade receivables past due but not impaired

	<b>31.12.2013</b>
0—90 days	10,127
90—180 days	2,227
180—360 days	1,604
> 360 days	835
Trade receivables—past due but not impaired	<u>14,793</u>

The creation and usage of provision for impaired receivables have been included in “General and administrative expenses” in the statement of comprehensive income. Movements of the group provision for impairment of trade receivables are as follows:

#### Movements on the provision for impairment of trade receivables

	<b>The period from 1 Oct 2013 to 31 Dec 2013</b>
Provision amount at October 1	(8,865)
Provision for receivables impairment	565
Receivables written off during the year as uncollectible	653
Other movements	(124)
Unused amounts reversed	(1,222)
Exchange differences	3
Provision amount at December 31	<u>(8,990)</u>

#### 7. Prepaid and other assets

	<b>31.12.2013</b>
Prepaid and deferred expenses	2,107
Accrued income	725
Advances to suppliers and guarantee deposits	793
Restricted cash	335
VAT receivable	207
Income tax receivable	837
Other current assets	<u>1,980</u>
	<u>6,984</u>

## 8. Inventories

	31.12.2013
Raw materials (caps, labels)	953
Spare parts	2,554
Auxiliary and packaging materials	3,745
Finished goods (water, coffee machines)	4,345
Other Inventories	479
Total Gross Inventories	12,076
Provision for impairment	(2)
	<u>12,074</u>

## 9. Property, Plant and Equipment

	Land & buildings	Vehicles	Plant, machinery	Distribution equipment	Office equipment	Leasehold improvement	Total
<b>Opening balance</b>	—	—	—	—	—	—	—
Business combinations (note 29)	10,941	4,631	16,260	31,358	1,936	1,833	66,959
Exchange differences	63	5	(10)	50	83	(3)	188
Additions	70	475	292	2,335	186	35	3,393
Transfers	(6)	—	6	—	—	—	—
Disposals	—	(3)	5	(514)	(3)	—	(515)
Depreciation	(134)	(289)	(540)	(2,726)	(239)	(85)	(4,013)
<b>Net book amount at 31.12.2013</b>	<u>10,934</u>	<u>4,819</u>	<u>16,013</u>	<u>30,503</u>	<u>1,963</u>	<u>1,780</u>	<u>66,013</u>
<b>At 31 December 2013</b>							
Cost	11,068	5,108	16,553	33,229	2,202	1,865	70,026
Accumulated depreciation	(134)	(289)	(540)	(2,726)	(239)	(85)	(4,013)
<b>Net book amount</b>	<u>10,934</u>	<u>4,819</u>	<u>16,013</u>	<u>30,503</u>	<u>1,963</u>	<u>1,780</u>	<u>66,013</u>

Total depreciation expense amounts to € 3'999 and is allocated as follow: € 3'261 in costs of goods sold, € 680 in sales, marketing and service expenses € 45 in general and administration expenses and € 0 in other operating expenses.

## 10. Goodwill and other intangible assets

	Goodwill	Customers relations	Trade names	Other	Total
<b>Opening balance</b>	—	—	—	—	—
Business combinations (note 29)**	102,505	65,379	13,696	4,336	185,916
Additions	—	—	—	511	511
Decrease	—	—	—	—	—
Amortization	—	(1,091)	(214)	(520)	(1,825)
Exchange differences and others**	495	419	82	(16)	980
<b>Net book amount at 31 December 2013</b>	<u>103,000</u>	<u>64,707</u>	<u>13,564</u>	<u>4,311</u>	<u>185,582</u>
<b>At 31 December 2013</b>					
Cost	103,000	65,798	13,778	4,831	187,407
Accumulated amortization and impairment	—	(1,091)	(214)	(520)	(1,825)
<b>Net book amount</b>	<u>103,000</u>	<u>64,707</u>	<u>13,564</u>	<u>4,311</u>	<u>185,582</u>

\*\* Restated—please refer to note 29

### Goodwill Impairment Test 2013

During the fourth quarter the Group conducted its annual goodwill impairment test. Following the impairment test, the Group recorded no impairment charge. An operating segment-level summary of the goodwill allocation is presented below (excl. Kafevend):

31/12/2013										
Key assumptions		<u>France</u>	<u>Nordics</u>	<u>NL</u>	<u>Swiss</u>	<u>Poland</u>	<u>Spain</u>	<u>UK</u>	<u>Baltics</u>	<u>Israel</u>
Carrying amount of Goodwill		19,739	15,449	3,938	13,412	8,262	3,973	18,347	1,763	10,202

### Valuation of recoverable amounts

The recoverable amount of all CGUs has been determined based on fair value less cost to disposed calculations (“income approach”, using the DCF method). This method uses post-tax cash flow projections based on a five-year business plan approved by management. Cash flows beyond the five-year plan are extrapolated using long-term growth rates.

CGU									
Recoverable amounts		<u>France</u>	<u>Nordics</u>	<u>NL</u>	<u>Swiss</u>	<u>Poland</u>	<u>Spain</u>	<u>UK</u>	<u>Baltics</u>
		46,318	18,504	5,946	22,075	27,197	9,831	38,269	4,739
Recoverable amounts		<u>Israel</u>							
		57,267							

### Key assumptions

The key assumptions used for calculating the recoverable amounts during the 2013 test are as follows:

31.12.2013									
Key assumptions		<u>France</u>	<u>Nordics</u>	<u>NL</u>	<u>Swiss</u>	<u>Poland</u>	<u>Spain</u>	<u>UK</u>	<u>Baltics</u>
Growth rates		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
post tax discount rates		13.5%	13.5%	13.5%	12.5%	13.5%	15.5%	14.5%	14.0%
Growth rates		<u>Israel</u>							
post tax discount rates		2.0%							
		13.5%							

Growth rates—weighted average growth rates are based on management assumptions for each specific CGU and are consistent with forecasts included in industry reports.

Discount rates—the expected net cash flows are discounted by using specific post-tax discount rates for each market. Discount rates reflect the risk factors specific to each relevant CGU.

The fair value of the CGU is level 3 measurement.

### Acquisition of Goodwill and Customer Portfolio

During 2013, the Group made 2 acquisitions which explains the increase of the Goodwill and the Customer Portfolio. The purchase price is provisional.

Kafevend Holdings Ltd (UK) : 100% of the shares were acquired on 23.12.2013 for a cash consideration of € 17'756. The customer base comprises of coffee customers. The goodwill of € 7'770 arises from expected synergies in the existing coffee customer base and administration. Eden Springs acquisition: 100% of the shares

were acquired on 23.10.2013 for a cash consideration of €65'043. Please also refer to Note 1 and Note 29. The goodwill of € 94'735 arises from identified growth potentials especially by leveraging on the existing Eden customer platform.

#### 11. Other current liabilities

	<b>31.12.2013</b>
VAT and other taxes	3,446
Employees, Social security and related payables	10,837
Liabilities arising from acquisitions	366
Accrued expenses	11,730
Others	1,470
	<u>27,849</u>

#### 12. Customer deposits

	<b>31.12.2013</b>
Customer deposits	12,071
Prepaid Income	11,651
	<u>23,722</u>

#### 13. Provisions

	<u>Litigation</u>	<u>Integration and restructuring</u>	<u>Retail incentive</u>	<u>Others</u>	<u>Total</u>
<b>Opening balance</b>	—	—	—	—	—
Acquisition of subsidiaries (note 29)	893	462	2,540	506	4,401
Additional provisions	89	47	436	69	641
Unused amounts reversed	(83)	(41)	—	2	(122)
Exchange differences	—	2	—	2	4
Used during year	—	(191)	—	(78)	(269)
<b>At 31 December 2013</b>	<u>899</u>	<u>279</u>	<u>2976</u>	<u>501</u>	<u>4,655</u>

##### Provisions for litigation

See Note 18

##### Provisions for integration and restructuring

The provision for restructuring includes mainly severance costs for employees in France whose contracts have been terminated. The litigation refers to a dispute with a former landlord, also in France. The Retail incentive include provision for retail incentives, which arose in the ordinary course of the business. of the Israeli activities.

#### 14. Deferred income taxes

	<b>31.12.2013</b>
Deferred income tax asset to be recovered after more than 12 months**	(11,084)
Deferred income tax asset to be recovered within 12 months	(1,582)
Deferred income tax assets:	<u>(12,666)</u>
Deferred income tax liability to be recovered after more than 12 months**	15,246
Deferred income tax liability to be recovered within 12 months	1,896
Deferred income tax liabilities:	<u>17,142</u>
<b>Deferred income tax liabilities (net)</b>	<b>4,476</b>

	<b>2013</b>
The gross movement on the deferred tax account for the period from 1 October 2013 to 31 December 2013 is as follows:	
Beginning of period	—
Exchange differences**	115
Business Combination (note 29)**	4,396
Charged directly to equity	(93)
Debit to income statement (Note 27)**	58
<b>End of year</b>	<b>4,476</b>

At December 31, 2013 the Group had losses carried forward of € 57.9 mio for which € 14.3 mio deferred tax asset was recognized. € 38.3 mio have no expiration term; the remaining € 19.6 mio losses carried forward will expire in years 2014 to 2022. No tax losses have been considered for Hydra Dutch Holdings 2 B.V.

The movement in deferred income tax assets and liabilities during the period is as follows:

#### Taxable temporary differences (Deductible temporary differences)

	<b>Accelerated Tax Depreciation</b>	<b>Intangibles</b>	<b>Others</b>	<b>Total</b>
<b>Opening Balance</b>	—	—	—	—
Charged to income statement**	822	198	30	1,050
Business Combination**	2,197	17,154	21	19,372
Transfer	—	—	—	—
Exchange differences**	18	61	26	105
<b>At 31 December 2013</b>	<u>3,037</u>	<u>17,413</u>	<u>77</u>	<u>20,527</u>

	<b>Provisions</b>	<b>Tax losses</b>	<b>Others</b>	<b>Total</b>
<b>Opening Balance</b>	—	—	—	—
Credited (charged) to income statement**	(108)	(1,029)	145	(992)
Business Combination**	(780)	(13,345)	(851)	(14,976)
Transfer	0	0	0	0
Credited directly to equity	0	0	(93)	(93)
Exchange differences**	0	4	6	10
<b>At 31 December 2013</b>	<u>(888)</u>	<u>(14,370)</u>	<u>(793)</u>	<u>(16,051)</u>

\*\* Restated—please refer to note 29

## 15. Employee rights

A. The Group contributes to retirement benefit schemes in conformity with the laws and usual practices of countries where the Group operates. As a result of contributions paid under such schemes to private or state sponsored pension funds, the companies have no significant actuarial liability, with the exception of Switzerland, Norway and Israel.

B. The Israeli companies' pension and severance pay obligation to its employees in Israel under section 14 to the Israel Severance Pay Law is covered by regular contributions to defined contribution plans. The amounts funded as above are not reflected in the balance sheet.

C. The Israeli companies have the obligation to pay severance pay to their employees, constituting defined benefit plans. In respect of this obligation, the companies have amounts funded and retirement insurance coverage (known in Israel as senior employees insurance) to which subsidiaries contribute. The amount of net severance pay obligation, as presented in the balance sheets for December 31, 2013, reflects the difference between the obligation for severance pay and the severance pay plan asset.

### D Management Equity Plan

On October 23, 2013, the closing date of the acquisition of Eden Holdings, certain management members ("Grantees") were allotted shares in Hydra Luxembourg Holdings S.a.r.l. ("Hydra Luxembourg"), who indirectly controls the Company which was invested by the Grantees in the share capital of Hydra Luxembourg (the "Management Investment"). The initial allotment is 11% of the share capital of Hydra Luxembourg, with an additional one percent to be allotted to the Grantees if minimum EBITDA targets would be met over a pre defined period following the date of grant. The agreement also defines the method of calculation of the returns the allotted shares would be entitled to out of the total returns of Hydra Luxembourg.

The plan prescribes a graded vesting schedule which ends after five years from the date of grant. Under the plan, the Grantees would be entitled to receive a cash consideration upon leaving the Company, which would be determined based on whether the shares have vested and whether they would meet the definition of a "good leaver" in the plan.

Grantees who leave the Company in the future would receive a cash consideration equal to the fair value for their vested shares, provided the definition of a "good leaver" is met. Otherwise, a leaver would receive a cash consideration equal to the lower of his initial investment and fair value of the shares allotted to him. The Company has accounted for the transaction under the provisions of IFRS 2, Share Based Payment. Since the fair value of the allotted shares approximated the Management Investment amount, the fair value of the granted benefit was calculated to approximate zero and, thus, no compensation expenses are to be recognized in the Company's consolidated financial statements.

E. Long-term liability for employee rights consisted of the following:

	<b>31.12.2013</b>
Pension benefits	<u>3,902</u>
	<u>3,902</u>

### F. Swiss and Norwegian Defined Benefit Plans

Apart from the social security plans fixed by the law, the Swiss entities (Eden Springs (Switzerland) SA and Eden Springs (Europe) SA), as well as the Norwegian subsidiary sponsor two independent pension plans.

All employees are covered by these plans, which are defined benefit plans. Liabilities and assets are revised periodically by an independent actuary.

According to IAS 19, plan assets have been estimated at market fair value and liabilities have been calculated according to the "Projected Unit Credit" method.

#### G. Pension benefits

The amounts recognised in the balance sheet are determined as follows:

	<b>31.12.2013</b>
Present Value of funded obligations	15,956
Fair value of plan assets	(12,054)
Liability in the balance sheet	<u>3,902</u>

The movement in the defined benefit obligation over the period from 1 October to 31 December 2013 is as follows:

	<b>2013</b>
Business Combination	15,660
Current service cost	285
Interest cost	87
Contributions by plan participants	100
Actuarial losses/(gains)	183
Exchange differences	(48)
Benefits paid	(311)
End of year	<u>15,956</u>

The movement in the fair value of plan assets of the period from 1 October to 31 December 2013 is as follows:

	<b>2013</b>
Business Combination	11,835
Expected return on plan assets	50
Actuarial gains (losses)	34
Exchange differences	(44)
Employer contributions	241
Employee contributions	88
Benefits paid, net	(150)
End of year	<u>12,054</u>

The amounts recognised in the income statement are as follows:

	<b>The period from 1 Oct 2013 to 31 Dec 2013</b>
Current service cost	449
Interest cost	135
Expected return on plan assets	(99)
Others	(1)
Total	<u>484</u>



Split of the total charges :

	<b>2013</b>
Cost of goods sold	16
Selling and Marketing expenses	62
Selling expenses	33
Administrative expenses	358
Finance expenses	15
	<u>484</u>

The main assumptions used for the calculation of the pension liabilities and the defined benefit obligation for the year 2013 are the following:

	%
Discount rate	2.30 - 5.30
Expected return on plan asset	3.90 - 5.20
Future salary increases	1.00 - 3.50
Future pension increase	0.20 - 0.50
Turnover	0% - 64%
Inflation rate	1.70% - 2.80%

## 16. Borrowings

	<b>31.12.2013</b>
<b>Non-Current</b>	
Bank borrowings, net	146,870
Loan from minority, net of minority debt	315
Finance lease liabilities	3423
	<u>150,608</u>
<b>Current</b>	
Bank borrowings	9,341
Finance lease liabilities	1,154
	<u>10,495</u>
<b>Total borrowings</b>	<u>161,103</u>

1. On October 21, 2013, the company signed a credit facility agreement with a consortium of several European banks, which then replaced the acquired credit agreement of Eden Europe in the amount of €120 million. According to the agreement, the banks provided to the company a €186 million credit facility to recycle the existing debt, to finance the acquisition of companies as well as Capital expenditure and for the working capital needs of the Group's activity in Europe of which €116 million was drawn on 23 October 2013. On 16 of December 2013 the banks agreed to an increase of the credit facility amounting to GBP 18m most of which was used for the Kafvend acquisition. Of the total net bank borrowings of € 156.2 million an amount of €129.5 million is related to this European consortium.

Under the agreement, the credit facility was provided for a seven year period since signing the agreement (subject to a repayment schedule for the period), subject to certain financial covenants that are set in the agreement, including, among other things, liability to meet the Net debt/EBITDA ratio, interest cost to EBITDA ratio and a ceiling for acquisitions and investment in property, plant and equipment as defined in the agreement. As of December 31, 2013, the company was in compliance with these covenants.

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As of December 31, 2013, the company was in compliance with those covenants to secure its liabilities to the banks under the agreement, and similarly to the credit facility agreement that this agreement replaced, the entire issued share capital of the company was charged to the banks and charges were also placed on most shares of its subsidiaries. Additionally, the company and its European subsidiaries provided mutual guarantees between most subsidiaries in favor of the banks. Additionally, the agreement defines events and circumstances that will be a cause for immediate repayment (events of defaults), including non-payment, breach of financial covenants, misrepresentation, default, material adverse change in the position of the Company, and additional circumstances in the agreement. In those events, the banks may call the credit facility for immediate repayment and to exercise the collaterals, under the terms set in the agreement.

2. On October 23, 2013 the Israeli Subsidiaries entered into an agreement for amendment of the credit facility agreement with one of the Israeli banks, which extended credit facilities to the Israeli Subsidiaries (hereafter—“the bank” and “agreement for amendment of credit facilities”, respectively). Under the agreement for amendment of credit facilities, the bank will extend new credit facilities to the Israeli Subsidiaries to replace the credit facilities extended to the Israeli Subsidiaries prior to signing the amendment agreement, as follows:

A NIS 30 million (=€6.4 million) credit facility through 2016 to replace one of the existing two long-term loans amounting to NIS 40 million (=€8.5 million) each. A NIS 65 million (=13.8 million) credit facility, which is renewed every quarter, was extended to replace a NIS 35 million (=€7.4 million) credit facility, which is also renewed every quarter. The Israeli Subsidiaries utilized NIS 42 million (=€ 8.9 million) out of the said credit facility. Utilization of the remaining amount of the credit facility is conditional, inter alia, on extending a shareholders loan in an amount equal to half of the amount by which the credit facility was increased; the shareholders loan shall be subordinate to the credit facility extended by the bank. Of the total net bank borrowings of € 156.2 million an amount of €26.7 million is related to this financing.

The financial contingency set forth in the agreement for amendment of the credit facilities was updated, and include, inter alia, the ratio between net total financial debt and EBITDA of the Israeli Subsidiaries, the ratio between operating income and gross financial expenses and the ratio between net total financial debt, net of “long-term financial debt” and the operating working capital, as defined in the said agreement.

According to the agreement for amendment of the credit facilities, each of the Israeli Subsidiaries

- (a) created floating pledges on all the property and assets of all kind held by such Israeli Subsidiary;
- (b) gave a non-limited guarantee, for the debt of the credit took by the other Israeli Subsidiaries.

In addition, Hydra Group signed a commitment letter in favor of the Bank, which will include, inter alia, an irrevocable undertaking not to pledge its holding in the Israeli Subsidiaries and not to act in a manner that would cause the Israeli Subsidiaries to violate the provision of the agreement for amendment of the credit facilities relating to transfer of funds from the Israeli Subsidiaries to the Hydra Group.

	<b>31.12.2013</b>
The maturity of the borrowings are as follow:	
6 months or less	3,627
6-12 months	6,868
1-7 years	150,608
	<u>161,103</u>
Current effective interest on Long term bank credit at the company	8.8%
Current effective interest on Long term bank credit at Israeli activities	4.9%

	<b>31.12.2013</b>
The Group borrowings are denominated in the following currencies:	
Euro	70,114
New Israeli Shekels	30,271
UK pound	42,979
Polish Zloty	17,226
Swiss Franc	488
Other currencies	25
	<u>161,103</u>

The fair value of current liabilities approximates their carrying amount, as the impact of discounting is not significant. Consequently the fair values have not been separately disclosed.

The fair value of long-term bank liabilities approximates their carrying value, since they bear interest at variable market rates.

As to refinancing of Group's loans after balance sheet date, see note 28

#### 17. Derivative Financial instruments

	<b>31.12.2013</b>
	<u>Liabilities</u>
Non current interest rate SWAP derivative	<u>2,123</u>

The Group uses interest rate swaps to manage its exposure to interest rate risks resulting from financing arrangements. These derivative instruments are floating-to-fixed interest rate swaps which have the economic effect of converting borrowings from floating rates to fixed rates

On 8 November 2011, the Group entered into several interest rate swaps (pay fixed, receive variable), in order to reduce the exposure from the risk of variability in cash flows associated with recognized liabilities:

For the current amount of 60M Euro as of 31.12.2013 (amortized up to 50M Euro over the period of the transaction that ends on 30 September 2016). Out of this amount, currently—48M Euro with Rabobank at 1.7962% and 12M Euro with RBI at 1.735% and all with settlement dates 31 March, 30 June, 30 September and 31 December every year.

For the amount of 12.25M GBP (non-amortized over the period of the transaction that ends on 30 September 2016). Out of this amount, currently—9.8M GBP with Rabobank at 1.77% and 2.45M GBP with RBI at 1.71% and all with settlement dates 31 March, 30 June, 30 September and 31 December every year.

Gains and losses were recognised in the Income Statement.

## **18. Commitments and Contingent liabilities**

### A Commitments

#### **Operating lease commitments**

The Group have operating lease agreements for the rental of warehouses, office spaces and distribution centers in various locations in Israel for periods ending in 2014 through 2027. The annual rental payments under such leases are mainly linked to the CPI. In addition, The Group has operating lease agreements for the vehicles they use, for periods ending in 2014 through 2019. The annual rental payments under such leases are linked to the CPI (=Consumer Price Index).

The Group place deposits with several leasing companies to secure the payment of rental for the last months of the lease.

The future aggregate minimum lease payments under operating leases as of December 31, 2013 are as follows:

	<b>31.12.2013</b>
2014	10,179
2015	7,407
2016	5,323
2017	4,258
Later than 2017	6,135
	<u>33,302</u>

#### **Other commitments**

Marketing has entered into a distribution agreements with Jafora Tabori Ltd. (hereafter—Main agreement and Tabori, respectively). Pursuant to the Main agreement, Tabori is to serve as the exclusive distributor of all the small-packs of mineral water products that are produced and/or imported by the group and/or that are marketed under the brand name “Mey Eden”, including future products, in all areas of Israel with the exception of the city of Eilat and the Palestinian Authority. In consideration for the distribution rights, Marketing shall pay Tabori a fixed distribution commission.

Tabori is to purchase the products for distribution from Marketing at the price to retailers, net of the aforementioned distribution commission. The Main agreement is for a period of 10 years. At the end of this period, the Main agreement will be automatically renewed for an additional 10-year periods. Either party is entitled to call for the termination of the Main agreement at any time after the first 10 years period, subject to 36 months' prior notice. If an exemption from the need to obtain an authorization for an agreement in restraint of trade is not received from the antitrust commissioner for a part of the first period or subsequent periods, the period of the Main agreement is to be cut short in accordance with the authorized periods of exemption.

In June 30, 2004, the Commissioner approved a 5-year exemption from the need to obtain authorization for an agreement in restraint of trade, commencing from the date of the approval. On March 28 2010, the Commissioner extended the authorization for 5 years commencing this date.

On November 2013 MEB and Tabori entered into a distribution agreement regarding distribution of Tabori products (soft drinks bottles) by MEB in Eilat in its surroundings (hereafter –Eilat Agreement). The Eilat Agreement is materially a mirror like agreement to the Main Agreement. The period of the Eilat Agreement is linked to the Main Agreement. In consideration for the distribution rights, Tabori shall pay MEB a fixed

distribution commission. The parties requested an exemption from the antitrust commissioner regarding the Eilat Agreement and the request is under review.

## B Contingencies

1) The French, Polish, Dutch, UK, and Israeli subsidiaries are involved in legal actions in the ordinary course of business. The total amount thereof is approximately € 5.1 mio (excluding the class actions described in Note 28). In management's opinion, the subsidiaries will not incur the total amount involved. A total provision of € 0.82 mio is recorded as of 31 December 2013 (see Note 13).

2) On March 13, 2011, a lawsuit filed by Comité Interprofessionnel du Vin de Champagne (CIVC) to the Tel Aviv District Court and against the Company, Mr. Raanan Zilberman, Mey Eden Production, Mey Eden Bar, Mey Eden Marketing, Mey Eden Ltd and Mr. Eyal Carmi, the former CEO of the Israeli subsidiaries. The lawsuit is related to the Israeli subsidiaries activity. The lawsuit's main argument is that marketing and advertising products under the symbol of "Mey Eden—nature's champagne", allegedly violating CIVC intellectual property rights.

The Company's legal advisors and the management are, at this point, unable to assess its likelihood of the lawsuit being accepted.

3) On 26 November 2013 a request for the approval of a class action for a total sum of NIS 20,000,000 (=€ 4.2 million) was filed against Eden Springs Ltd, Mey Eden Production and Ela (the Israeli recycling company) by the plaintiff, Mr. Daniel Birger on behalf of all customers of Mey Eden Production which tried to recycle Mey Eden Production's empty mineral bottles in automated recycling machines operated by Ela and failed to recycle and receive the deposit for the bottles. The request is still in preliminary stages. After the balance sheet date the class action was settled for an immaterial amount.

## 19. Guarantees given and pledged assets

Description /Type of Asset	31.12.2013
Real estate in Hamilton (production, warehouse and offices)	1,734

The above amount corresponds to the net book value of the building. This guarantee relates to the long-term mortgage in the UK.

Following the signature of the Credit facility agreement with Rabobank International: The following company has been nominated as guarantor:

- Hydra Dutch Holdings 2 B.V.—The Netherlands
- Chateaud'eau SAS—France

The following companies have been nominated as guarantors and their shares have been pledged:

- Eden Springs Europe B.V.—The Netherlands
- Eden Springs Nederland BV—The Netherlands
- Eden Springs Sp. Zo.o—Poland
- Eden Springs (Europe) SA—Switzerland
- Eden Springs International SA—Switzerland
- Eden Springs (Switzerland) SA—Switzerland

- SEMD SA—Switzerland
- Eden Springs Espana SA—Spain
- Eden Springs UK Ltd—UK

The bank accounts of the following companies have been pledged:

- Eden Springs Europe B.V.—The Netherlands
- Eden Springs Sp. Zo.o—Poland
- Eden Springs (Europe) SA—Switzerland
- Eden Springs (Switzerland) SA—Switzerland
- SEMD SA—Switzerland
- Eden Springs International SA- Switzerland
- Chateaud'eau SAS—France

Liabilities secured by pledges—see Note 16 for details

As to refinancing of Group's loans after the balance sheet date, see note 28

## 20. Share Capital

a. The issued capital amount is € 1 (one euro). The total issued number of share is 1, with a par value of € 1. The share issued is fully paid.

## 21. Other reserves

	OCI Pension Fund
<b>Opening Balance</b>	<b>0</b>
Remeasurement of post employment benefit obligation	(150)
<b>Balance at 31 December 2013</b>	<b>(150)</b>

## 22. Related-parties

The following transactions were carried out with related parties:

	The period from 1 Oct 2013 to 31 Dec 2013
<b>Purchases of goods and services</b>	
Management fees and transaction related costs	2,969
<b>Key management compensation</b>	
Salaries and short-term employee benefits	485
Post-employment benefits	113
Total Key management compensation	598
<b>Shareholders borrowing and payable to parent company</b>	

	<b>31.12.2013</b>
Borrowings from related party	<u>88,027</u>
Receivables from related parties	440
Payable to related parties (short-term)	190

### 23. Expenses by nature

	<b>The period from 1 Oct 2013 to 31 Dec 2013</b>
Depreciation, amortization and impairment charges (9 and 10)	5,838**
Employee benefit expense (Note 25)	18,965
Raw materials and consumables used	11,925
Transportation costs	1,605
Vehicles expenses	4,165
Commissions (dealers)	3,866
Maintenance and rent	2,947
Communication	432
Professional fees	1,155
Travel and entertainment	585
Advertising and promotion	1,568
Office expenses	570
Management fees charged by shareholders	190
IT central costs	1,002
Other expenses	<u>2,377</u>
Total	<u>57,190</u>

\*\* Restated- please refer to note 29

### 24. Other Operating Expenses

	<b>The period from 1 Oct 2013 to 31 Dec 2013</b>
Restructuring and integration costs	958
Other	<u>1,744</u>
	<u>2,702</u>

### 25. Employee benefit expense

The following staff expenses are included in the Statement of Comprehensive Income (Cost of Goods sold, Service expenses, Selling expenses, General and Administration Expenses and Other operational expenses):

	<b>The period from 1 Oct 2013 to 31 Dec 2013</b>
Salaries	13,966
Social charges	2,529
Defined contributions plans	235
Pension benefit plans (Note 15)	483
Others	<u>1,752</u>
Total salaries and related expenses	<u>18,965</u>

	<u>The period from 1 Oct 2013 to 31 Dec 2013</u>
<b>26. Financial income / (expenses)</b>	
Foreign exchange gain	459
Interest income	2
Other Income	169
Total Financial income	<u>630</u>
Foreign exchange loss	433
Interest expense	2,481
Interest expense with related parties	1,353
Amortization of capitalised financial costs	217
Other expenses	151
Total Financial expenses	<u>4,635</u>
Total Financial income	630
Total Financial expenses	<u>(4,635)</u>
Net Financial expenses	<u>(4,004)</u>
	<u>The period from 1 Oct 2013 to 31 Dec 2013</u>
<b>27. Taxation</b>	
Current taxes	(1,598)
Deferred taxes (Note 14)	(58)**
Previous years	(14)
	<u>(1,670)</u>

The tax on the group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

Loss before tax	<u>11,361**</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	2,994**
Tax losses for which no deferred tax asset was recognized	(3,802)
Expenses not deductible for tax purposes	(883)**
Income not subject to tax	261
Tax credits or special allowances	3
Adjustments in respect of prior years	96
First time recognition of deferred tax asset on losses carried forward	74
Change in valuation of deferred tax assets	78
Utilization of previously unrecognised tax losses	156**
Effect of changes in tax rate on opening deferred tax balances	(59)
Other	(588)
Tax on income	<u>(1,670)</u>

The weighted average applicable tax rate was 25 %.

\*\* Restated- please refer to note 29



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**a. Taxation of companies resident in Israel:**

## 1) Results measurements for tax purposes

Measurement of results for tax purposes under the Income Tax (Inflationary Adjustments) Law, 1985 (hereafter—the inflationary adjustments law) Under the inflationary adjustments law, results for tax purposes till the end of the 2007 tax year were measured in real terms, having regard to the changes in the CPI.

The Group was taxed under this law. In accordance with the provisions of the Income Tax (Inflationary Adjustments) (Amendment No. 20) Law, 2008 (“the amendment”), the Group will no longer be subject to the provisions of the inflationary adjustments law as from the 2008 tax year. In accordance with the provisions of the amendment, transitional regulations have been promulgated with respect to the cessation of applicability of the provisions of the inflationary adjustments law.

## 2) Tax rates

On December 6, 2011, the Israeli Parliament (the Knesset) passed the Law for Tax Burden Reform (Legislative Amendments), 2011 (“the Law”) which, among others, cancels effective from 2012, the scheduled progressive reduction in the corporate tax rate. The Law also increases the corporate tax rate to 25% in 2012, and thereafter

On August 5, 2013, the Law of Change in National Priorities (Legislative Achieve Budget for the Years 2013 and 2014), 2013, was published, which provided, inter alia, raising the corporate tax rate to a rate of 26.5% from 2014 and thereafter.

**b. Subsidiaries resident overseas**

Subsidiaries incorporated in Europe are subject to the taxing statutes of their respective countries of residence. The principal tax rates applicable to the principal overseas-resident subsidiaries are as follows:

Companies incorporated in the Netherlands—25.5%;  
Companies incorporated in the United Kingdom—23.25%;  
Companies incorporated in France—33.34%;  
Companies incorporated in Poland—19%;  
Companies incorporated in Switzerland—22.64%.

As a general rule, inter-company transactions between Israel-resident companies and European subsidiaries are subject to the reporting provisions of the Income Tax (Determination of Market Conditions) Regulations, 2006.

**c. The Israeli Encouragement Laws:**

## 1) Tax benefits under the Capital Investments Encouragement Law, 1959

Under the provisions of the Capital Investments Encouragement Law, 1959 (“the law”), certain subsidiaries are entitled to various tax benefits by virtue of the status of approved enterprise accorded to the qualifying operations of those subsidiaries, as follows:

## a) Reduced tax rates

During the period of benefits—commencing in the first year in which the companies earn taxable income from the approved enterprise—such income will be tax exempt for ten years, as follows: Tax exemption for ten years on income from expansion of a certain approved enterprise, for which it had previously opted for the “alternative benefits” track (involving the waiver of investment grants); the period of benefits for this expansion has not yet began. In the event of the distribution of cash dividend out of income that was tax exempt, the Companies would have to pay the 25% in respect of the amount distributed.

## b) Accelerated depreciation

The Companies are entitled to claim accelerated depreciation as provided by law, commencing in the first year of operation of each asset, in respect of machinery and equipment used by the approved enterprise.

## c) Benefit-related conditions

The entitlement to the above benefits is conditional upon the Companies fulfilling the conditions stipulated by the law, regulations published thereunder and the instruments of approval for the specific investments in approved enterprises. In the event of failure to comply with these conditions, the benefits may be cancelled and the Companies may be required to refund the amount of the benefits, in whole or in part, with the addition of interest. Company's management is on the opinion that the Companies meet the conditions stipulated in the instrument of approval.

## 2) Industry (Taxes) Encouragement Law, 1969

Some of the Group's companies are an "industrial company", as defined by this law. As such, the companies are entitled to claim depreciation at increased rates, as stipulated by regulations published under the inflationary adjustments law.

## d. Tax assessments

Final tax assessments have been raised on two subsidiaries for tax years up to and including the 2011 tax year. Self-assessments filed by Israeli Subsidiaries for the tax years up to 2008, are considered to be final.

## e. Effect of adoption of IFRS in Israel on tax liability

As from January 1, 2008, the Group prepares its financial statements in accordance with the provisions of international financial reporting standards.

International financial reporting standards (IFRS) differ from accounting standards generally accepted in Israel, and accordingly, financial statements prepared under IFRS may reflect a financial position, operating results and cash flows that are markedly different from those presented in financial statements prepared in accordance with accounting standards generally accepted in Israel.

Under the Law for the Amendment of the Income Tax Ordinance (No. 174—Temporary Provisions for the 2007, 2008 and 2009 Tax Years), 2010, which was published in Reshumot (the official gazette of the Israeli government) on February 4, 2010 and the Law for the Amendment of the Income Tax Ordinance (No. 188), 2012, which was published in Reshumot on January 12, 2012 (both hereinafter—the temporary provision), Israeli Accounting Standards No. 29, as issued by the Israeli Accounting Standards Board does not apply in determining taxable income for the 2007 to 2011 tax years, even if applied in preparing the financial statements for these tax years. This means that IFRS does not apply in practice in calculating the taxable income for those tax years.

On October 31, 2011, a law memorandum was issued for the amendment of the Israel Income Tax Ordinance arising from the adoption of IFRS in financial statements of Israeli companies. The law memorandum generally adopts IFRS. However, it proposes a number of amendments to the Income Tax Ordinance that may clarify and establish a method for computing taxable income in cases where IFRSs are at odds with principles of the current Israeli tax system. It also adopts IFRS overall. Legislation procedures relating to the law memorandum are not yet completed and are unlikely to end in the near future.

On January 1, 2013, the Income Tax Authority issued a notice regarding the extension of the term of the temporary order to tax year 2012 (hereafter—“the Tax Authority’s notice”). In its notice, the Tax Authority states that it intends to promote legislation to extend the term of the said temporary order by one additional year to 2012 as soon as the Knesset reconvenes. Nevertheless, in practice the no legislative measures came into effect that extend the terms of the temporary order.

As legislation procedures regarding the law memorandum are not completed, and management belief that the temporary provision for 2007 to 2011 will be extended to also apply to 2012 and 2013, the Group computed its taxable income for the 2007 to 2011 tax years based on Israeli GAAP existing prior to IFRS adoption in Israel, subject to some adjustments.

## **28. Subsequent events**

Contingent liabilities:

On 9th June 2014, a request for the approval of a class action, in the amount of NIS 21 M, was filed against Jafora Tavori Ltd and Mey Eden Production (2007) Ltd, related to the indication on the small pack bottles about the 0.3 NIS deposit fees (claim about non-compliance of the font size with applicable rules). At this preliminary stage, the company cannot assess the risk of this class action.

On 6 July 2014 a request for the approval of a class action for a total sum of NIS 15 M was filed against Pauza coffee service Ltd, Yellow convenience stores Ltd and Paz oil company Ltd related to the indication on Lavazza’s capsules boxes which are sold in Yellow convenient stores. The claim is about non Hebrew text on the boxes as applicable by law.

On 29th September, 2014, a request for the approval of a class action was filed against Meyeden Bar, a subsidiary of the Company, alleging that prices of HOD water containers have increased in an unreasonable manner in 2013 and without giving prior notice according to the law. The amount of the alleged damages asked by the plaintiff is approximately NIS 65 million (approximately Euro 13.8 million). The Company is in the process of evaluating the merits of the claim, and, given the preliminary stage, the risk of potential loss cannot be currently assessed. No provision has been included in the accounts.

Liabilities secured by pledges:

On 29 April 2014, Hydra Dutch Holdings 2 BV successfully issued a Floating Rate Senior Secured Notes of EUR 210 mio traded on the Luxembourg Stock exchange, as well as a Revolving Credit Facility of EUR 45 M. At the same time the existing bank financing facilities were repaid.

The Senior Secured Note is issued with a 3-months EURIBOR plus 5.5% per annum, reset quarterly. Payments are quarterly in arrears and maturity is on 15 April 2019. The proceeds were used to repay the existing bank loan, repay related party loans of €50 mio and pay the transactions fees. The Company may redeem prior to 15 April 2015—all or part—at a ‘make-whole’ premium equal the net present value of the remaining interest payments to 15 April 2015 plus 1% margin, between 15 April 2015 and 15 April 2016 at 101% and at a 100% thereafter. The Notes and Guarantees will be secured by first-ranking security interests over all the capital stock of the Company and certain of its subsidiaries, intercompany receivables, bank accounts and intellectual property and certain of its subsidiaries and substantially all assets of certain subsidiaries.

The Revolving Credit Facility is issued with an initial 3.5% margin plus EURIBOR and the maturity is on 29 January 2019. The Company may make a voluntary prepayment or cancellation at any time without penalty on 5 or 3 Business days respectively. The security securing the Notes will also secure on a ‘super senior’ basis the Company’s obligations under the Revolving Credit Facility and certain hedging obligations.

Acquisitions:

On 3 September 2014 the Company has entered into a Share and Asset Purchase Agreement for five European countries (Russia, Portugal, Germany, Netherlands and Poland) acquiring the water cooler activities of Nestlé Waters Direct (NWD), a division of Nestlé Waters, with an approximate annual revenue of €90m

On 13 October 2014, date of approval of the accounts Hydra Dutch Holdings 2 B.V. had no subsequent event leading to a modification of the financial statements.

## 29. Business combinations

### Acquisitions

Since commencement of operations the Company acquired two businesses as detailed in note 10. If the acquisitions had occurred on 1 January 2013, the contributed consolidated revenues would have been € 284'301 and the net loss € 25'083.

Details of net assets acquired and intangibles are as follows:

	<b>Eden</b> <b>31/12/2013</b>	<b>Kafevend</b> <b>31/12/2013</b>	<b>Total</b> <b>31/12/2013</b>
Purchase consideration:			
Cash consideration	65,043	17,756	82,799
Total Purchase Consideration	65,043	17,756	82,799
Fair Value of Net Assets Acquired**	29,692	(9,986)	19,706
Goodwill**	94,735	7,770	102,505

The total fair values of the assets and liabilities in the acquiree's financial statements are as follows:

	<b>31.12.2013</b>
Purchase consideration settled in cash	82,799
Cash in Subsidiaries Acquired	(13,439)
Cash Outflow on Acquisition	69,360

**Detail of assets acquired and liabilities assumed**

	<b>Eden</b> <b>31/12/2013</b>	<b>Kafevend</b> <b>31/12/2013</b>	<b>Total</b> <b>31/12/2013</b>
Provisional fair values			
Cash and cash equivalents	11,497	1,942	13,439
Trade receivables*	59,320	3,144	62,464
Prepaid and other current assets	8,855	501	9,356
Inventories	11,887	555	12,442
Property, plant and equipment	64,263	2,696	66,959
Customer portfolio and Trademarks**	72,122	6,953	79,075
Other intangible assets	4,241	95	4,336
Other non-current assets	744	—	744
Deferred income tax assets**	13,875	—	13,875
Trade payables	(22,743)	(1,420)	(24,163)
Other current liabilities	(58,691)	(2,938)	(61,629)
Borrowings	(170,856)	—	(170,856)
Other non-current liabilities	(7,477)	—	(7,477)
Deferred income tax liabilities**	(16,729)	(1,542)	(18,271)
Total identifiable net assets	<u>(29,692)</u>	<u>9,986</u>	<u>(19,706)</u>
Goodwill**	<u>94,735</u>	<u>7,770</u>	<u>102,505</u>
	<u>65,043</u>	<u>17,756</u>	<u>82,799</u>

\* Total Gross Trade receivables amount to €71'329

\*\* In the Company's consolidated financial statements for the period from October 1, 2013 to December 31, 2013, originally issued on April 9, 2014, the Company provisionally allocated the fair value of the identifiable intangible assets. During the first quarter of 2014 the Company finalized the valuation of intangible assets. Presented below is the fair value of the identifiable intangible assets of Eden Springs (Eden Springs Europe BV and the Israeli subsidiaries) at the acquisition date, after being retroactively adjusted following the measurement period adjustment of the fair value of such assets, pursuant to the provisions of IFRS 3. The useful life was concluded to be 10 years for the Customer Relation amortization. The final Purchase Price Allocation will be conducted before the end of 2014:

	<b>As of</b> <b>31 December</b> <b>2013*</b>	<b>Change</b>	<b>As of</b> <b>31 December</b> <b>2013 as</b> <b>presented</b>
Assets			
Goodwill	68,027	34,973	103,000
Other intangible assets	126,474	(43,892)	82,582
Deferred tax assets	12,969	(303)	12,666
Liabilities			
Deferred tax liabilities	28,166	(11,024)	17,142
Deficit			
Currency translation adjustment	(754)	7	(747)
Accumulated deficit	14,830	1,795	16,625

	For period from 1 Oct 2013 to Dec 2013*	Change	For period from 1 Oct 2013 to Dec 2013 as presented
Amortization of customer relations and trade names	(3,519)	2,214	(1,305)
Tax on Income	(1,251)	(419)	(1,670)
Currency translation differences, net of tax	(754)	7	(747)
Net loss attributable to Equity holders of the company	(14,830)	1,795	(13,035)

\* consolidated financial statements for the period from October 1, 2013 to December 31, 2013, originally issued on April 9, 2014,

### 30. Segment information

#### General

The chief operating decision maker of the Group (hereinafter—CODM). The CODM reviews internal reports of the Group to assess performance and for resource allocation. Group management identified operating segments based on those reports.

The CODM reviews the business activity based on geographical regions, and this serves management to assess performance of geographical regions and to allocate resources. European regions have been aggregated since they bear similar economic characteristics and are similar in the nature of products and production processes, types of customers and distribution methods

As of December 31, 2013, the CODM reviews the performance of operating segments in the year ended on that date based on measuring income before financing expenses, financing income, tax, depreciation, amortization, other expenses and income (loss) (operating EBITDA).

#### Information related to geographical segments:

	Europe	Israel	Total
<b>Segment income</b>	41,278	20,306	61,584
<b>Operating EBITDA</b>	9,146	2,752	11,898
<b>Capex</b>	2,379	1,115	3,494

	The period from 1 Oct 2013 to 31 Dec 2013
Operating EBITDA of reporting segments	11,898
Overhead expenses not allocated among segments	(1,666)
Depreciation and amortization	(5,838)**
Other expenses—net	(2,702)
Other expenses—Eden Springs acquisition	(9,048)
Operating loss	(7,356)
Financing income	630
Financing expenses	(4,635)
Taxes on income	(1,670)
Net loss	(13,031)

\*\* Restated—please refer to note 29

The following revenue on all products from external customers:

	<b>The period from 1 Oct 2013 to 31 Dec 2013</b>
Water	52,540
Coffee	9,044
	<u>61,584</u>

**Consolidated companies at 31 December 2013**

Country	Entities	% of control
<b>Cyprus</b>	Valspar Investments Ltd.	100.0%
<b>Denmark</b>	Eden Springs (Denmark) AS	100.0%
<b>Estonia</b>	Eden Springs Estonia OÜ	100.0%
<b>Finland</b>	Eden Springs Finland OY	100.0%
<b>France</b>	Chateaud'eau SA	100.0%
<b>Germany</b>	Eden Springs (Deutschland) GmbH	100.0%
<b>Greece</b>	Eden Springs Hellas SA	100.0%
<b>Israel</b>	Mey Eden Ltd.	100.0%
	Mey Eden Bar—First Class Service Ltd.	100.0%
	Mey Eden Production (2007) Ltd.	100.0%
	Mey Eden Marketing (2000) Ltd.	100.0%
	Espresso Café—Italia Ltd.	100.0%
	Pauza Coffee Services Ltd.	96.0%
	Dispensing Coffee Club (IAI 2003) Ltd.	100.0%
<b>Latvia</b>	Eden Springs Latvia SIA	100.0%
<b>Lithuania</b>	UAB Eden Springs Lietuva	100.0%
<b>Luxembourg</b>	HorseLux Sàrl	100.0%
<b>Netherlands</b>	Eden Springs Nederland BV	100.0%
	Eden Springs Europe BV	100.0%
<b>Norway</b>	Eden Springs (Norway) AS	100.0%
<b>Poland</b>	Eden Springs Sp. Zo.o	100.0%
	Eden Dystrybucja sp. z o.o.	100.0%
<b>Spain</b>	Eden Springs Espana SA	100.0%
	Eden Integracion S.L.U.	100.0%
	Eden Centro Especial de Empleo S.L.U.	100.0%
<b>Sweden</b>	Eden Springs Scandinavia AB	100.0%
	Eden Springs (Sweden) AB	100.0%
	Eden Springs Porla AB	100.0%
<b>Switzerland</b>	Eden Springs (Europe) SA	100.0%
	Eden Springs International SA	100.0%
	Eden Springs (Switzerland) SA	100.0%
	SEMD SA	100.0%
<b>United Kingdom</b>	Eden Springs UK Ltd	100.0%
	Kafevend Holdings Ltd.	100.0%

Hydra Dutch Holdings 2 B.V.  
Interim Consolidated Balance Sheets as of 31 March 2016 and 31 December 2015  
in '000 €

	Notes	31/03/2016 <i>unaudited</i>	31/12/2015 <i>unaudited</i>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		18,020	12,524
Trade receivables—net		66,061	68,105
Income tax receivable		2,536	2,224
Receivable from related parties		137	115
Prepaid and other assets		14,516	7,767
Inventories		18,707	17,944
Financial asset at fair value through profit or loss		11,580	—
		<u>131,557</u>	<u>108,679</u>
<b>Non-current assets</b>			
Property, plant and equipment		86,979	82,360
Goodwill		171,957	164,511
Other intangible assets		90,806	91,055
Deferred tax assets		17,371	15,956
Other non-current assets		2,913	2,332
		<u>370,026</u>	<u>356,214</u>
<b>Total assets</b>		<u>501,583</u>	<u>464,893</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	5	4,253	4,767
Trade accounts payable		38,724	36,805
Current tax liability		4,462	4,626
Other current liabilities		42,931	44,651
Customer deposits and prepaid income		32,798	33,534
Provisions		1,381	2,208
Payable to parent company		75	75
		<u>124,624</u>	<u>126,666</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		21,268	19,178
Borrowings	5	341,601	298,616
Other non-current liabilities		56	52
Provisions		986	1,026
Liability for employee rights		5,225	5,250
Borrowing from shareholder and related parties		58,557	57,394
Derivatives financial instruments		5,638	5,201
		<u>433,331</u>	<u>386,717</u>
<b>Total liabilities</b>		<u>557,955</u>	<u>513,383</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		—	—
Share premium		13,430	13,430
Other Reserves		(371)	(371)
Cumulative translation adjustment		9,317	9,649
Accumulated deficit		(78,924)	(71,352)
		<u>(56,548)</u>	<u>(48,644)</u>
Non controlling interests in Equity		176	154
Total deficit		<u>(56,372)</u>	<u>(48,490)</u>
<b>Total liabilities and equity</b>		<u>501,583</u>	<u>464,893</u>

*The accompanying notes are an integral part of these interim condensed consolidated financial statements*



Hydra Dutch Holdings 2 B.V.  
Interim Consolidated Statements of Comprehensive Loss as of 31 March 2016 and 31 March 2015  
in '000 €

	For the 3 months ended 31/03/2016 <i>unaudited</i>	For the 3 months ended 31/03/2015 <i>unaudited</i>
<b>Revenues</b>	<b>83,508</b>	<b>82,306</b>
Cost of goods sold	(27,376)	(28,173)
<b>Gross profit</b>	<b>56,132</b>	<b>54,133</b>
Service expenses	(32,066)	(32,194)
Sales & Marketing expenses	(8,544)	(8,497)
General and administration expenses	(6,483)	(6,428)
Amortization of customer portfolio and trademarks	(2,791)	(2,608)
Other operating Expenses—net	(3,494)	(4,678)
<b>Income from operations</b>	<b>2,754</b>	<b>(272)</b>
Financial income	911	2,012
Financial expenses	(10,676)	(10,414)
<b>Loss before taxes</b>	<b>(7,011)</b>	<b>(8,674)</b>
Taxation	(539)	(499)
<b>Net loss</b>	<b>(7,550)</b>	<b>(9,173)</b>
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Currency translation adjustment	(332)	23,504
Total comprehensive (loss) income	(7,882)	14,331
<b>Net loss attributable to:</b>		
Equity holders of the company	(7,572)	(9,176)
Non controlling interest	22	3
	<b>(7,550)</b>	<b>(9,173)</b>
<b>Total comprehensive (loss) income attributable to:</b>		
Equity holders of the company	(7,904)	14,328
Non controlling interest	22	3
	<b>(7,882)</b>	<b>14,331</b>

*The accompanying notes are an integral part of these interim condensed consolidated financial statements*

	31/03/2016 <i>unaudited</i>	31/03/2015 <i>unaudited</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxes on income	(7,011)	(8,674)
Adjustment for:		
Depreciation and amortization	8,585	8,156
Amortization of capitalized financial costs	790	1,761
Financial expenses net, included in loss before taxes on income	8,538	6,446
Gain on disposal of property, plant and equipment	196	33
Derivative financial instruments	437	195
Other operating items	(219)	24
Change in fair value of financial asset through profit or loss	(485)	—
<i>Operating cash flow before working capital changes</i>	<u>10,831</u>	<u>7,941</u>
<i>Changes in operating working capital</i>		
(Increase) Decrease in Trade receivables	3,161	(1,980)
Increase in inventories	(475)	(1,356)
Increase in Prepaid and other assets	(4,890)	(2,794)
Increase (Decrease) in Trade accounts payable	3,764	(1,532)
Increase (Decrease) in Other current liabilities and Provision	(4,517)	1,315
<i>Cash flows generated from operating activities</i>	<u>7,874</u>	<u>1,594</u>
Income tax paid	(1,017)	(864)
<i>Net cash flows generated from operating activities</i>	<u>6,857</u>	<u>730</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment (PPE) and software	(5,687)	(6,400)
Proceeds from sale of PPE	404	472
Acquisition of subsidiaries	(18,472)	(39,617)
Deposit on escrow account	—	(28,912)
Purchase of financial asset at fair value through profit or loss	(11,095)	—
Interest received	57	9
<i>Net cash used in investing activities</i>	<u>(34,793)</u>	<u>(74,448)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term borrowings	—	(54,150)
Proceeds from long-term borrowings (net of borrowing costs)	42,500	121,197
Repayment of other liabilities	(588)	
Borrowings from Shareholders	—	5,200
Interest paid	(8,377)	(3,846)
<i>Net cash provided by financing activities</i>	<u>33,535</u>	<u>68,401</u>
<b>Net increase (decrease) of cash</b>	<u>5,599</u>	<u>(5,317)</u>
Effect of exchange rate changes	531	950
Cash and cash equivalent at beginning of year	9,929	17,741
Cash, cash equivalents and bank overdrafts at end of period	<u>16,059</u>	<u>13,374</u>

*The accompanying notes are an integral part of these interim condensed consolidated financial statements*

Hydra Dutch Holdings 2 B.V.  
Interim Consolidated Statements of Changes in Deficit  
in '000 €

		Attributable to equity holders of the Company					Total Equity	
		Share capital	Share premium	Other reserves	Cumulative translation adjustment	Accumulated deficit	Non controlling interests	Total
Balance at 1 January 2016	(unaudited)	—	13,430	(371)	9,649	(71,352)	154	(48,490)
Total comprehensive loss		—	—	—	(332)	(7,572)	22	(7,882)
<b>Balance at 31 March 2016</b>	(unaudited)	—	13,430	(371)	9,317	(78,924)	176	(56,372)

		Attributable to equity holders of the Company					Total Equity	
		Share capital	Share premium	Other reserves	Cumulative translation adjustment	Accumulated deficit	Non controlling interests	Total
Balance at 1 January 2015	(unaudited)	—	13,430	(1,222)	(1,038)	(40,935)	88	(29,677)
Total comprehensive loss		—	—	—	23,504	(9,176)	3	14,331
Balance at 31 March 2015	(unaudited)	—	13,430	(1,222)	22,466	(50,111)	91	(15,346)

*The accompanying notes are an integral part of these interim condensed consolidated financial statements*

## **1 General Information**

Hydra Dutch Holdings 2 BV (hereafter the “Company”), a Limited Liability Company incorporated in Amsterdam, The Netherlands, and its subsidiaries (hereafter “the Group”), are active in 18 countries and mainly engaged in Home & Office Delivery (HOD) of water cooler bottles. Additionally, the Group offers customers in most markets a range of direct-marketing products such as water filters and Lavazza coffee products.

## **2 Basis of preparation of financial statements**

### **2.1 Statement of compliance**

These financial statements are the interim condensed consolidated financial statements (hereafter “the interim financial statements”) of the Group for the three month period ended 31 March 2016. They are prepared in accordance with and comply with the International Accounting Standard 34, Interim Financial Reporting.

The interim financial statements include the operations of Hydra Dutch Holdings 2 B.V. and its controlled subsidiaries where control is defined as the power to govern the financial and operating policies of the enterprise so to obtain benefits from its activities. These interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015. These interim financial statements are not audited.

### **2.2 Accounting policies**

The accounting policies used in the preparation of these interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2015.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the period from 1 January, 2015 to 31 December 2015. Regarding financial asset at fair value through profit or loss, see note 3.2.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

### **2.3 Business Combination**

In 2016 acquired business contributed revenues of € 1’498 since the acquisition dates. If the acquisitions had occurred on 1 January 2016, the acquired business, for the period would have contributed revenues of € 2,246.

Details of net assets acquired and intangibles are as follows:

	NWD Poland <b>31/03/2016</b>
<b>Purchase consideration:</b>	
Cash consideration	18,472
Total Purchase Consideration	18,472
Fair Value of Net Assets Acquired	<u>(8,329)</u>
Goodwill	10,143
	NWD Poland <b>31/03/2016</b>
<b>Provisional fair values(1)</b>	
Trade receivables	1,879
Prepaid and other current assets	83
Inventories	321
Property, plant and equipment	5,665
Customer portfolio and Trademarks	3,279
Other intangible assets	57
Trade payables	(539)
Other current liabilities	(1,793)
Deferred income tax liabilities	(623)
Total identifiable net assets	<u>8,329</u>
Goodwill	<u>10,143</u>
	<u>18,472</u>

(1) Based on a preliminary purchase price allocation conducted

### 3 Financial risk management and financial instruments

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign currency exchange risk, cash flow interest rates risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2015.

#### 3.2 Fair value estimation

The table below presents financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

<b>Liabilities</b>	Level 2	
	31.03.2016	31.12.2015
Derivatives financial instruments	(5,638)	(5,201)

Changes in fair value are classified in other operating expenses net, and amounted to EUR 485 in the three months ended March 31, 2016.

There were no transfers between Levels 1 and 2 during the period, and there were no changes in valuation techniques during the periods

### 3.3 Valuation techniques used to derive Level 2 fair values

Level 2 trading derivatives comprise interest rate swaps. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

### 3.4 Fair value of financial assets and liabilities measured at amortized cost

The fair value of the senior secured notes as of March 31, 2016 is EUR 294.2 million.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Borrowing from shareholders and related parties
- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents
- Trade payables and other current liabilities

### 4 Seasonality

The HOD business, in the same way as all other water businesses, is seasonal. The period from May to September represents the peak period for sales and revenues, due to increased consumption of water during the summer months.

### 5 Borrowings

	31/03/2016	31/12/2015
<b>Non-Current</b>		
Senior secured notes and bank borrowings, net	338,668	295,378
Finance lease liabilities	2,933	3,238
	<u>341,601</u>	<u>298,616</u>
<b>Current</b>		
Bank borrowings, net	1,961	2,158
Finance lease liabilities	1,154	1,203
Other borrowings	1,138	1,406
	<u>4,253</u>	<u>4,767</u>
<b>Total borrowings</b>	<u>345,854</u>	<u>303,383</u>

On 29 January 2015, the Company successfully issued EUR 160 million of 8% Senior Secured Notes due 15 April 2019 comprising of EUR 35 million of Exchange Notes of the existing EUR 210 million Floating Rate Senior Secured Notes due 2019 and EUR 125 million of New Cash Notes to finance the acquisition of the Nestle Waters Direct water solutions businesses in Germany, the Netherlands, Portugal, Russia and Poland from Nestle Waters as well as repaying in full the utilization of the Bridge facility.

The Notes are redeemable by the Company at any time prior to their maturity, based on prices and terms stipulated in the Notes agreement which include a make-whole call premium if the Notes are redeemed prior to 1 February 2017.

Therefore, on 29 January 2015, the Company used the first portion of the proceeds from the New Cash Notes to repay EUR 53.2 million of the Bridge Facility that was partially drawn on 28 November 2014 in connection with the first stage of the acquisition of three of the five Nestle Waters Direct water solutions businesses from Nestle Waters. The closing date for the acquisition of the businesses in the Netherlands, Portugal and Germany occurred on 1 December 2014.

On 2 February 2015, the Company used a second portion of the proceeds from the New Cash Notes to settle the purchase price for the acquisition of Nestle Waters Direct water solution business in Russia. The remainder of the proceeds from the New Cash Notes was deposited into an Escrow Account held with the Escrow Agent in the name of the Company pursuant to an Escrow Agreement. This remainder of the proceeds from the New Cash Notes was to be used to pay the purchase price for the acquisition of Nestle Waters Direct water solution business in Poland.

As the acquisition of Nestle Water Direct Poland did not occur on or prior to 31 October 2015 (the 'Polish NWDE Closing Date') the Company redeemed EUR 34.9 million in aggregate principal amount of EUR 160 million 8% Senior Secured Notes due 2019 (the "Notes") at a price equal to 101% of that aggregate principal amount of the Notes plus accrued but unpaid interest on 9 November 2015 (the "Redemption Date"). Following the Redemption Date, the outstanding principal amount of the Notes is EUR 125.1 million.

On 30 October 2015 the Company secured an increase of the existing Revolving Credit Facility Agreement (the "RCF") that was entered on 15 April 2014. The RCF increased from an aggregate amount of EUR 45 million to EUR 65 million.

On 1 February 2016, the Company used additional RCF proceeds to settle the purchase price of Nestle Water Poland that was drawn on 29 January 2016. The total RCF proceeds as of 31 March 2016 is EUR 50 million.

## **6 Segment information**

### **General**

The chief operating decision maker of the Group (hereinafter—CODM). The CODM reviews internal reports of the Group to assess performance and for resource allocation. Group management identified operating segments based on those reports.

The CODM reviews the business activity based on geographical regions, and this serves management to assess performance of geographical regions and to allocate resources. European regions have been aggregated since they bear similar economic characteristics and are similar in the nature of products and production processes, types of customers and distribution methods

As of March 31, 2016, the CODM reviews the performance of operating segments in the year ended on that date based on measuring income before financing expenses, financing income, tax, depreciation, amortization, other expenses and income (loss) (operating EBITDA).

## Information related to geographical segments:

For the three months ended March 31, 2016:

	Europe	Israel	Total
<b>Segment income</b>	61,918	21,590	<b>83,508</b>
<b>Operating EBITDA</b>	12,369	2,464	<b>14,833</b>
<b>Capex</b>	3,562	1,721	<b>5,283</b>

For the three months ended March 31, 2015:

	Europe	Israel	Total
<b>Segment income</b>	62,041	20,265	<b>82,306</b>
<b>Operating EBITDA</b>	10,888	1,674	<b>12,562</b>
<b>Capex</b>	4,263	2,137	<b>6,400</b>

	For the 3 months ended <b>31/03/2016</b>	For the 3 months ended <b>31/03/2015</b>
Operating EBITDA of reporting segments	14,833	12,562
Depreciation and amortization	(8,585)	(8,156)
Other expenses—net	(3,494)	(4,678)
Operating income	2,754	(272)
Financing income	911	2,012
Financing expenses	(10,676)	(10,414)
Taxes on income	(539)	(499)
<b>Net loss</b>	<b>(7,550)</b>	<b>(9,173)</b>

The following is a breakdown of revenue from external customers of the Group's products:

	For the 3 months ended <b>31/03/2016</b>	For the 3 months ended <b>31/03/2015</b>
Water	66,039	64,727
Coffee	17,469	17,579
	<b>83,508</b>	<b>82,306</b>

## 7 Contingent liabilities and Commitments

The French, German, Israeli and Polish subsidiaries are involved in legal actions in the ordinary course of business. The total amount thereof is approximately € 714. A total provision of € 714 is recorded as of 31 March 2016.

On 25 February 2015 a request for a class action was filed against Mey Eden Bar—First Class Service Ltd, (“MEB”) in the sum of NIS 444 million (approx. E 103.6 million). The plaintiffs claim is that the UV light in the company's water bars marketed by MEB did not function as it was supposed to. At this stage, the probabilities of the claim being accepted and that financial resources will be required to discharge the claim, could not be estimated by the company and the company's lawyers.

On 29 September, 2014 a request for a class action was filed against Mey Eden Bar—First Class Service Ltd. (“MEB”) by a former HOD customer. The plaintiff claims that MEB raised the prices of the HOD dispensers without a proper prior notice, that the total amount of the raises was unreasonably high and that the in some of the raises the notice of the raise was not in line with the actual raise. The plaintiff estimated the total damages to all MEB customers in the sum of NIS 67 million (approx. E 15.6 million) On April 6, 2016 the parties signed a



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settlement agreement in which an expert will be appointed to examine past price increases and check if they were legally carried out. MEB will than compensate its customers in the sum equal to 40% of the total sums that will be found by the expert (“Total COMPENSATION”) plus the plaintiff compensation and legal fees in the amount equal to 20% of the total compensation fee. The agreement was submitted to court for its approval on April 18, 2016. At this stage, the company and the company’s lawyers estimate that the probability that financial resources will be required for the discharge of the liability underlying the claim, in addition to the Total Compensation set forth in the Agreement, is lower than the probability that no such resources will be required.

## **8 Subsequent events**

On 1 February 2016, the Group completed the third stage of the acquisition of the Nestle Waters Direct (NWD) business in Poland. Due to anti-trust regulations and competition law in Poland we were able to acquire a portion of the NWD Polish business. The remaining assets that were not purchased by us were transferred to a third party company named GetFresh Sp, z o.o. (GetFresh). The overall purchase consideration for the assets transferred to us and the assets transferred to GetFresh amounts to EUR 32.7 million including a recoverable VAT amount of EUR 5.7 million. GetFresh remitted the purchase price by issuing EUR 11.1 million bonds in favor of Eden Springs Europe B.V. The EUR 18.2 million purchase price for the assets transferred to us has been preliminarily assigned to the fair values of assets acquired and liabilities assumed. This third step of the NWD acquisition was entirely funded using borrowings under the revolving credit facility agreement.

On 31 May 2016, Hydra Dutch Holding 2 B.V. had no subsequent event leading to a material modification of the financial statements.

### ***Traditional Business***

Our traditional business consists of our Cott North America, Cott U.K. and All Other reporting segments. Our traditional business produces, either directly or through third-party manufacturers with whom we have co-packing arrangements, carbonated soft drinks (“CSDs”), 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy drinks and shots, sports drinks, new age beverages, ready-to-drink teas, liquid enhancers, freezables, ready-to-drink alcoholic beverages, hot chocolate, coffee, malt drinks, creamers/whiteners, cereals and beverage concentrates. Cott North America’s net revenue from external customers was \$1,290.9 million and represented 44.0% of our total net revenue for the twelve month period ended April 2, 2016. Cott U.K.’s net revenue was \$545.4 million and represented 18.6% of our total revenue for the twelve month period ended April 2, 2016. All Other’s net revenue was \$58.2 million and represented 2.0% of our total net revenue for the twelve month period ended April 2, 2016. Collectively, our traditional business’ net revenue was \$1,894.5 million and represented 64.6% of our total net revenue for the twelve month period ended April 2, 2016.

### ***Aquaterra Acquisition***

On January 4, 2016, Cott acquired Aquaterra Corporation (“Aquaterra”), Canada’s oldest and largest direct-to-consumer home and office water delivery business delivering water and coffee to homes and offices (the “Aquaterra Acquisition”). The aggregate purchase price paid by the Company in the Aquaterra Acquisition was approximately C\$62 million (approximately U.S. \$44.5 million). We have integrated Aquaterra into our DSS reporting segment.

### ***The Eden Acquisition***

On June 7, 2016, Carbon Acquisition Co B.V., a private company with limited liability incorporated under the laws of the Netherlands and a wholly-owned subsidiary of Cott Corporation, as the purchaser, entered into the Share Purchase Agreement (the “Share Purchase Agreement”) with Hydra Luxembourg Holdings S.à.r.l., a private limited liability company incorporated in Luxembourg, the seller, and Cott Corporation, the purchaser’s guarantor, to acquire the sole issued and outstanding share in the share capital of Eden Holdings, the indirect parent company of Eden Springs Europe B.V., a leading provider of water and coffee solutions in Europe, for a purchase price of approximately €470 million, subject to customary adjustments for cash, debt, working capital and other items. Consistent with Cott’s acquisition and diversification strategy, the Eden Acquisition will allow us to further improve product and channel mix while reducing exposure to large format retailers, create a strong international HOD platform with further tuck-in and expansion opportunities, provide us with meaningful scale across Europe with access to attractive end-markets with a positive growth outlook, and expand our direct to consumer business (by combining DSS, Aquaterra and Eden we will have over 2 million direct to customer delivery points across North America, Europe and Israel). On a pro forma basis, for the twelve months ended April 2, 2016, assuming that the Eden Acquisition had occurred on January 4, 2015, we would have had net sales and Combined Acquisition Adjusted EBITDA of approximately \$3.3 billion and \$437.6 million, respectively.

Eden is a leading provider of water and coffee solutions in Europe. Eden operates in 17 European countries, and Israel, and has a higher combined water and coffee installed client base than any of its competitors. Eden offers a variety of integrated water and coffee solutions designed to cater to the broad range of tastes and requirements of its diverse customer base. Its offerings are segmented into water and coffee solutions:

### ***Water Solutions***

- Eden’s stand-alone bottled water coolers (“BWC”) offering is its principal business and consists of the installation, rental and servicing of stand-alone bottled water coolers and the sale and delivery of bottled water and accessory products to its customers. According to a report by Zenith International from 2015, it is

the largest BWC provider in Europe and holds the largest or second largest presence by BWC client base in 16 of the 17 European countries in which it operates, as well as in Israel.

- Eden's point of use plumbed in water coolers ("POU") offering consists of the installation, rental and servicing of point of use plumbed in water coolers that access and filter tap water, as well as the sale of accessory products. According to a report by Zenith International from 2015, Eden holds the second largest POU position by client base across the 17 European countries that it is present in and it believes POU represents a significant opportunity for sustainable growth.
- Eden's small pack plastic (polyethylene terephthalate) bottles of water ("PET") offering consists of the sale of branded small pack plastic bottles of water for personal use. It offers its PET products primarily in Israel to retail outlets through a third party distributor and it believes it currently holds the largest share of the Israeli PET segment.

### ***Coffee Solutions***

- Eden's office coffee solutions ("OCS") offering consists of the installation, rental and servicing of a variety of stand-alone coffee machines and the sale and delivery of coffee (capsule, bean, ground and soluble), tea, chocolate and accessory products. It has been growing its OCS presence and is a leading OCS provider in the UK and, according to a 2012 report by GIL-CSC, in Israel.

Eden's water and coffee business models have significant operational overlap in areas such as customer service, billing and collection, sales and marketing and administration, which allows it to integrate new coffee customers onto its existing water business platforms and offer a dual water and coffee solution with increased operational efficiency. In recent years, Eden has achieved revenue growth and consolidated its position in the water and coffee space through strategic acquisitions. For the twelve months ended March 31, 2016, Eden generated revenues of €357.0 million and Adjusted EBITDA of €65.5 million.

We believe the Eden Acquisition will create substantial strategic and financial benefits, including:

- *Improves product and channel mix while reducing exposure to large format retailers* : As detailed in the charts below, the Eden Acquisition will further improve our product mix outside of CSDs and shelf stable juices, and drive our channel mix beyond large format retailers.
- *Creates a strong international HOD platform with further tuck-in and expansion opportunities* : Eden is a leading provider in the water solutions space and currently holds the largest or second largest share by BWC client base in 17 of the 18 countries in which it operates. Following the closing of the Eden Acquisition, we intend to proactively pursue accretive, synergistic acquisitions to continually build customer density and reduce the overall cost of servicing Eden's existing customer base
- *Provides meaningful scale across Europe with access to attractive end-markets with positive growth outlook* : The combined BWC and POU segment in Europe (based on the number of water coolers installed) is forecasted by Zenith International to grow at a CAGR of approximately 3.1% from 2015 through 2019, driven primarily by growth in GDP, total hours worked and a continued focus on well-being and the health benefits of water consumption. We believe that Eden's leading presence in the BWC segment and pan-European scale strongly positions it to capture an increasing portion of growth in the water solutions space, cross-sell coffee and water solutions and continue to generate increased operational efficiencies.
- *Expands our direct to consumer business* : The Eden Acquisition provides us access to a customer base that is broad in terms of customer size, industry and geographic region, including a diversified base of offices and homes ranging from recognized blue chip companies to individual homes and offices across 18 countries. Like DSS, Eden has a low customer concentration. For the year ended December 31,

2015, its top 10 customers in aggregate accounted for less than 5% of its total revenue. The new route-to-market also creates synergy opportunities by allowing us to sell Cott products through this new channel to existing Eden customers.

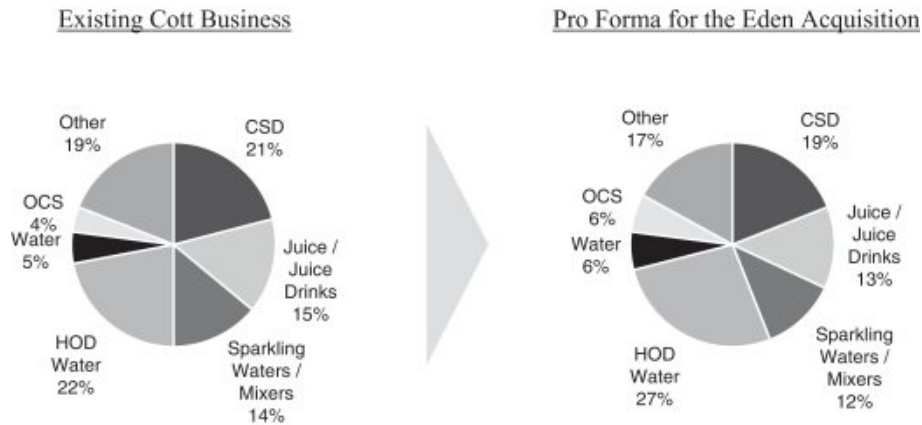
- Continues Cott's acquisition and diversification strategy* : Our business strategy includes evaluating mid-to-larger scale opportunities to expand our positions in the HOD water, OCS and filtration services categories, as well as other higher margin or growth-oriented categories where our platform, operating strength and synergies can be leveraged. We believe that the Eden Acquisition represents such an opportunity, and is consistent with our ongoing strategy to continue to accelerate the pace and scale of our acquisition-based diversification outside of CSDs and shelf stable juices, with a focus on other beverage categories and beverage adjacencies, as well as driving our channel mix beyond large format retailers while ensuring our transactions are value-creative.

**Product Categories and Channels**

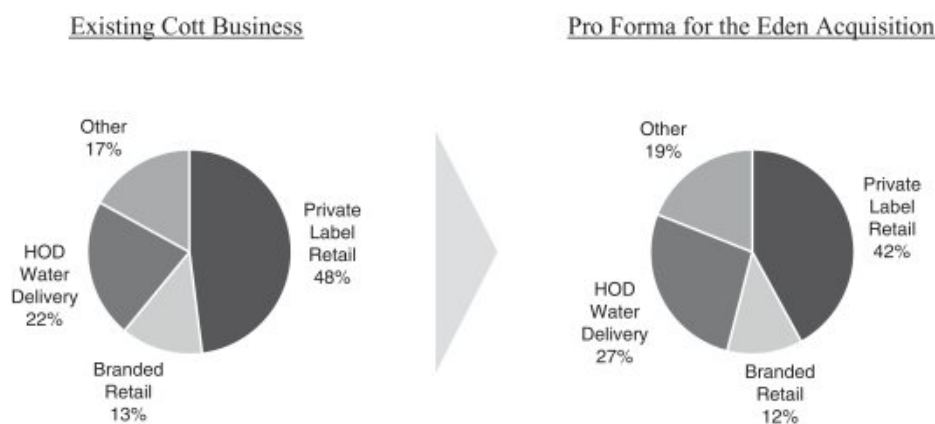
We have a diversified product portfolio across major beverage categories with an expanding presence in beverages that are on-trend with consumer demand. Since 2009, we have invested in developing new products and completed a number of acquisitions to enhance the breadth of our product focus and to continue to diversify our revenues and channel mix. Comparing Cott's and DSS category and channel mix to that of the combined Cott, DSS and Eden Holdings business, CSDs and shelf stable juices would have been reduced from 36% to 32% of our revenues for the year ended January 2, 2016, and private label beverages sold would have been reduced from 48% to 42% of our portfolio on a historical combined basis for the year ended January 2, 2016.

The following chart sets forth Cott's net revenues for the year ended January 2, 2016 by product category and channel mix, on a stand-alone basis and on a pro forma basis, assuming the Eden Acquisition had occurred on January 4, 2015:

**Revenues by Product for the year ended January 2, 2016**



Revenues by Channel for the year ended January 2, 2016



**Competitive Strengths**

The combination of our national scale and density of our routes in key markets, our industry-leading infrastructure, and our emphasis on superior customer service is intended to create significant competitive strengths. With respect to our DSS business, we continually invest in our delivery infrastructure, call center and service capabilities to maintain our established position as a leader in this segment. We believe these investments have positioned us to capitalize on a number of positive industry dynamics and new growth opportunities. First, we intend to capture new customers as we capitalize on favorable consumer trends across our addressable markets, including increased focus on health and wellness, concerns about deteriorating municipal water quality and the shift to single-cup coffee systems. Second, we believe our ability to cross-sell complementary water and coffee products and services represents a significant untapped opportunity; only around 5% of our commercial water delivery customer locations purchase our coffee products. Third, the highly fragmented market in which we operate affords us ample opportunity to make the most of our scale, systems and customer density to execute synergistic tuck-in acquisitions across all of our service areas. We believe these strengths, along with the strengths outlined below, will allow us to capitalize on growth opportunities, such as the Eden Acquisition, to drive sustainable and profitable growth.

***Leading Position in Multiple Beverage Categories with Diverse Products and Services Portfolio***

With the DSS Acquisition, we combined a leading provider in the direct-to-consumer beverage services industry with our traditional business, one of the world's largest producers of beverages on behalf of retailers, brand owners and distributors. We have the largest national presence in the North American HOD bottled water industry by volume and are one of the top five presences in the U.S. OCS and filtration services industries. The HOD bottled water and OCS market segments in the U.S. exhibited strong growth, and we believe we are well-positioned to capitalize on future growth given our leading position in both market segments. In bottled water, we offer a portfolio of well-known regional brands with longstanding heritages, such as Sparkletts, Hinckley Springs, and Kentwood Springs, which have contributed to our being the largest or one of the largest HOD bottled water providers in most cities in which we operate. In OCS, we offer a complete range of products under leading brands including Keurig, Mars Alterra, Starbucks Coffee, Caribou Coffee, Peet's Coffee & Tea and Javarama. We are one of the only direct-to-customer providers that can offer comprehensive services to residential customers and small and medium-sized businesses, as well as large regional and national corporations and retailers, universities and government agencies. Our broad direct-to-consumer network creates an advantage in marketing and customer reach, while our extensive range of products and capabilities allows us to offer

customers a convenient, single solution for coffee, tea and high quality drinking water. We believe our position will be further strengthened through our ongoing efforts to enhance and promote our full-service beverage offering to new and existing customers.

Our traditional business focuses on marketing or supplying retailer, licensed and company-owned brands, as well as manufacturing beverages on a contract basis for national brand customers. We also sell CSD concentrates and non-carbonated concentrates internationally. We believe that our position as a market leader, our broad portfolio offering and our existing infrastructure will enable us to continue to penetrate the contract manufacturing, private-label and value brand markets, whether by winning new customers, launching new product stock keeping units (“SKUs”) with existing customers, or supplying retailers who currently self-manufacture.

Eden is a leading provider in the water solutions space and currently holds the largest or second largest share by BWC client base in 17 of the 18 countries in which it operates. Eden launched its POU offering in Europe in 2008 and by 2015 had already become the second largest player by client base across the European countries in which it is present, a position Eden retains today. The combined BWC and POU segment in Europe (based on the number of water coolers installed) is forecasted by Zenith International to grow at a CAGR of approximately 3.1% from 2015 through 2019, driven primarily by growth in GDP, total hours worked and a continued focus on well-being and the health benefits of water consumption.

***Extensive, Flexible Manufacturing and Distribution Capabilities***

We believe we own the largest combined national production and distribution network for HOD, OCS and filtration services, serving approximately 1.5 million customers in the United States and Canada. DSS operates a national footprint of branch distribution facilities, combined production and distribution facilities and over 2,000 direct-to-consumer routes. With the Aquaterra Acquisition, we believe we have a leading position in Canada serving approximately 70,000 customers in Canada. We believe that having the largest North American HOD production and distribution network in the industry gives us the ability to reduce our purchasing, manufacturing and delivery costs relative to our competitors.

Manufacturing flexibility is one of the core competencies within our traditional business and is critical to our success, as our products will typically feature customized packaging, design and graphics for our key customers. We believe our ability to produce multiple SKUs and packages on our production lines and manage complexities through quick-line changeover processes differentiates us from our competition.

and filtration tuck-in acquisitions. Our acquisition strategy is consistent with our objective to continually build customer density and reduce the overall cost of servicing our existing customer base. We have a proven track record of achieving significant synergies and integrating companies onto our platform and we believe we will continue to improve our profitability and margins through acquisitions.

During the year ended January 2, 2016, we acquired nine separate HOD water businesses. These acquisitions support our previously announced objective of acquisitions where we expect to be able to capitalize on synergies with our existing business.

We have managed to pursue this acquisition strategy while reducing leverage levels from the time of the DSS acquisition by employing a combination of disciplined purchase pricing, successful integration and synergy realization, and opportunistic access to the equity capital markets.

Consistent with our acquisition strategy, we regularly pursue acquisition opportunities and we are currently participating in processes regarding several potential acquisition opportunities, including ones that would be significant to us. We cannot predict the timing of any contemplated transaction and none are currently probable.

#### ***Capture DSS, Aquaterra and Eden Synergies***

We captured \$10.0 million of DSS synergies in 2015. We have established a goal of delivering approximately \$10.0 million of incremental synergies in each of 2016 and 2017, for a total expected delivery of \$30.8 million of DSS synergies by the end of 2017, consisting of approximately \$23.8 million in cost synergies and approximately \$7.0 million in revenue synergies. In addition, we expect to capitalize on both the capture of synergies and the expansion of our partnerships in 2017 and beyond once we have fully integrated the Aquaterra Acquisition in 2016. With respect to the Eden Acquisition, we expect that we will capture approximately \$11.0 million of synergies by the end of 2019. These synergies are comprised predominantly of procurement and administrative cost savings opportunities by leveraging our procurement expertise and optimizing our consolidated corporate and back office platform. Collectively, we believe the DSS, Aquaterra and Eden synergy opportunities will facilitate cash flow and margin improvement as we integrate these businesses and operate them as a consolidated, global water and coffee delivery platform.

#### ***Grow Contract Manufacturing and Other Beverage Categories in Our Traditional Business with a Focus on the “4Cs”***

The business strategy of our traditional business is to hold volumes broadly stable through growing our sparkling water and mixer category and contract manufacturing channel to offset declines in private label CSDs and shelf stable juices, and continue to focus on our “4Cs” of customers, costs, capex and cash.

##### *Maintain Customer Focus*

Customer relationships are important for any business, but at Cott, where many of our products bear our customers’ brand names, we must maintain particularly close partnerships with our customers. We will continue to provide our customers with high quality products and services at an attractive value that will help them provide quality, value-oriented products to their consumers. We will continue to focus on our high levels of customer service, as well as innovations through the introduction of new packages, flavors and varieties of beverages. We believe our focus on our customers will enable us to leverage our existing relationships and to develop new ones in current and new markets.

##### *Control Operating Costs*

We understand that our long-term success will be closely tied to our ability to remain a low-cost supplier. Effective management of our operating costs is critical to our success. As part of our ongoing management of

## **Recent Developments**

### ***The Eden Acquisition***

On June 7, 2016, Carbon Acquisition Co B.V., a wholly-owned subsidiary of Cott Corporation, entered into the Share Purchase Agreement to acquire Eden Holdings, the indirect parent company of Eden Springs Europe B.V., for a purchase price of approximately €470 million, subject to customary adjustments for cash, debt, working capital and other items. Pursuant to the Share Purchase Agreement, Carbon Acquisition Co B.V. will purchase the sole issued and outstanding share in the share capital of Eden Holdings and Eden Holdings and its subsidiaries will become wholly-owned subsidiaries of Cott Corporation.

We intend to finance a portion of the Eden Acquisition, to repay a portion of Eden's and its subsidiaries' outstanding indebtedness and to pay certain related fees and expenses with the proceeds from this offering. See "Use of Proceeds."

Closing of the Eden Acquisition is subject to certain closing conditions, including obtaining regulatory approvals.

The Eden Acquisition will be consummated concurrently with the repayment of certain existing indebtedness of Eden and its subsidiaries (including €175.0 million aggregate principal amount of Floating Rate Senior Secured Notes due 2019, €125.1 million aggregate principal amount of 8.00% Senior Secured Notes due 2019 and €50.0 million under a revolving credit facility), the release of the proceeds of the notes offered hereby from escrow, the additional borrowing under our ABL Facility and the use of cash on hand, and the payment of certain related fees and expenses (these transactions, including the issuance of the notes offered hereby on the issue date, are referred to collectively as the "Transactions").

### ***ABL Facility Amendment***

On June 7, 2016, we entered into Amendment No. 7 to our ABL Facility (the "ABL Facility Amendment") to permit, among other things, the Eden Acquisition and the issuance of the notes hereunder and to make certain other changes thereto in connection with the Eden Acquisition. We intend to draw approximately an additional \$71.0 million under our ABL Facility to finance a portion of the purchase price payable with respect to the Eden Acquisition, to repay a portion of Eden and its subsidiaries' outstanding indebtedness and to pay certain related fees and expenses. See "Description of Other Indebtedness—ABL Facility" and "Use of Proceeds."

### ***Escrow of the Notes***

This offering is expected to be consummated on \_\_\_\_\_, 2016, which will be prior to the consummation of the Eden Acquisition. We expect that the Escrow Issuer will enter into the Escrow Agreement (as defined below) pursuant to which on the issue date, unless the Eden Acquisition has occurred at or prior to such time, the Escrow Issuer will deposit an amount equal to the gross proceeds of this offering, together with cash necessary to fund a special mandatory redemption of the notes on \_\_\_\_\_, 2016, including accrued and unpaid interest on the notes, into a segregated escrow account until the date that the escrow release conditions are satisfied. The release from escrow will be conditioned on the satisfaction of certain conditions (collectively, the "escrow release conditions") described in the Escrow Agreement, including the consummation of the Eden Acquisition in accordance with the Share Purchase Agreement (as defined below). The gross proceeds of the notes, together with cash necessary to fund the special mandatory redemption, will be secured by a first-priority security interest in the escrow account and all deposits and investment property therein and upon satisfaction of the escrow release conditions, the net proceeds will be used as set forth under "Use of Proceeds." If the Eden Acquisition is not consummated on or prior to the Escrow End Date, if we notify the Trustee and the Escrow Agent that the Share Purchase Agreement has been terminated in accordance with its terms or upon the occurrence of certain other events, the notes will be subject to a special mandatory redemption at a price equal to 100% of the initial issue price of the notes, plus accrued and unpaid interest from the issue date or the most recent interest payment date, as applicable, to, but not including, the date of such special mandatory redemption.



### Summary Historical Financial and Other Data of Cott

The following tables set forth our summary historical financial and other data. You should read the following summary data in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in our Form 10-K and in our Quarterly Report on Form 10-Q for the quarter ended April 2, 2016, our audited consolidated financial statements and related notes, our unaudited interim consolidated financial statements and related notes, the historical consolidated financial statements of Eden and related notes, the section entitled “Summary Historical Consolidated Financial and Other Data of Eden,” and the section entitled “Unaudited Pro Forma Condensed Combined Financial Information,” in each case, included or incorporated by reference herein. See the sections entitled “Where You Can Find More Information” and “Incorporation by Reference of Certain Documents.”

No separate financial information has been provided in this offering memorandum for the Escrow Issuer because (1) the Escrow Issuer does not conduct any operations, (2) the Escrow Issuer has no material assets, (3) the Escrow Issuer will be combined with Cott Corporation by way of an amalgamation under applicable Canadian corporation law upon satisfaction of the escrow release conditions, and (4) “Cott Corporation,” the combined company formed upon the combination of the Escrow Issuer and Cott Corporation, will assume all of the Escrow Issuer’s obligations under the notes. The Indenture will restrict the Escrow Issuer from conducting any business or activities other than the issuance of the notes offered hereby and the transactions contemplated by the Escrow Agreement, and the Escrow Issuer will have no assets other than the escrowed funds and no liabilities other than the notes.

Our summary historical financial and other data for the years ended December 28, 2013, January 3, 2015 and January 2, 2016 and as of January 3, 2015 and January 2, 2016 have been derived from our audited historical consolidated financial statements included or incorporated by reference herein. The balance sheet data as of December 28, 2013 have been derived from Cott’s audited historical consolidated financial statements not included or incorporated by reference in this offering memorandum. Our summary historical financial and other data for the three months ended April 4, 2015 and April 2, 2016 and as of April 2, 2016 have been derived from our unaudited interim historical consolidated financial statements included or incorporated by reference herein. Our balance sheet data as of April 4, 2015 have been derived from our unaudited interim historical consolidated financial statements not included or incorporated by reference in this offering memorandum. Our summary historical financial and other data for the twelve months ended April 2, 2016 is derived from our unaudited historical statement of operations from our Form 10-Q for the quarter ended April 2, 2016 and the statement of operations of the nine months ended January 2, 2016. The statement of operations for the last nine months of 2015 was calculated by taking our full year 2015 statement of operations from our Form 10-K and subtracting the year-to-date statement of operations from the Form 10-Q for the quarter ended April 4, 2015. In the opinion of management, the unaudited interim consolidated financial data reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly our financial position for those periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year or any future period.

	Fiscal Year Ended			Unaudited Three Months Ended		Twelve Months Ended
	Dec. 28, 2013	Jan. 3, 2015	Jan. 2, 2016	Apr. 4, 2015	Apr. 2, 2016	Apr. 2, 2016
	(millions of U.S. dollars)					
<b>Income Statement Data:</b>						
Revenue, net	\$2,094.0	\$2,102.8	\$2,944.0	\$ 709.8	\$ 698.4	\$2,932.6
Cost of sales	1,818.6	1,826.3	2,048.5	508.5	484.4	2,024.4
Gross Profit	275.4	276.5	895.5	201.3	214.0	908.2
Selling, general and administrative expenses	180.3	213.7	768.6	188.5	197.0	777.1
Loss on disposal of property, plant and equipment	1.8	1.7	6.9	1.4	0.9	6.4
Restructuring	2.0	2.4	—	—	—	—
Asset impairments	—	1.7	—	—	—	—
Acquisition and integration expenses	3.1	41.3	20.6	4.7	1.4	17.3
Operating income	88.2	15.7	99.4	6.7	14.7	107.4
Other expense (income), net	12.8	21.0	(9.5)	(10.4)	(2.2)	(1.3)
Interest expense, net	51.6	39.7	111.0	27.7	27.8	111.1
Income (loss) before income taxes	23.8	(45.0)	(2.1)	(10.6)	(10.9)	(2.4)
Income tax expense (benefit)	1.8	(61.4)	(22.7)	(9.4)	(9.0)	(22.3)
Net income (loss)	22.0	16.4	20.6	(1.2)	(1.9)	19.9
Less: Net income attributable to non-controlling interests	5.0	5.6	6.1	1.3	1.4	6.2
Less: Accumulated dividends on convertible preferred shares	—	0.6	4.5	2.7	—	1.8
Less: Accumulated dividends on non-convertible preferred shares	—	0.2	1.4	0.8	—	0.6
Less: Foreign exchange impact on redemption of preferred shares	—	—	12.0	—	—	12.0
Net income (loss) attributed to Cott Corporation	<u>\$ 17.0</u>	<u>\$ 10.0</u>	<u>\$ (3.4)</u>	<u>\$ (6.0)</u>	<u>\$ (3.3)</u>	<u>\$ (0.7)</u>

	Fiscal Year Ended			Unaudited Three Months Ended	
	Dec. 28, 2013	Jan. 3, 2015	Jan. 2, 2016	Apr. 4, 2015	Apr. 2, 2016
	(millions of U.S. dollars)				
<b>Cash Flow Data:</b>					
Cash flows provided by (used in) operating activities	\$ 154.9	\$ 56.7	\$ 254.6	\$ (1.1)	\$ (18.7)
Cash flows used in investing activities	(71.6)	(850.3)	(99.7)	(29.0)	(73.5)
Cash flows provided by (used in) financing activities	(213.3)	835.7	(160.1)	(20.4)	71.2

	Unaudited					Twelve Months Ended Apr. 2, 2016
	Fiscal Year Ended			Three Months Ended		
	Dec. 28, 2013	Jan. 3, 2015	Jan. 2, 2016	Apr. 4, 2015	Apr. 2, 2016	
(millions of U.S. dollars)						
<b>Balance Sheet Data (at period end):</b>						
Cash and cash equivalents	\$ 47.2	\$ 86.2	\$ 77.1	\$ 34.5	\$ 55.1	\$ 55.1
Property, plant and equipment, net	480.5	864.5	769.8	845.2	774.6	774.6
Total assets (1)	1,410.7	3,073.2	2,887.3	3,010.9	2,927.6	2,927.6
Short-term borrowings	50.8	229.0	122.0	221.0	62.8	62.8
Long-term debt (excludes CPLTD) (1) (2)	397.9	1,541.3	1,525.4	1,529.8	1,524.1	1,524.1
Total debt (2) (3)	452.6	1,774.3	1,650.8	1,754.9	1,590.3	1,590.3
Net debt (1) (4)	405.4	1,688.1	1,573.7	1,720.4	1,535.2	1,535.2
Total equity	604.4	548.9	645.9	512.7	778.9	778.9
<b>Other Financial Data (unaudited):</b>						
EBITDA (5)	\$ 176.0	\$ 105.4	\$ 332.7	\$ 74.5	\$ 69.4	\$ 327.6
Adjusted EBITDA (6)	197.9	180.2	357.0	73.7	70.9	354.2
Adjusted EBITDA margin (in %) (7)	9.5%	8.6%	12.1%	10.4%	10.2%	12.1%
Free cash flow (8)	99.6	10.0	143.8	(28.4)	(48.2)	124.0
Capital expenditures (9)	55.3	46.7	110.8	27.3	29.5	113.0
Depreciation and amortization	100.6	110.7	223.8	57.4	52.5	218.9
Eden Adjusted EBITDA (10)	65.9	66.9	70.2	14.2	16.4	72.4
Combined Acquisition Adjusted EBITDA (11)						437.6
Pro forma total secured indebtedness						525.8
Pro forma total indebtedness						2,165.5
Ratio of pro forma total net secured indebtedness to Combined Acquisition Adjusted EBITDA (12)						1.1x
Ratio of pro forma total net indebtedness to Combined Acquisition Adjusted EBITDA (12)						4.8x

- (1) Amounts for the three months ended April 4, 2015 presented to reflect the reclassification of unamortized debt issuance costs of \$22.7 million to long-term debt in accordance with GAAP.
- (2) "CPLTD" is the current portion of long-term debt.
- (3) Presented net of unamortized debt issuance costs and premiums on debt.
- (4) Net debt means our total debt less cash and cash equivalents.
- (5) EBITDA means earnings before interest expense, income taxes, depreciation, amortization and net income attributable to non-controlling interests, accumulated dividends on preferred shares and foreign exchange impact on redemption of preferred shares. Other companies may define EBITDA differently and, as a result, our measure of EBITDA may not be directly comparable to EBITDA of other companies. Other disclosures related to the use of EBITDA, as well as a reconciliation of net (loss) income attributed to Cott Corporation to EBITDA, are included in footnote (6) below.
- (6) Adjusted EBITDA means EBITDA adjusted for items which are not considered by management to be indicative of the underlying results. We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA are appropriate to provide additional information to investors about our financial performance. However, we have incurred the charges and expenses that constitute these adjustments in prior periods and expect to incur them in future periods. These expectations are forward-

looking statements within the meaning of the securities laws and actual results may vary due to various risks, including those identified under “Risk Factors.” Because we use these adjusted financial results in the management of our business and to understand underlying business performance, we believe this supplemental information is useful to investors for their independent evaluation and understanding of our business performance and the performance of our management. The non-GAAP financial measures described above are in addition to, and not meant to be considered superior to, or a substitute for, our financial statements prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this offering memorandum reflect our judgment of particular items, and may be different from, and therefore may not be comparable to, similarly titled measures reported by other companies. The following table provides a reconciliation of EBITDA and Adjusted EBITDA to net income (loss) with respect to Cott Corporation:

	Dec. 28, 2013	Jan. 3, 2015	Jan. 2, 2016	Three Months Ended		Twelve Months Ended
				Apr. 4, 2015	Apr. 2, 2016	Apr. 2, 2016
(millions of U.S. dollars)						
<b>Reconciliation:</b>						
<b>Net income (loss) attributed to Cott Corporation</b>	\$ 17.0	\$ 10.0	\$ (3.4)	\$ (6.0)	\$ (3.3)	\$ (0.7)
Interest expense, net	51.6	39.7	111.0	27.7	27.8	111.1
Income tax expense (benefit)	1.8	(61.4)	(22.7)	(9.4)	(9.0)	(22.3)
Depreciation and amortization	100.6	110.7	223.8	57.4	52.5	218.9
Net income attributable to non-controlling interests (a)	5.0	5.6	6.1	1.3	1.4	6.2
Accumulated dividends on preferred shares (b)	—	0.8	5.9	3.5	—	2.4
Foreign exchange impact on redemption of preferred shares (c)	—	—	12.0	—	—	12.0
<b>EBITDA</b>	<u>176.0</u>	<u>105.4</u>	<u>332.7</u>	<u>74.5</u>	<u>69.4</u>	<u>327.6</u>
Restructuring and asset impairments	2.0	4.1	—	—	—	—
Bond redemption and other financing costs	12.7	25.2	—	—	—	—
Facility reorganization costs (d)	—	—	3.0	—	—	3.0
Acquisition and integration costs (e)	3.1	41.3	20.6	4.7	1.4	17.3
Purchase accounting adjustments, net (f)	1.0	2.9	4.2	4.2	0.5	0.5
Unrealized commodity hedging loss (gain), net (g)	—	1.2	(1.2)	(0.3)	—	(0.9)
Unrealized foreign exchange and other gains, net	(0.7)	(0.5)	(10.9)	(10.9)	(2.6)	(2.6)
Loss on disposal of property, plant & equipment (h)	2.4	3.2	6.9	1.5	0.9	6.3
Other adjustments (i)	1.4	(2.6)	1.7	—	1.3	3.0
<b>Adjusted EBITDA</b>	<u>\$ 197.9</u>	<u>\$ 180.2</u>	<u>\$ 357.0</u>	<u>\$ 73.7</u>	<u>\$ 70.9</u>	<u>\$ 354.2</u>

(a) The portion of net income attributable to third-party ownership interests in our business.

(b) Dividends attributable to convertible and non-convertible preferred shares issued during the DSS Acquisition. The Company redeemed the outstanding convertible and non-convertible preferred shares in 2015.

- (c) Non-recurring foreign exchange impact related to the difference in U.S. dollar to Canadian dollar conversation rates from date of issuance to date of redemption of convertible and non-convertible preferred shares in 2015.
  - (d) Non-recurring costs related to the closure of facility production lines and related employee severance costs in the United Kingdom.
  - (e) Non-recurring costs related to third-party advisory and professional fees, administrative costs, and other costs associated with our acquisition and integration activities.
  - (f) Non-cash accounting adjustments recorded in accordance with GAAP.
  - (g) Non-cash adjustment related to changes in the fair value of our commodity derivative instruments.
  - (h) Non-cash adjustment recorded upon the disposal of property, plant & equipment.
  - (i) Non-recurring costs related to Company investing and financing activities, legal settlements, legal entity reorganization and other non-recurring expenses.
- (7) We define Adjusted EBITDA margin as Adjusted EBITDA divided by total net revenue.
- (8) The following table provides a reconciliation of net cash provided by operating activities to free cash flow.

	Unaudited					
	For the Year Ended			Three Months Ended		Twelve Months Ended
	Dec. 28, 2013	Jan. 3, 2015	Jan. 2, 2016	Apr. 4, 2015	Apr. 2, 2016	Apr. 2, 2016
	(millions of U.S. dollars)					
<b>Net cash provided by (used in) operating activities</b>	154.9	56.7	254.6	(1.1)	(18.7)	237.0
Less: Capital expenditures	(55.3)	(46.7)	(110.8)	(27.3)	(29.5)	(113.0)
<b>Free Cash Flow</b>	<u>\$ 99.6</u>	<u>\$ 10.0</u>	<u>\$ 143.8</u>	<u>\$ (28.4)</u>	<u>\$ (48.2)</u>	<u>\$ 124.0</u>

- (9) Includes information technology expenditures.
- (10) For a reconciliation of EBITDA and Adjusted EBITDA to net loss with respect to Eden, see the section entitled “Summary Historical Consolidated Financial and Other Data of Eden.” These amounts in millions of U.S. Dollars have been converted from Euro at the average conversion rate for the relevant period.
- (11) Combined Acquisition Adjusted EBITDA represents the sum of Cott Adjusted EBITDA and Eden Adjusted EBITDA for the periods presented plus \$11 million of estimated synergies (expected to be achieved by the end of 2019) to be derived from cost savings in the areas of procurement and administration. The \$11 million of synergies expected to be achieved by the end of 2019 are comprised of approximately €5 million of procurement/fleet cost savings and approximately €5 million of administrative and other costs savings. However, the expected synergies related to the Eden Acquisition are inherently uncertain, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and are beyond our control. Combined Acquisition Adjusted EBITDA does not take into account merger and integration costs that may be incurred in order to achieve the expected synergies. Although we expect to begin achieving these synergies upon closing of the Eden Acquisition, we cannot assure you that we will be able to achieve these synergies as planned or at all. See “Risks Related to the Eden Acquisition—We may not realize the expected benefits of the Eden Acquisition because of integration difficulties or other challenges.” Investors should be aware that Adjusted EBITDA for Eden may not be entirely comparable to Cott’s measures of Adjusted EBITDA. See “Presentation of Financial Information.” Combined Acquisition Adjusted EBITDA has not been prepared in accordance with the requirements of Regulation S-X or any other securities laws relating to the presentation of pro forma financial information, and is not in compliance with Article 11 of Regulation S-X. Combined Acquisition Adjusted EBITDA is presented for information purposes only and does not purport to represent what our actual financial position or results or operations would have been if the recently completed acquisitions and the Eden Acquisition had been completed as of an earlier date or that may be achieved in the future.

These measures are derived on the basis of methodologies other than in accordance with GAAP. These rules govern the manner in which non-GAAP financial measures are publicly presented and prohibit in all filings with the SEC, among other things:

- the exclusion of charges or liabilities that require, or will require, cash settlement or would have required cash settlement, absent an ability to settle in another manner, from a non-GAAP liquidity measure other than EBITDA and Adjusted EBITDA; and
- the adjustment of a non-GAAP financial measure to eliminate or smooth items identified as non-recurring, infrequent, or unusual, when the nature of the charge or gain is such that it has occurred in the past two years or is reasonably likely to recur within the next two years.

(12) Pro forma total net secured indebtedness and Pro forma total net indebtedness are net of pro forma as adjusted cash and cash equivalents of \$52.5 million. See “Capitalization.”

## Summary Historical Consolidated Financial and Other Data of Eden

The following tables set forth the summary historical consolidated financial and other data of Eden, a direct subsidiary of Eden Holdings, and its subsidiaries for the periods and as of the dates indicated. No historical consolidated financial data of Eden Holdings is included in this offering memorandum. We believe that the only material differences between Eden Holdings and Eden relate to additional cash and cash equivalents held in Eden Holdings and intercompany transactions that are either substantially eliminated on consolidation or will be settled concurrent with the closing of this transaction. No separate financial information has been provided in this offering memorandum for Eden Holdings. See “*Risk Factors—The financial statements of Eden presented in this offering memorandum do not satisfy our obligations under the Exchange Act and the financials of Eden Holdings that we will file may materially differ from those presented herein.*”

The summary historical consolidated financial and other data as of December 31, 2013, 2014 and 2015 and for the periods then ended have been derived from Eden’s audited historical consolidated financial statements included elsewhere in this offering memorandum. The summary historical consolidated financial and other data for the three months ended March 31, 2015 and March 31, 2016 and the balance sheet data as of March 31, 2016 have been derived from Eden’s unaudited historical consolidated financial statements included elsewhere in this offering memorandum. The balance sheet data as of March 31, 2015 have been derived from Eden’s unaudited historical consolidated financial statements not included elsewhere in this offering memorandum. The unaudited consolidated financial statements were prepared on a basis consistent with Eden’s audited consolidated financial statements. In the opinion of Eden’s management, the unaudited consolidated financial statements include all adjustments, consisting only of normal and recurring adjustments, necessary for a fair statement of the results for those periods. The results of operations for interim periods are not necessarily indicative of the result to be expected for the full year or any future period.

The summary historical financial and other data of Eden for the twelve months ended March 31, 2016 is derived from its unaudited historical statement of operations for the quarter ended March 31, 2016 and the statement of operations of the nine months ended December 31, 2015. The statement of operations for the last nine months of 2015 was calculated by taking Eden’s full year 2015 statement of operations and subtracting the year-to-date statement of operations for the quarter ended March 31, 2015.

The following summary historical consolidated financial and other data prepared in accordance with IFRS should be read in conjunction with the historical consolidated financial statements and the related notes of Eden included elsewhere in this offering memorandum.

	Fiscal Year Ended			Unaudited		Twelve Months Ended
	Dec. 31, 2013 (three months) (1)	Dec. 31, 2014	Dec. 31, 2015	Three Months Ended		
				Mar. 31, 2015	Mar. 31, 2016	
<b>Income Statement Data</b>	(€ in thousands)					
<b>Revenue</b>	€ 61,584	€ 283,144	€ 355,816	€ 82,306	€ 83,508	€ 357,018
Cost of goods sold	(20,327)	(99,093)	(118,349)	(28,173)	(27,376)	(117,552)
<b>Gross profit</b>	41,257	184,051	237,467	54,133	56,132	239,466
Service expenses	(24,366)	(106,800)	(135,390)	(32,194)	(32,066)	(135,262)
Sales & marketing expenses	(5,824)	(25,933)	(35,909)	(8,497)	(8,544)	(35,956)
General and administration expenses	(5,368)	(19,467)	(26,446)	(6,428)	(6,483)	(26,501)
Amortization of customer relations and tradenames	(1,305)	(8,041)	(11,209)	(2,608)	(2,791)	(11,392)
Other operating expenses (2)	(11,750)	(16,711)	(21,940)	(4,678)	(3,494)	(20,756)
<b>(Loss) Income from operations</b>	<u>(7,356)</u>	<u>7,099</u>	<u>6,573</u>	<u>(272)</u>	<u>2,754</u>	<u>9,599</u>

Income Statement Data	Fiscal Year Ended		Unaudited Three Months Ended		Twelve Months Ended	
	Dec. 31, 2013 (three months) (1)	Dec. 31, 2014	Dec. 31, 2015	Mar. 31, 2015	Mar. 31, 2016	
	(€ in thousands)					
Financial income	€ 630	€ 4,701	€ 3,492	€ 2,012	€ 911	€ 2,391
Financial expenses	(4,635)	(36,882)	(40,344)	(10,414)	(10,676)	(40,606)
Net financial expenses	(4,005)	(32,181)	(36,852)	(8,402)	(9,765)	(38,215)
<b>Loss before taxes on income</b>	<b>(11,361)</b>	<b>(25,082)</b>	<b>(30,279)</b>	<b>(8,674)</b>	<b>(7,011)</b>	<b>(28,616)</b>
Taxes on income	(1,670)	(2,818)	(72)	(499)	(539)	(112)
Net loss	<u>(13,031)</u>	<u>(27,900)</u>	<u>(30,351)</u>	<u>(9,173)</u>	<u>(7,550)</u>	<u>(28,728)</u>

- (1) Eden was established on May 16, 2013 as Rhone Capital IV LP's indirect wholly-owned investment vehicle. On June 14, 2013, Eden signed an agreement with Eden Springs BV to acquire the entire shareholding and control of the direct wholly-owned subsidiaries of Eden Springs BV: Eden Springs Europe B.V. and the Israeli subsidiaries. On October 23, 2013, the transaction was completed and Eden became the sole shareholder of Eden Springs Europe B.V. and Israeli subsidiaries.
- (2) Other operating expenses consists primarily of restructuring and certain acquisition-related integration costs, establishment of a new business line such as POU in Israel, litigation and release of unused provisions and liabilities such as customer deposits received, as well as business development expenses with long-term payback periods.

Balance Sheet Data (at period end):	As of		Unaudited As of		
	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	March 31, 2015	
	(€ in thousands)				
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	14,571	17,741	12,524	13,374	18,020
Trade receivables - net	54,858	60,088	68,105	66,311	66,061
Income tax receivable	837	1,165	2,224	1,232	2,536
Receivable from related parties	440	93	115	167	137
Prepaid and other assets	6,147	10,841	7,767	40,886	14,516
Inventories	12,074	14,446	17,944	17,404	18,707
Financial asset at fair value through profit or loss	—	—	—	—	11,580
	<u>88,927</u>	<u>104,374</u>	<u>108,679</u>	<u>139,374</u>	<u>131,557</u>
<b>Non-current assets</b>					
Property, plant and equipment	66,013	71,970	82,360	84,033	86,979
Goodwill	103,000	135,789	164,511	174,748	171,957
Other intangible assets	82,582	88,114	91,055	102,493	90,806
Deferred tax assets	12,666	14,360	15,956	15,555	17,371
Other non-current assets	4,399	2,437	2,332	2,465	2,913
	<u>268,660</u>	<u>312,670</u>	<u>356,214</u>	<u>379,294</u>	<u>370,026</u>
<b>Total assets</b>	<u>357,587</u>	<u>417,044</u>	<u>464,893</u>	<u>518,668</u>	<u>501,583</u>



Balance Sheet Data (at period end):	As of			Unaudited	
	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	March 31, 2015	March 31, 2016
	(€ in thousands)				
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowings	10,495	55,116	4,767	1,967	4,253
Trade accounts payable	21,921	33,083	36,805	32,740	38,724
Current tax liability	6,293	4,921	4,626	6,158	4,462
Other current liabilities	27,849	36,127	44,651	46,289	42,931
Customer deposits and prepaid income	23,722	30,707	33,534	32,238	32,798
Provisions	3,437	3,826	2,208	1,735	1,381
Payable to parent company	—	75	75	75	75
	<u>93,717</u>	<u>163,855</u>	<u>126,666</u>	<u>121,202</u>	<u>124,624</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	17,142	18,347	19,178	21,529	21,268
Borrowings	150,608	204,870	298,616	324,612	341,601
Other non-current liabilities	1,310	69	52	64	56
Provisions	1,218	1,128	1,026	1,032	986
Liability for employee rights	3,902	5,240	5,250	5,941	5,225
Borrowings from shareholders and other related parties	88,027	47,792	57,394	54,019	58,557
Derivative financial instruments	2,123	5,420	5,201	5,615	5,638
	<u>264,330</u>	<u>282,866</u>	<u>386,717</u>	<u>412,812</u>	<u>433,331</u>
<b>Total liabilities</b>	<u>358,047</u>	<u>446,721</u>	<u>513,383</u>	<u>534,014</u>	<u>557,955</u>
<b>DEFICIT</b>					
Share capital	—	—	—	—	—
Share premium	13,430	13,430	13,430	13,430	13,430
Other reserves	(150)	(1,038)	(371)	(1,222)	(371)
Currency translation adjustment	(747)	(1,222)	9,649	22,466	9,317
Accumulated deficit	(13,035)	(40,935)	(71,352)	(50,111)	(78,924)
	<u>(502)</u>	<u>(29,765)</u>	<u>(48,644)</u>	<u>(15,437)</u>	<u>(56,548)</u>
<b>Non-controlling interests in equity</b>	42	88	154	91	176
<b>Total deficit</b>	<u>(460)</u>	<u>(29,677)</u>	<u>(48,490)</u>	<u>(15,346)</u>	<u>(56,372)</u>
<b>Total liabilities net of deficit</b>	<u>357,587</u>	<u>417,044</u>	<u>464,893</u>	<u>518,668</u>	<u>501,583</u>

Cash Flow Data:	Unaudited					
	Fiscal Year Ended			Three Months Ended		Twelve Months Ended
	Dec. 31, 2013 (three months)	Dec. 31, 2014	Dec. 31, 2015	Mar. 31, 2015	Mar. 31, 2016	March 31, 2016
	(€ in thousands)					
Cash flows provided by operating activities	€ 110	€ 36,078	€ 32,474	€ 730	€ 6,857	€ 38,601
Cash flows used in investing activities	(72,142)	(56,869)	(62,452)	(74,448)	(34,793)	(22,797)
Cash flows provided by (used in) financing activities	86,249	23,910	22,117	68,401	33,535	(12,749)

## Summary Other Financial Data

	Fiscal Year Ended			Unaudited Three Months Ended		Twelve Months Ended
	Dec. 31, 2013 (three months)	Dec. 31, 2014	Dec. 31, 2015	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2016
	(€ in thousands)					
<b>Revenue</b>	€ 61,584	€283,144	€355,816	€82,306	€83,508	€357,018
Solutions						
Water	52,540	221,492	285,411	64,727	66,039	286,723
Coffee	9,044	61,652	70,405	17,579	17,469	70,295
Geography						
Europe	41,278	197,323	261,698	62,041	61,918	261,575
Israel	20,306	85,821	94,118	20,265	21,590	95,443
<b>EBITDA (2)</b>	(1,518)	33,490	41,240	7,884	11,339	44,695
<b>Adjusted EBITDA (2)</b>	10,232	50,201	63,180	12,562	14,833	65,451
Adjusted EBITDA margin (in %) (3)	16.6%	17.7%	17.8%	15.3%	17.8%	18.3%
Net capital expenditures	3,494	16,059	22,700	5,928	5,283	22,055
<b>Adjusted free cash flow (4)</b>	9,333	40,385	36,599	287	6,593	42,865

- (2) EBITDA and Adjusted EBITDA are not measures of financial performance under IFRS and should not be construed as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. Eden defines “EBITDA” as net loss before taxes on income, net financial expenses and depreciation and amortization. Adjusted EBITDA is defined as EBITDA after applying adjustments to eliminate certain costs related to restructuring and integration of acquisitions, as well as other costs such as establishment of new business lines, business development expenses with long-term payback periods, as well as cost savings from acquisitions and the annualized impact of acquisitions. In addition, EBITDA and Adjusted EBITDA, as Eden defines them, may not be comparable to other similarly titled measures used by other companies. We present EBITDA and Adjusted EBITDA because we believe it is helpful to investors as measures of our operating performance and ability to service our debt. EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. See “Presentation of Financial Information.” The following table provides a reconciliation of EBITDA and Adjusted EBITDA to net loss:

	Fiscal Year Ended			Unaudited Three Months Ended		Twelve Months Ended
	Dec. 31, 2013 (three months)	Dec. 31, 2014	Dec. 31, 2015	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2016
	(€ in thousands)					
Net Loss	(13,031)	(27,900)	(30,351)	(9,173)	(7,550)	(28,728)
Taxes on income	1,670	2,818	72	499	539	112
Net financial expenses	4,005	32,181	36,852	8,402	9,765	38,215
Depreciation and amortization	5,838	26,391	34,667	8,156	8,585	35,096
<b>EBITDA</b>	(1,518)	33,490	41,240	7,884	11,339	44,695
Adjustments:						
Other operating expenses (a)	11,750	16,711	21,940	4,678	3,494	20,756
<b>Adjusted EBITDA</b>	10,232	50,201	63,180	12,562	14,833	65,451

- (a) Other operating expenses include adjustments for:
1. Acquisition, integration and restructuring costs of €10.0 million for the three months ended December 31, 2013, €8.9 million and €14.1 million for the years ended December 31, 2014 and 2015, respectively, €2.8 million and €2.2 million for the three months ended March 31, 2015 and 2016, respectively, and €13.5 million for the twelve months ended March 31, 2016. These costs include professional fees incurred to acquire companies, costs to integrate and rationalize personnel and certain corporate functions.
  2. Establishment costs of €3.1 million and €4.7 million for the years ended December 31, 2014 and 2015, respectively, €0.9 million and €0.8 million for the three months ended March 31, 2015 and 2016, respectively, and €4.6 million for the twelve months ended March 31, 2016. These costs include costs incurred to hire and train sales personnel on certain growth initiatives.
  3. Management fees and other expenses of €1.7 million for the three months ended December 31, 2013, €4.7 million and €3.2 million for the years ended December 31, 2014 and 2015, respectively, €1.0 million and €0.5 million for the three months ended March 31, 2015 and 2016, respectively, and €2.7 million for the twelve months ended March 31, 2016. These costs include fees paid to the owner of the business to advise management as well as other costs related to maintaining the ownership.
- (3) Adjusted EBITDA margin for a given period is Adjusted EBITDA for that period divided by total revenue for that period.
- (4) Adjusted free cash flow represents Adjusted EBITDA less net capital expenditures after changes in operating working capital.

#### Summary of Certain Operational Data of Eden

	Fiscal Year Ended			Unaudited	
	Dec. 31, 2013 (three months)	Dec. 31, 2014	Dec. 31, 2015	Mar. 31, 2015	Mar. 31, 2016
Client base (a) at beginning of period	654,220	655,733	763,703	763,703	898,681
Change in client base attributable to organic growth (net)	(13,721)	4,592	18,513	(1,629)	6,485
Change in client base attributable to acquisition (net)	15,234	103,378	116,465	75,771	49,824
Client base at end of period	655,733	763,703	898,681	837,845	954,990
Retention Rate (b)	85.3%	86.5%	87.0%	86.5%	87.0%

- (a) Client base is the total number of BWC or POU water coolers or OCS coffee machines installed at customer premises.
- (b) Retention rate is defined as 1 minus (the total number of BWC, POU and OCS clients lost in a period as a percentage of the average number of total BWC, POU and OCS clients at the beginning of each month during that period). The numbers for the three month periods are annualized.

In addition, these systems and services are vulnerable to interruptions or other failures resulting from, among other things, natural disasters, terrorist attacks, software, equipment or telecommunications failures, processing errors, computer viruses, hackers, other security issues or supplier defaults. Security, backup and disaster recovery measures may not be adequate or implemented properly to avoid such disruptions or failures. Any disruption or failure of these systems or services could cause substantial errors, processing inefficiencies, security breaches, inability to use the systems or process transactions, loss of customers or other business disruptions, all of which could negatively affect our business and results of operations.

***If we are unable to securely maintain our customers' confidential or credit card information, or other private data relating to our employees or our Company, we could be subject to negative publicity, costly government enforcement actions or private litigation, which could damage our business reputation and negatively affect our results of operations.***

The protection of our customer, employee and Company data is critical to us. We have procedures and technology in place to safeguard our customers' debit card, credit card and other personal information, our employees' private data and Company records and intellectual property. However, if we experience a data security breach of any kind, we could be exposed to negative publicity, government enforcement actions, private litigation or costly response measures. In addition, our reputation within the business community and with our customers may be affected, which could result in our customers discontinuing their purchases of our products and services or their use of the debit or credit card payment option. Any loss of our ability to securely offer our customers a credit card payment option would make our products less attractive to many small organizations by negatively affecting our customer experience and significantly increasing our administrative costs related to customer payment processing. This could cause us to lose market share to our competitors and could have a negative effect on our results of operations.

***We also face other risks that could adversely affect our business, results of operations or financial condition, which include:***

- any requirement to restate financial results in the event of inappropriate application of accounting principles or otherwise;
- any event that could damage our reputation;
- failure to properly manage credit risk from customers;
- failure of our processes to prevent and detect unethical conduct of employees;
- a significant failure of internal controls over financial reporting;
- failure of our prevention and control systems related to employee compliance with internal policies and regulatory requirements; and
- failure of corporate governance policies and procedures.

***Our ability to use net operating losses to offset future taxable income may be subject to certain limitations, which could have a significant impact on our business.***

At January 2, 2016, we had, subject to the limitation discussed below, \$328.0 million and \$333.9 million of net operating loss carryforwards for U.S. federal and state tax purposes, respectively, and \$4.3 million for Canadian tax purposes. The U.S. loss carryforwards will expire in varying amounts through 2034 and 2035 for U.S. federal and state operating loss carryforwards, respectively, and the Canadian carryforward will expire in 2035, if not otherwise used. In general, under Section 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses ("NOLs") or tax credits to offset future taxable income. If we undergo an ownership change, our ability to utilize federal NOLs or tax credits could be limited by Section 382

and 383 of the Code. In addition, future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Section 382 and 383 of the Code. Our NOLs or credits may also be impaired under state tax law. Accordingly, we may not be able to utilize a material portion of our NOLs or credits.

Our ability to utilize our U.S. federal and state NOLs or credits is conditioned upon generating U.S. federal and state taxable income. If we are unable to generate U.S. federal and state taxable income to utilize our NOLs, an adjustment to reserve for these NOLs could materially impact our balance sheet.

Valuation allowances have been provided for deferred tax assets related to our state NOLs. Additionally, uncertainties exist as to the future utilization of the operating loss carryforwards. Therefore, in accordance with Financial Accounting Standards Board (“FASB”) and ASC 740-10, we have established a valuation allowance of \$15.4 million at January 2, 2016.

### **Risks Related to Eden’s Business and Industry**

*For the purposes of this section “—Risks Related to Eden’s Business and Industry” only, the words “we,” “us,” “our,” “Eden,” “Eden Spring,” “Company” and words of similar import refer to Eden Holdings and its subsidiaries on a consolidated basis.*

#### ***Our business operates in a highly competitive industry.***

We operate in a highly competitive industry. Competitive factors with respect to our business include pricing, distribution capabilities, logistics, quality, reputation, brand recognition, technical expertise, advertising, sales activities, retention programs, product innovation, increased efficiency in production and distribution techniques and packaging. Our competitors may have greater business resources and/or financial resources and/or less debt than us. We also face competition from regional brands and local competitors in the markets that we serve.

Within our water offering, our BWC offering faces increased competition from the POU category. Because businesses with POU solutions tend to use less bottled water due to the availability of a continuous supply of filtered water, the installation of these systems poses a competitive threat to our BWC business and reduces the number of potential customers for our BWC solutions. Although we believe we are well positioned to offer our POU solutions to quitting BWC customers, we may not be able to offset a decline in revenue from our BWC customers that switch to one of our competitor’s POU offerings, which could have an adverse effect on our business, financial condition and results of operations. Further, the bottled water industry itself faces competition from other non-alcoholic beverage products, including bottled carbonated and non-carbonated soft drinks. In addition, in the event of a change in consumer preference or if the quality of tap water significantly improves, consumers in certain markets may choose to drink tap water instead of purchasing bottled water or using POU. Increased competition and pricing pressure or a significant increase in the consumption by consumers of tap water could have an adverse effect on our business, financial condition and results of operations.

Our OCS segment is also subject to intense competition and our coffee business competes with providers of both operated and non-operated coffee solutions such as manual fresh bean machines and vending machines. Further, the coffee industry itself faces competition from other non-coffee products, including other hot beverages and soft drinks. Increased competition could have an adverse effect on our business, financial condition and results of operations.

#### ***If we are not able to retain and attract customers, our financial performance will be impaired.***

Our economic success is based on our ability to retain current customers and attract new customers to our products and services. If we are unable to retain and attract customers, our financial performance will be impaired, and we could fail to meet our financial obligations.

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Our ability to compete successfully for new customers and to increase retention depends on, among other things:

- the actual and perceived quality and cost of our products;
- our successful execution of marketing and sales strategies, including the acceptance of our value proposition; service delivery and customer care activities, including new account set up and billing; and our credit and collection policies;
- our ability to anticipate and develop new product offerings and services that are attractive to existing or potential customers;
- our ability to reliably deliver products and services on schedule;
- our ability to meet unexpected customer shortages with quick delivery of refills; and
- our ability to adequately staff our customer service teams to effectively respond to customer inquiries and effectively manage any customer dissatisfaction or similar issues.

We believe that quality of service and reliability of delivery and technical support are key competitive factors in the water and coffee businesses and directly relate to the ability to attract customers and increase retention. If we cannot generate new customers, keep our retention at acceptable levels, and maintain a high level of customer service as we seek to expand our operations, our business, financial condition and results of operations would be adversely affected.

***Changing consumer tastes or preferences or improvement in municipal tap water supplies could result in decreased demand for and sales of our products.***

Our success is dependent on customer and consumer tastes and preferences. Any significant changes in these preferences or any inability on our part to anticipate or react to such changes could result in reduced demand for our products and erosion of our competitive and financial position. Our success depends on the ability to respond to customer and consumer trends and preferences and these may shift due to a variety of factors.

We believe that the growth of the bottled water industry is due, in large part, to consumer preferences for high quality products and consumer taste preferences for bottled water over tap water and other beverages. In certain markets, POU solutions are eroding BWC volumes due to economic and sustainability preferences. This trend could be expedited by significant improvements in municipal tap water, particularly in certain Eastern Europe markets like Russia where the quality of municipal tap water is currently perceived as poor. In addition, the trend could increase if supported by campaigns to increase the use of tap water over spring water for environmental, or other, reasons. For instance, on August 25, 2013, new regulations were promulgated under the Israeli Public Health Ordinance with the intention of improving the quality of tap water in Israel. Various Israeli bodies and entities, including the Governmental Authority for Water and Sewerage, the Ministry of Environmental Protection and the municipal water companies, had campaigned to improve the quality of tap water and reduce the use of bottled water in Israel.

In the OCS segment, growth is driven by consumer preferences for single-cup brewing, higher quality coffee and increased consumption away from home as well as a shift to preferences for premium coffee solutions. In addition, growth is also impacted by the demand for our physical equipment (e.g. dispensers and our coffee brewers) that we rent or sell to our customers whose tastes and preferences may be affected by the aesthetics of the equipment, ease of use, and energy efficiency standards, among other factors. These factors may not continue to benefit our business to the same extent in the future.

Any change in consumer preferences away from bottled water and filtered water or from the coffee solutions we provide could result in decreased demand for our products and services.

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***If our bottling processes or water sources were contaminated for any reason, our business could be seriously affected.***

Our water is sourced from 27 water sources and we use 27 production facilities for bottling the water. 9 facilities are operated and managed by us, and the other 18 are owned and managed by third parties (referred to as “co-packers”). We believe the quality and integrity of our bottled water products is imperative to our business and our ability to generate new customers and, therefore, all facilities are required to perform routine water quality tests. While we believe our third-party co-packers are easy to replace if need be, our reputation could be severely damaged if production processes are tampered with or our bottled water products are found to be defective, contaminated or impure at any co-packing facilities. Any perceived product quality issues or allegations of product contamination, even if proven false or unfounded, could tarnish the image of our brand and cause consumers to choose other products. The loss of integrity of our bottled water or production processes, and those of the third parties we also rely on, could lead to product recalls, customer illnesses and liability claims that could significantly reduce our goodwill, market share, revenue and ability to generate new customers. In addition, if a competitor’s bottled water were discovered to be contaminated, consumer concern may arise regarding the quality, safety and health benefits of bottled water generally, including our bottled water.

As with all jurisdictions in which we operate, regulations govern the quality, composition, treatment and production processes permitted for water categories. We have procedures and quality controls in place to comply with such regulations. However, the water sources we and our competitors rely on are natural resources, and natural occurrences beyond our control such as droughts and floods could alter the mineral or chemical content or purity of our water, and environmental pollution or contaminants may affect the amount and quality of the water emanating from such water sources. For example, our source of water in Israel, the Salukia Spring in the Golan Heights, has previously been affected by natural occurrences. Due to extreme weather conditions and livestock near the spring’s drainage basin in February 2009, microbial levels in excess of those permitted under Israeli regulations were discovered through our routine water quality control tests. Although we promptly ceased production and none of the affected water reached our customers, the cessation lasted for almost a month and had an adverse impact on our business and the results of our operations. Following the discovery of the microbial inconsistencies, the Israeli Ministry of Health issued an order that allows for a slightly higher, yet safe, level of microbes in the water extracted from the Salukia Spring. Since 2009, we have conducted daily tests of the water from the Salukia Spring against the microbial thresholds permitted under the order. In June 2010, a similar inconsistency in microbial levels was identified through our daily testing and we had to cease production for a second time. Due to our close monitoring of the water, this lapse in production lasted only a few days and was largely due to the need to conduct consecutive water tests to ensure the safety of the water before resuming production. Aside from the incidents in 2009 and 2010, we have been able to consistently rely on the Salukia Spring to meet all of our Israeli water requirements. Following the incident in 2009, and in coordination with the relevant authorities, we have also adopted measures to limit the risk of inconsistencies in the Salukia Spring water. We erected a fence around the perimeter of the spring and its drainage basin and conduct regular patrolling around the spring, and we heightened our controls and security procedures. In addition, we have a dedicated team that monitors on a daily basis any potential risks and have increased our inventory to ensure continuous supply in the event of any further incidents. Additionally, there has previously been a series of complaints relating to smell problems and particles found in the water with respect to Eden’s water source in Portugal. Notwithstanding these complaints, the Portuguese authorities concluded that there was insufficient evidence linking the suspended particles to the production process and have declined to prosecute the matter. While we are not aware of any further complaints with respect to this issue, we cannot guarantee that similar complaints will not be brought in the future or that they will not interfere with production at the Coruche facility. A letter was also received from the Portuguese authorities concerning high iron levels in finished product from the Coruche facility in Portugal. Eden’s laboratory has conducted laboratory tests and has not detected the alleged high level of iron in the water and has been in communications with the authorities to resolve the matter.

Water is a natural resource and there will continue to be a risk of change in the chemical content or purity of the water or reduction in quality of the water due to pollutants or contaminants. In the event any such risk materializes and if the quality of our bottled water suffers serious reputational damage, our business and results of operations could be materially and adversely affected.

***Climate change, or legal, regulatory or market measures to address climate change, may negatively affect our business and operations.***

There is concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. We may be subjected to decreased availability or less favorable pricing for water as a result of such changes, which could impact our manufacturing and distribution operations. In addition, natural disasters and extreme weather conditions may disrupt the productivity of our facilities or the operation of our supply chain. The increasing concern over climate change also may result in more regional and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. In the event that such regulation is more aggressive than the sustainability measures that we are currently undertaking to monitor our emissions and improve our energy efficiency, we may experience significant increases in our costs of operation and delivery. In particular, increasing regulation of fuel emissions could substantially increase the cost of energy, including fuel, required to operate our facilities or transport and distribute our products, thereby substantially increasing the distribution and supply chain costs associated with our products. As a result, climate change could negatively affect our business and operations.

***The bottled water industry is regulated and if we are unable to continue to comply with applicable laws, regulations and standards in any jurisdiction, we may not be able to sell our products in that jurisdiction.***

The production, distribution, sale, and servicing of our products are subject to regulations in each of the markets in which we operate. Our bottled water, and the water supplied by third parties with whom we have supply and distribution agreements, must meet certain safety requirements for human consumption, labeling, processing and distribution under sanitary conditions and production. All of the bottled water produced must meet certain mineral and chemical concentration levels related to drinking water quality and treatment. In addition, the labels affixed to our bottles and related packaging are subject to restrictions on health and nutritional claims. Regulations, among other matters, set standards for approved water sources and specific processing treatment requirements. While we always endeavor to comply with such regulations, there may be instances where we find ourselves in contravention. For instance, Polish regulation requires that water is bottled, labeled and distributed only as “natural mineral water,” “spring water” or “table water” with each classification having certain specifications regarding permitted production processes and labeling. In 2012, we adopted microbiological filtration and softening processes to improve the taste and appearance of the spring water from the Krzeszowice source in Poland and inadvertently contravened that regulation because the adopted processes were not permitted in the production of “spring water.” The Polish sanitary authority issued a decision stating that the water could therefore no longer be labeled “spring water.” We changed our labeling to “Eden still water” but in doing so again inadvertently contravened the law by not properly labeling the water as one of the three permitted options. We therefore stopped using the microbiological filtration and softening processes and reverted to labeling the water as “spring water” thereby bringing us back into compliance with the Polish regulatory framework. While this contravention of applicable regulation resulted only in a PLN 35,000 (approximately €8,400 equivalent) fine, future failure to fully comply with regulations or to maintain the required governmental approvals is possible and could result in warning letters, fines, product recalls or seizures, civil or criminal penalties or injunctions, each of which could adversely affect our business, financial condition, reputation and results of operations. See “*Business of Eden—Regulatory Framework*.”

***Changes to applicable laws and regulations relating to our customers could have a material adverse effect on our business, financial condition and results of operations.***

The water industry is highly regulated by local and European legislation related to food safety and hygiene, employment conditions and environmental regulation. From time to time, European Union Member States consider laws and regulations relating to the provision of water in the workplace. While these regulations only have an indirect effect on us because they directly regulate our customers, any change in these regulations could have an adverse effect on customer demand. While we work closely with all of our customers to ensure that we



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generate long-term customer relationships, there can be no assurance that we will continue to have the same level of success if the regulatory environment in which our customers make decisions were to change.

For example, under French and Polish regulations, there is a legal obligation for employers to provide drinking water to their employees. Although these regulations primarily affect employers, and not providers or distributors of water, changes in these regulations, or their interpretation or enforcement, could adversely affect the success of our marketing strategy to the business to business (“B2B”) customer segments in France and Poland. Additionally, given our strategic emphasis to focus marketing efforts in Europe towards B2B as opposed to business to consumer, we may be more vulnerable than our competitors to changes in current trade practices. Adverse regulatory or other decisions affecting employers could have a material adverse effect on our business, operating results and financial condition.

***Changes to applicable laws and regulations relating to permits and licenses approvals, or any failure to obtain required permits and licenses or to satisfy ongoing conditions in relation to existing permits or licenses, could have a material adverse effect on our business, financial condition and results of operations.***

Our ability to successfully carry out our operations and satisfy our delivery obligations under contracts with customers depends on our ability to obtain and maintain the lease rights, permits and licenses necessary to facilitate the use of water sources and production facilities. In obtaining such permits and licenses, we must comply with the local regulatory rules provided for by each jurisdiction in which we operate and comply with any ongoing regulatory conditions. No assurance can be given that all necessary permits and licenses will be granted in a timely manner or at all, or if they are granted, that we will be in a position to comply with all of the conditions that may attach to those instruments. Our existing permits and licenses required for our operations are also subject to review, renewal, interpretation, modification, suspension or termination from time to time by the relevant authorities in each of the countries in which we operate. Even if our permits and licenses are renewed, we could become subject to additional obligations, which may impact our business, financial conditions and results of operations.

For example, the Israeli Water Authority permits us an annual allocation of water pursuant to an agreement with its operating body, Mekorot, dated September 2, 2010. This agreement may be terminated upon 90 days prior notice by either Mekorot or us and this agreement may also be terminated if the water sourced from the Salukia Spring becomes contaminated. The Israeli Water Authority also has general authority to terminate the agreement, or to reduce the quantities of water supplied from the spring, if, for instance, it determines that continued extraction of water from the spring is likely to harm the spring or should be used for other national purposes. This agreement remains in force. We also have a production permit issued by the Israeli Ministry of Health for the bottling and sale of water sourced from the Salukia Spring. The Ministry of Health production permits issued to us in preceding years were generally issued for periods of up to 12 months. Our current permit expires at the end of June 2016, and we expect that the permit will continue to be renewed as it has been over preceding years. Additionally, the Ministry of Health is encouraging us to find an alternative water source to the Salukia Spring because the Ministry would like to eventually retract the order it issued following a contamination incident in 2009 (see “*If our bottling processes or water sources were contaminated for any reason, our business could be seriously affected.*”). We are currently exploring alternative water source possibilities and are examining the use of water produced from drilling. Should our Israeli production permit, or any other permits or licenses we hold in the countries in which we operate, be terminated or limited, it could have a material adverse effect on our business, financial condition and results of operations.

Finally, any regulatory approval procedures, conditions attached to existing permits and licenses or requirements to renew or transfer a permit or license, could be added to or amended. No assurance can be given that such additions or amendments, if onerous, will not adversely impact our ability to carry out our operations. Failure to obtain any necessary permits or licenses, or renewals or transfers of such permits or licenses, and satisfy any ongoing conditions could prevent us from carrying out our operations and satisfying our delivery obligations under contracts with customers, which could have a material adverse effect on our business, financial condition and results of operations.

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***Jurisdictions in which we operate regulate the use of bisphenol A (“BPA”), and consumers may not purchase products that use BPA.***

The manufacture, sale and use of resins and BPA used to make our water bottles are subject to regulation. BPA is used to make food containers such as beverage bottles and storage containers and is therefore contained in substantially all of our plastic bottles. The use of BPA is regulated in the European Union by Regulation EU 10/2011 on plastic materials and food contact materials and Directive 2011/8/EU restricting the use of BPA in plastic infant feeding bottles. After a full risk assessment of BPA in 2006, the European Food Safety Authority set an EU-wide tolerable daily intake of 0.05 milligrams per kilogram of body weight. Although this limit has been maintained after a number of reviews, the European Food Safety Authority is currently engaged in another ongoing full risk assessment regarding the use of BPA. This full risk assessment, or future reviews, could lead to a change in the tolerable daily intake and even an outright ban at the EU level, and could therefore force us to replace our plastic water bottles across the EU. Furthermore, certain EU Member States have already begun to adopt more stringent regulations than the EU framework requires. For example, in France, French Law no. 2012-1442, adopted on December 24, 2012 and became effective on January 1, 2015, prohibits the manufacture, importation, exportation and placing on the market of any food packaging containing BPA. France has also introduced labeling requirements for food products that use BPA and could reasonably be used by children under three years old or by pregnant women. The fundamental EU internal market principle of the free movement of goods may ensure that bottles manufactured in compliance with the current and less stringent EU legislative framework in another EU Member State and then exported into France from that Member State will still be permitted for use in France. However, we are required to comply with the French regulation in the interim and there is a likelihood that it will ultimately be determined at the EU level that France is entitled to restrict such imports on public policy or health grounds due to Member States having significant scope for derogation from certain EU laws on these grounds. In France, we therefore made the required investment in 2013 to replace our bottles with BPA-free plastic with adequate functionality and durability. In the future, other EU Member States could adopt bans similar to that of France, thereby creating a more uncertain EU legal landscape. The legal uncertainty regarding the use of BPA and the potential for wide-spread bans on the use of BPA may force us to replace all of our water bottles with BPA-free alternatives, and although we already have a BPA-free option available, and may only be forced to transition to BPA-free plastic over an extended time period in the event such a transition is required, it could nevertheless negatively impact our business, financial condition and results of operations.

Also, negative media attention regarding BPA has generated concern in the bottled water market, and media reports suggest that a number of companies are already reducing usage of BPA in producing their bottles due to consumer concern and the uncertain legal landscape. An increase in consumer concerns could also force us to rapidly replace all of our water bottles with BPA-free alternatives in the future, adversely affecting our business and results of operations.

***We face credit risk from our key third-party distributor in Israel and from our customers.***

We extend credit to some of our customers by providing services in advance of payment. Local country management has a high degree of autonomy in determining pricing and contract strategy, which is influenced by local market circumstances and the competitive environment. In general, we invoice our customers on a monthly basis based on the prior month’s consumption and services provided. In some markets (such as the Nordics, France and the Netherlands) customers are invoiced in advance for “rental contracts” and “package contracts.” In Israel, Jafora is our key distributor through which we distribute PET products to retail outlets. We sell our PET products to Jafora on 60-day terms and Jafora does not put up collateral against the credit it receives. Our net credit exposure to Jafora (less the amount payable by us to Jafora) as of March 31, 2016 was €5.9 million. We have rigorous credit policies and procedures to mitigate credit risk and, while we have no significant exposure to credit risk with any single end-customer, we still suffer losses from doubtful accounts. If we cannot properly manage our credit risk, our results of operations would be adversely affected. Conversely, if we institute overly rigorous credit policies, it could impair our ability to attract and retain customers.

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***Fluctuations in the cost of essential raw materials and commodities for the manufacture and delivery of our products could significantly impact our business.***

For the year ended December 31, 2015, fuel and coffee consumables costs accounted for less than 2% and less than 7% (of which approximately half is attributed to coffee beans and the remainder to capsules and packaging) of our revenue, respectively. While these costs were comparatively small, the price of fuel impacts the cost of our products, both in terms of transportation and distribution costs and, as petroleum is used in manufacturing plastic, the costs of obtaining plastics from our suppliers. If the cost of fuel rises significantly, our transportation and plastic -related costs increase, which impacts the profitability of our operations unless we are able to pass through this cost to our customers. In the past, we have imposed fuel surcharges to mitigate the fluctuations in fuel costs to an extent and fluctuations have not therefore materially affected our margins historically, but our ability to pass on any significant fuel cost rises to our customers is limited and such rises could increase the overall cost of our products leading to increased customer cancellations and reduced revenue. The petroleum markets remain volatile and there can be no assurances that customer surcharges or other measures we take will recover all or any portion of our costs. Significant increases in fuel prices, a severe or protracted disruption in fuel supplies or imposition of mandatory allocations or rationing of fuel could increase the cost of our products and disrupt deliveries to customers, which, in turn, could negatively affect our business, financial condition and results of operations.

The supply and price of coffee beans may be affected by weather, international conditions, consumer demand and access to transportation. Currently, the cost of green coffee is rising in certain coffee growing regions and has led to fears of potential supply shortages. While coffee consumables costs accounted for less than 7% of our revenue for the twelve months ended March 31, 2016, a significant increase in the price of coffee beans could impact our coffee sales and margins if we are unable to pass along such costs to our customers, which could adversely impact our business, financial condition and results of operations.

***Economic downturns or worsening global economic conditions could have a significant adverse impact on our business and results of operations.***

Our business is affected by changes in general economic conditions of the markets and geographic regions in which we sell our products and solutions. Historically, our results of operations have been influenced, and will continue to be influenced, by the general state of the global and regional economies. As a result, our income and results of operations depend, to a certain extent, on the performance of the global economy; particularly GDP and employment levels. When GDP decreases, employers may cut-back on costs and may no longer offer free or subsidized water and coffee to employees, and when unemployment increases there are fewer employees to consume our office-based water and coffee offerings. We are especially exposed to the volatility of the European economies. As an example, the European BWC segment witnessed a slowdown in both volumes and pricing since 2009 due to the financial crisis. Concerns persist regarding the debt and/or deficit burden of certain European countries and their ability to meet future financial obligations, and many European countries are still pursuing austerity measures. According to the OECD, the EU's GDP grew 1.4% in 2014 and 1.9% in 2015, while GDP in Israel grew 2.6% and 2.5% in 2014 and 2015, respectively. For 2016, the EU's GDP is expected to grow 1.8% and Israel's GDP is expected to grow 2.5%. Unemployment in the EU was 10.2% and 9.4% in 2014 and 2015, respectively. The unemployment rate for Israel over those same years was 5.9% and 5.2%, respectively. Continued volatility or worsening of economic conditions across our markets could have a materially adverse effect on our business.

***Significant interruptions to our production facilities could adversely affect our business.***

If any of our production facilities or those owned and operated by third parties were impaired for an extended period of time for any reason, including natural or manmade disasters such as hurricanes, fires, earthquakes or floods or due to a labor strike or dispute or environmental contamination, we would likely have to relocate production to an alternate facility. Relocation could increase transportation costs, which could limit the supply of our products and reduce sales. Higher costs and lower sales could adversely affect our business, financial condition and results of operations.

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***We rely on third parties for the performance of bottling, transportation and logistical services.***

For some of the bottling, logistical and transportation of our products to our customers, we rely upon third-party service providers. Any delays in delivery or poor handling by third-party production facility co-packers, third-party distributors and third-party transport operators of our raw materials, packaging materials or finished products may affect our sales and damage our reputation. Our business requires significant movement of raw materials, packaging materials and finished products. Part of the transportation and delivery of these materials and products are undertaken by third-party contractors, which operate beyond our direct control. Interruptions in the transportation of raw materials or packaging materials to us or delivery of finished products to our customers, and poor handling of materials or products in transit could interrupt our business, cause us losses, damage our reputation, and have an adverse effect on our cash flow, results of operations and financial condition.

In Europe, our water is bottled by us, or in some instances by co-packers. After the water is bottled, the full bottles are packed and shipped to one of our or our third-party managed branches, primarily by third-party distributors who are also responsible for collecting empty bottles. From the branches, the bottles are distributed to the customer by a mix of three types of distributors depending on which method is most cost effective based on route density and other factors. The three types of distributors are: our own-employees, self-employees (entrepreneurs that work for Eden Springs on demand) and dealers (common carrier distributors that also work for other parties). Although we believe co-packers are easy to replace, as a result of the NWDE Acquisition (as defined below), we are currently more dependent on these production facilities than we otherwise would be and this exposes us to reliance on these third parties. In Israel, our PET solutions are distributed directly from our production facility by our key third-party distributor, Jafora, to retail outlets. Our ability to service our customers depends, in many cases, upon our ability to negotiate reasonable terms with distributors and while in the majority of markets in which we operate there is sufficient competition between third-party providers, there may not always be suitable alternative third-party providers available to ensure a strong negotiating position. To provide a material example, we rely on Jafora as a sole distributor in Israel for distribution of our PET products. Jafora is a joint owner of Ein Gedi, a primary competitor in the Israeli PET market. The distribution agreement with Jafora therefore required approval by the Israel Antitrust Authority, which was granted in 2004, extended until March 2015 and recently extended until September 2020. We cannot provide assurance that further extension of this agreement will be approved and a termination of this agreement due to non-renewal or for any other reason, such as non-compliance with the conditions of the antitrust exemption or the relationship between us and Jafora ceasing to be mutually beneficially, would likely adversely affect our business. We also rely on third parties for some of the distribution of our OCS solutions and for the installation and service of POU and OCS machines.

To the extent that our third-party carriers increase their rates, including to reflect higher fuel, maintenance, labor or other costs due to increased regulation, taxation or otherwise, we may not be able to pass on such increases to our customers in a timely manner, if at all. Any material increases in our transport costs that we are unable to pass on to customers fully could materially adversely affect our business, financial condition and results of operations.

***We are dependent on third-party suppliers. Any disruption in these services or increases in costs could adversely affect our business, financial condition and results of operations.***

We rely on a number of third-party suppliers to supply us with water coolers, coffee machines, and other products, which exposes us to risks that such suppliers may fail to meet our volume, timeline or guiding specifications. For example, we rely primarily on Oasis and Ebac, and Champ, respectively, to produce BWC and POU water coolers. In some of the countries in which we operate, we rely primarily on Lavazza for our coffee machines and coffee and, although we may be able to provide customers with our Edenissimo coffee products or other brands as an alternative, we believe that Lavazza is a key supplier that cannot be easily replaced. We have individual contracts with Lavazza in some countries and these contracts are generally renewed annually. Coffee prices charged by Lavazza can be changed once a year by Lavazza and that is normally done in mutual understanding with both parties considering market conditions, but there is no guarantee that the contracts will be

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renewed each year or that we will always be able to reach a mutual understanding. In the UK, since the Kafevend Acquisition (as defined below), we also rely on Mars Drinks to supply Flavia and Klix drinks machines and single serve capsules for those machines. The success of our coffee business may also be affected by our access to distribution rights for these or other coffee products, which may, in turn, have an adverse effect on our business, financial condition and results of operations if we fail to gain or lose access to the most popular and preferred coffee products.

Furthermore, our suppliers are subject to a number of regulations, including food safety and environmental regulations. Failure by any of our suppliers to comply with these regulations, or allegations of compliance failure, may disrupt our supply of product or raw materials, which could have an adverse effect on our business, financial condition, results of operations or liquidity.

No assurance can be given that we will be able to maintain the supplies we require on a timely basis or that we will be able to obtain them at prices that allow us to maintain the financial performance we have had in the past. If we are unable to renegotiate favorable contracts with our suppliers when they expire or, alternatively, if we are unable to replace them, we may suffer a shortage of necessary materials or price increases that could have a material adverse impact on our business, financial condition and results of operations.

***Introductions of new or improved products and technologies to improve operations efficiency may not prove successful, which could disrupt our business or adversely affect our financial condition and results of operations.***

We invest in new products or technologies that we believe would provide a strategic fit with our business or expand our business. Staying abreast of these technological changes necessarily entails capital expenditures, which could exceed our projections or strain our financial position. Further product development and investments are accompanied by potential risks and challenges that could disrupt our business operations, increase our operating costs or capital expenditure requirements and reduce the value of the new products or technology. In addition, the process of integrating new products and technologies might result in significant transaction costs, operating difficulties or unanticipated expenditures and might require management attention that would otherwise be available for ongoing development of our business. Although we strategically invest in our business, there can be no assurance that we can acquire or successfully implement new models or variants of existing models of our water and coffee machines, or those supplied by third parties, and/or that we will be successful in providing the accompanying products that will be most appealing to our customers.

***Our business is seasonal and adverse weather conditions could negatively impact our business.***

Our business is seasonal and the peak period for sales and revenue of our water products typically increases in the summer months due to increased consumption of cold beverages. Conversely, sales of our coffee products peak in the winter months. Cooler summer weather or warmer winter weather could decrease our sales and have an adverse impact on our business, financial condition and results of operations.

***Our success depends on our senior management team and other key personnel, as well as on highly skilled employees that may be difficult to attract and retain.***

Our ability to maintain our competitive position and implement our business strategy will likely depend on the services of our senior management team and other key personnel. The loss or departure of any member of our senior management team, particularly our Chief Executive Officer, or other key employees could have a material adverse effect on our business, financial condition and results of operations and we may not be able to attract and retain individuals with the same or similar levels of experience or expertise.

Our success also depends in large part on our ability to attract and retain qualified employees and to maintain relationships with our key third-party distributors. The failure to attract and retain qualified personnel, for which we face significant competition, may have a material adverse effect on our business, financial condition and results of operations.

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***We depend on our software and information systems for data collection, accounting and for the maintenance, supervision and coordination of our distribution networks.***

Our information system is essential to our overall administrative function and success. We depend on our information systems to process orders, manage inventory and customer accounts, supervise personnel, maintain supplier and distributor information, maintain cost-efficient operations and assist in delivering products on a timely basis. An extended interruption of our information systems for any reason could disrupt our access to information, which could affect our ability to effectively and efficiently manage the business. In particular, our centralized information technology system is based in Israel and, in the event we were to sell the Israel portion of our business, certain information systems may be difficult or costly to replace.

***If we are unable to secure our customers' confidential or credit card information, or other private data relating to our employees or our Company, we could be subject to negative publicity, costly government enforcement actions or private litigation, which could damage our business reputation and adversely affect our financial results.***

The protection of our customer, employee and company data is critical to us. We have procedures and technology in place to safeguard our customers' debit and credit card, and other personal information, our employees' private data and company records and intellectual property. However, if we experience a data security breach of any kind, we could be exposed to negative publicity, government enforcement actions, private litigation or costly response measures. In addition, our reputation within the business community and with our customers may be affected, which could result in our customers discontinuing their purchases of our products and services or their use of the debit or credit card payment option. Any loss of our ability to securely offer our customers a credit card payment option would make our products less attractive to many small organizations by negatively impacting our customer experience and significantly increasing our administrative costs related to customer payment processing. This could cause us to lose market share to our competitors and could have an adverse effect on our financial results.

***Our intellectual property rights, and/or the intellectual property rights of our suppliers, could be infringed or challenged and reduce the value of our products and brands and have an adverse impact on our business, financial condition and results of operations.***

We possess intellectual property rights that are important to our business. These intellectual property rights are primarily trademarks, which are important to our business and relate to some of our products, their packaging, and our overall business branding. We protect our intellectual property rights through a combination of trademark laws, third-party assignment and nondisclosure agreements and monitoring of third-party misuses of our intellectual property. If we fail to obtain or adequately protect our intellectual property, or if there is a change in law that limits or removes the current legal protections of our intellectual property, the value of our products and brands could be reduced and there could be an adverse impact on our business, financial condition and results of operations.

Similarly, we sell brand name products such as Lavazza coffee machines and coffee capsules and Mars Drinks' Flavia and Klix coffee machines and capsules; and those brands are owned by our suppliers or other third parties. We also have agreements with Nestlé to sell-through Nestlé products and to use Nestlé trademarks and the Nestlé mySpring brand. We have limited control over such brands and any failure on the part of the owners of such brands to defend their intellectual property rights or preserve and build their brand reputation could compromise their brands, diminish their value and potentially adversely impact our sales and/or our own reputation.

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***We may inadvertently infringe on the intellectual property rights of third parties or become dependent on licensing intellectual property from third-parties.***

We cannot exclude the possibility that we may inadvertently infringe on intellectual property rights of third-parties, including the intellectual property rights of the brand trademarks we currently licence and will licence from Nestlé. Such inadvertent infringement could include infringing trademarks, improperly using patented technologies or processes of third -parties, or breaching certain non-disclosure provisions of our manufacturing contracts.

If we were to infringe the intellectual property rights of a third-party, we may not be able to manufacture, use or market the affected products or technologies, as applicable, in the countries where the intellectual property rights were granted to that third-party. As a result, we may be forced to make changes to our products or our manufacturing processes to remedy such an infringement. In addition, we could be held liable for damages and other compensation for infringements. We could also be forced to procure licenses to make use of technology from third parties, which would entail additional costs. In that event, we may not be able to obtain the licenses we need for our business at reasonable terms, or at all. In connection with any such licenses, we may not obtain regulatory approvals that may be required, which could in certain cases lead to a loss of all or part of the funds already invested in the use of the licenses or to limitations on our operations. Any restrictions on, or interruptions of, delivery or production resulting from intellectual property infringement or our inability to acquire necessary licenses could have a material adverse effect on our business, financial condition, and results of operations.

***Litigation or legal proceedings could expose us to significant liabilities, including product liability claims, and damage our reputation.***

We are from time to time subject to various litigation claims and legal proceedings. See “*Business of Eden—Legal Proceedings*.” If our products are not safely and/or properly manufactured or designed, personal injuries or property damage could result, which could subject us to claims for damages. The costs associated with defending product liability and other claims, and the payment of damages, could be substantial. Our reputation could also be adversely affected by such claims, whether or not successful. In addition, we may be subject to claims and proceedings arising from on-site accidents or injuries to our employees. While we obtain insurance for workers compensation claims, the insurance may not be adequate or available to cover all claims and we may not be able to renew or obtain insurance coverage on reasonable terms or at all.

Although we are unable to estimate the monetary amount of exposure to loss, if any, in connection with many litigation matters, we make reserves as warranted and we have also asserted insurance claims where appropriate. Actual outcomes or losses may differ materially from amounts that we may establish as a reserve or any recoveries we may receive from insurance. Actual settlements, judgments or resolutions of these claims or proceedings may negatively affect our business and financial performance. A successful claim against us that is not covered by insurance or is in excess of our available insurance limits could require us to make significant payments of damages and could materially adversely affect our business, financial condition and results of operations.

***In some of the markets in which we operate, a portion of our workforce belongs to unions. Failure to successfully renew collective bargaining agreements, or strikes or work stoppages could cause our business to suffer.***

Some of our employees are represented by unions or works councils or are covered by collective bargaining agreements. Some of our employees in France are represented by works councils and unions, and we are subject to collective bargaining agreements with some of our employees in France. Strikes or work stoppages and interruptions could occur if we are unable to sign or renew collective bargaining agreements on satisfactory terms, which could adversely impact our operating results. There are also works councils in the Netherlands, Poland and in Germany, and there are also unions in Israel and Norway. The terms and conditions of existing or renegotiated agreements could increase our costs or otherwise affect our ability to fully implement future operational changes to enhance our efficiency.

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***We face risks associated with conducting business in multiple countries.***

We market our products across Europe and Israel and pursue a strategy of further expanding our operations. In a number of the markets in which we currently do business or may do business in the future, especially emerging markets, the commercial, economic, political or legal environment is different from, and less stable than, markets in Western and Northern Europe. We are exposed to factors of which we have little or no control and which may adversely affect our results of operations and financial conditions. These factors include, among other things:

- political, legal or social instability or volatility;
- wars, terrorism, regional or multinational conflicts;
- natural disasters, fuel shortages and sudden increases in fuel prices;
- underdeveloped infrastructure and changes in distribution and supply channels;
- unexpected changes in regulatory environments and interference by local authorities in the business environment, making it more difficult to obtain permits and licenses or comply with environmental and health and safety regulations;
- trade restrictions, sanctions and penalties;
- fluctuations in currency exchange rates;
- changes in applicable laws or past practices regarding local government procedures and inconsistent application of existing regulations;
- labor strikes and sudden or unexpected increases in wages;
- underdeveloped or otherwise insufficient legal and administrative systems; and
- crime or fraud.

Our overall success as a pan-European business and our strategy of further expansion depend, to a considerable extent, on our ability to anticipate, monitor and effectively manage differing legal, political, social and regulatory environments and economic conditions and unforeseeable developments. We cannot assure you that we will continue to succeed in developing and implementing policies and strategies which will be effective and cost-efficient in each location where we currently do business or new countries we may enter in the future.

In particular, our spring water source for Israel is in the Golan Heights, which is politically contested and is located adjacent to Syria, where there is currently a civil war. There have been violent disputes over the Golan Heights previously, and there remain risks that violent disputes could occur again in the future. Additionally, there is a risk of spill-over from the Syrian civil war into the Golan Heights, and also for the area to be affected by the recent developments relating to the Islamic State of Iraq and the Levant (ISIL; also known as ISIS or IS). There is also a risk of Israeli withdrawal from the Golan Heights as part of a future peace agreement in the region. Additionally, tensions between Israel and the Palestinian territories, especially Gaza, have brought with it wide -spread anti-Israeli sentiment and protests, which gives rise to reputational risks and could give rise to ancillary effects that could adversely affect our business, including the boycotting of our products. Any of these occurrences could materially affect our business, results of operations and financial condition.

***Fluctuations in foreign currency exchange rates may adversely affect our results of operations.***

We conduct our business in various currencies other than the euro, primarily, Swedish Kroner, Danish Kroner, Norwegian Kroner, Polish Zloty, British Pound, Swiss Franc, U.S. Dollar, Russian Rubles, and Israeli New Shekel. As a result, our financial position and results of operations are subject to currency translation risks. Currency translation risk arises through fluctuations in the exchange rate of the currencies of the countries that are not part of the European Monetary Union and their impact on our results of operations and balance sheet



positions as we translate the financial results from our subsidiaries in those countries to the euro. We largely benefit from natural hedging and face limited transactional currency exchange risk because although a significant portion of our revenue is denominated in currencies other than the euro, they are generally accompanied by costs in the same currency. Our Israeli activity, however, is exposed to foreign currency exchange risk on imported goods and on charges to other companies within the group for IT services, which are located in Israel. We are therefore subject to foreign currency exchange rate risk on cash flows related to sales, expenses, financing and investing transactions conducted in currencies other than the euro. Significant fluctuations in exchange rates against the euro may have an adverse impact on our financial performance.

***Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject, which could have a material adverse effect on our business.***

While we recently implemented an insurance coverage enhancement program with the assistance of AON and believe that the types and amounts of insurance coverage we currently maintain are sufficient and adequate for the conduct of our business, our insurance policies may not cover all potential risks associated with our business or for which we may otherwise be liable. For example, our insurance policies may not cover, or fully cover, us against political risks, global conflicts, environmental risks or the inherent hazards of our operations and products. Furthermore, there can be no assurance that any claim under our insurance policies will be honored fully or timely, our insurance coverage will be sufficient in any respect or our insurance premiums will not increase substantially. Accordingly, to the extent that we suffer loss or damage that is not covered by our insurance or which exceeds our coverage, or have to pay higher insurance premiums, our financial condition may be materially adversely affected.

### **Risks Related to the Eden Acquisition**

***We may not realize the expected benefits of the Eden Acquisition because of integration difficulties and other challenges.***

The success of the Eden Acquisition will depend, in part, on our ability to realize all or some of the anticipated benefits from integrating Eden's business with our existing businesses. The integration process may be complex, costly and time-consuming. The difficulties of integrating the operations of Eden's business include, among others:

- failure to implement our business plan for the combined business;
- unanticipated issues in integrating manufacturing, logistics, information, communications and other systems;
- possible inconsistencies in standards, controls, procedures and policies, and compensation structures between Eden's structure and our structure;
- failure to retain key customers and suppliers;
- unanticipated changes in applicable laws and regulations;
- failure to retain key employees;
- operating risks inherent in Eden's business and our business; and
- unanticipated issues, expenses and liabilities.

We may not be able to maintain the levels of revenue, earnings or operating efficiency that each of Cott and Eden had achieved or might achieve separately. In addition, we may not accomplish the integration of Eden's business smoothly, successfully or within the anticipated costs or timeframe. If we experience difficulties with the integration process, the anticipated benefits of the Eden Acquisition may not be realized fully, or at all, or may take longer to realize than expected.

## BUSINESS OF EDEN

*For the purposes of this section “Business of Eden” only, the words “we,” “us,” “our,” “Eden,” “Eden Springs,” “Company” and words of similar import refer to Eden and its subsidiaries on a consolidated basis. Eden Holdings refers to the parent holding company of Eden.*

### Overview

We are a leading provider of water and coffee solutions in Europe. We operate in 17 European countries, and Israel, and have a higher combined water and coffee installed client base than any of our competitors. We offer a variety of integrated water and coffee solutions designed to cater to the broad range of tastes and requirements of our diverse customer base. Our offerings are segmented into water and coffee solutions:

#### *Water Solutions*

- Our stand-alone BWC offering is our principal business and consists of the installation, rental and servicing of stand-alone bottled water coolers and the sale and delivery of bottled water and accessory products to our customers. Our BWC business provides a platform for continued growth of our other solutions. According to a report by Zenith International from 2015, we are the largest BWC provider in Europe and hold the largest or second largest presence by BWC client base in 16 of the 17 European countries in which we operate, as well as in Israel.
- Our POU offering consists of the installation, rental and servicing of point of use plumbed in water coolers that access and filter tap water, as well as the sale of accessory products. According to a report by Zenith International from 2015, we hold the second largest POU position by client base across the 17 European countries we are present in and believe POU represents a significant opportunity for sustainable growth.
- Our PET offering consists of the sale of branded small pack plastic bottles of water for personal use. We offer our PET products primarily in Israel to retail outlets through a third party distributor and we believe we currently hold the largest share of the Israeli PET segment by value.

#### *Coffee Solutions*

- Our OCS offering consists of the installation, rental and servicing of a variety of stand-alone coffee machines and the sale and delivery of coffee (capsule, bean, ground and soluble), tea, chocolate and accessory products. We have been growing our OCS presence in 17 European countries and are a leading OCS provider in the UK. We also hold a leading position in the Israeli OCS segment, according to a 2012 report by GIL-CSC.

Our water and coffee business models have significant operational overlap in areas such as customer service, billing and collection, sales and marketing and administration, which allows us to integrate new coffee customers onto our existing water business platforms and offer a dual water and coffee solution with increased operational efficiency. In recent years, we have achieved revenue growth and consolidated our position in the water and coffee space through strategic acquisitions, such as the acquisition of NWDE, which occurred in three stages, starting with the signing of the acquisition documents in September 2014 and the first closing on December 2014, and concluding on February 1, 2016 (the “NWDE Acquisition”). For the twelve months ended December 31, 2015, we generated revenue of €355.8 million.

As of March 31, 2016, we had an installed client base of around 955,000, comprising 800,000 water coolers and 155,000 coffee machines.

For the twelve months ended March 31, 2016, we distributed more than 31 million BWC bottles and more than 730 million liters of water in our BWC and PET offerings combined. Our water is sourced from 27 water

sources. To deliver our water and coffee solutions, we manage a network of primarily third- party distribution assets, including production facilities, branches and service vehicles. Our bottles are washed, sterilized, filled and capped at 27 production facilities (9 of which we own and operate, with the other 18 owned and operated by third parties) located near the site of each facility's water source. We apply high-quality standards and perform quality control checks at the water sources and production facilities, including those managed by third- parties. As of March 31, 2016, we had approximately 1,200 service vehicles and employed approximately 3,200 full-time equivalent employees, of which approximately 90% are in Europe and 10% are in Israel.

## **Our Competitive Strengths**

Our business benefits from the following competitive strengths:

### ***Leading presence in an industry with attractive market dynamics.***

We are a leading provider in the water solutions space and currently hold the largest or second largest share by BWC client base in 17 of the 18 countries in which we operate. We have a track record of achieving a leading presence in our chosen areas of operation. We were the first to develop BWC and PET offerings in Israel and had an approximately 74% BWC segment share in Israel in 2012, according to a report by GIL-CSC. We believe we also hold the leading presence in the Israeli PET segment. We were among the first companies to develop the BWC category in Europe in the late 1990s and by 2015 we had an approximately 28.7% aggregated share of the BWC installed client base across the European countries in which we are present and are reported on by Zenith International. We launched our POU offering in Europe in 2008 and by 2015 we had already become the second largest player by client base across the European countries in which we are present, a position we retain. The combined BWC and POU segment in Europe (based on the number of water coolers installed) is forecasted by Zenith International to grow at a CAGR of 3.1% from 2015 through 2019, driven primarily by growth in GDP, total hours worked and a continued focus on well-being and the health benefits of water consumption. We believe that our leading presence in the BWC segment and pan-European scale and strongly positions us to capture an increasing portion of growth in the water solutions space, cross-sell our coffee and water solutions and continue to generate increased operational efficiencies.

We have been growing our OCS presence in Europe and, following the acquisition of Kafevend Holdings Limited and its subsidiary in December 2013 (the "Kafevend Acquisition"), we are a leading OCS provider in the UK. Our Israeli coffee brand, Pauza, is the overall leader in the OCS segment with an approximately 45% share in 2012 according to a report by GIL-CSC. Overall coffee consumption per capita is increasing, with the office coffee segment showing a strong trend towards a shift in consumption to premium coffee (fresh ground and capsules as opposed to coffee granules and soluble coffee), which is our core focus. In conjunction with our preferred coffee suppliers Lavazza and Mars Drinks, we cater to the premium-taste portion of the OCS segment and we believe we are well positioned to capitalize on this trend. We have further increased our opportunities for growing our OCS presence through cross-selling our coffee solutions to a much larger geographic and customer base across Europe.

### ***Diversified business profile.***

We have a balanced and diversified business profile which favors revenue stability and creates significant growth opportunities.

Due to our strong brand recognition and reputation, we are a preferred supplier to a high-quality and diversified customer base. Our customer base is broad in terms of customer size, industry and geographic region, ranging from recognized blue chip companies to individual homes and offices across 18 countries. For the year ended December 31, 2015, our top 10 customers in aggregate accounted for less than 5% of our total revenue.

We offer a variety of integrated water and coffee solutions (including three water offerings), with coffee generating an increasing percentage of our revenue since launching our OCS business in Europe in 2010 and

developing our strategy to integrate new coffee customers onto our existing water business platforms. Coffee accounted for revenue of €9.0 million (14.5% of our total revenue) for the three months ended December 31, 2013, €61.7 million (21.8% of our total revenue) for the year ended December 31, 2014, €70.4 million (19.8% of our total revenue) for the year ended December 31, 2015, and €17.5 million (20.9% of our total revenue) for the three months ended March 31, 2016. In addition, we generate operational efficiencies from overlaps in areas such as manufacturing, distribution, customer service, billing and collection, sales and marketing and administration.

We also have a broad geographical footprint. We offer our dual water-and-coffee solutions in 18 countries, with no single country generating more than 26% of our total revenue for the year ended December 31, 2015 and with the remaining countries generating 19% and lower for the same period. Our geographic diversification means we are less exposed to the general economic conditions affecting any single country or currency.

***Our scale of operations provides us with competitive advantages.***

According to a report by Zenith International from 2015, as the largest or second largest presence by BWC client base in 16 of the 17 European countries in which we operate, as well as in Israel, and as the second largest POU provider across the European countries in which we operate, we believe that our large distribution footprint in the water-and-coffee solutions space in Europe provides us with nationwide coverage for our most significant businesses and allows us to meet the water and coffee needs of our diversified customer base, including both small- and medium-sized businesses and larger national customer accounts. For example, in France, as of December 31, 2015, we service approximately 91,000 water coolers through a network of several branches and approximately 168 service vehicles. Our nationwide scale was a factor in securing a contract with SNCF, the French national railway company. The agreement with SNCF is dated January 17, 2014 and has a term of 3 years and 6 months. We focus our efforts towards markets with above-average potential customer density thereby allowing us to take advantage of our infrastructure and operational know-how to further increase our route density to generate incremental return on capital investment. This allows us to profitably serve small- and medium-sized businesses, which are our core customer base.

***Best in class operational performance.***

We have historically demonstrated sustained, strong margins, and achieved high return on capital investment as a result of our dense, scaled, well-managed operations and continued focus on operational improvements and customer satisfaction. To increase operational efficiency, we monitor operations with a precise profit and loss reporting system, monthly management reviews and a yearly audit on operational efficiency. We rigorously apply a highly data-driven approach to managing our business, in each case on a market-by-market basis across our branches to improve operational efficiency and increase customer satisfaction. As part of this system, we have developed an effective managerial reporting and control system that collects, tracks and allows us to regularly analyze a variety of key performance indicators (“KPIs”) from each of the local markets across our supply chain. These KPIs are designed to optimize route density, increase customer satisfaction and help us quickly identify issues or trends in our business. For instance, we have implemented a tailor-made customer relationship management solution and software to optimize route sequence, cost and frequency of visits, and to provide reliable service to our customers, by closely following our service level agreements and making sure our customers, for instance, do not run low on inventory by monitoring their consumption. We believe our system of benchmarking performance across local markets and product segments and our system of remuneration in place for both our management and employees, based on profitability, growth and customer satisfaction has encouraged a culture of internal accountability and healthy competition, as well as the sharing of best practices.

We have historically enjoyed high retention rates and long-standing customer relationships across our business, which we believe is a result of the high quality service we offer. As of March 31, 2016, the average length of our customer relationships (excluding PET) was more than seven years. We have consistently increased our retention rate across our water and coffee solutions (excluding PET) in recent years, with an increase from

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85.3% in 2013 to 86.5% in 2014 to 87.0% in 2015, and we seek to increase this rate further through our focus on operational improvements and customer satisfaction. We believe our successes with high customer retention rates are attributable to our ongoing operational excellence activities, including consistent improvement of our quality of service and our implementation of a variety of tools to identify the satisfaction level of our customers. For example, we initiated a customer's event driven survey tool that enables periodic tracking and benchmarking of various KPIs pertaining to our customer related activities, such as distribution, technical support, billing and collection.

***Flexibility of our cost base and proven business resilience through the downturn.***

We have a flexible cost base, which has historically provided us with resilient margins and allows us to adjust our cost base for seasonal variations in demand for water and coffee. Such continued resilience is bolstered by more recent operational efficiency initiatives such as our "FlexMax" program, which encourages managers to convert fixed costs into variable costs; for instance, by renting assets and utilizing self-employees (entrepreneurs that work for us on demand, with remuneration linked to volumes delivered, profitability and satisfaction of the customers on their routes). We estimate that our variable costs, including semi-variable distribution costs that we can downscale relatively quickly in reaction to variations in demand for water and coffee, represented more than 70% of our total cost base for the year ended December 31, 2015.

***Strong acquisition and business integration track record.***

We have acted as a consolidator in the highly fragmented water and coffee services industry and have successfully executed over 90 add-on acquisitions of varying sizes since 1998. We have completed 13 of these acquisitions since 2009 in support of our OCS business in Europe and Israel, including the Kafevend Acquisition in December 2013. Our dedicated mergers and acquisitions team and experienced local management have a disciplined and structured approach to identifying and targeting opportunities and in smoothly and efficiently executing acquisitions, including negotiating deal structure and pricing. We targeted opportunities that increased our customer base and generated a compelling return to complement our investment in sales and marketing and product development, focusing on selective bolt-on acquisitions that grew our customer base in a cost-efficient manner. We have a demonstrated ability to successfully integrate acquired companies and their customer base and generate significant synergies shortly after acquisition from supply chain optimization, implementation of operational efficiency initiatives and saving on overhead costs through economies of scale. For all other than our most material acquisitions, we operate a "90:90" model in which we target a realization of 90% of the company's acquired contribution margin within 90 days of close.

***High cash conversion due to scalable capital expenditures and working capital requirements.***

Our relatively modest and scalable capital expenditure and working capital requirements, driven by our focus on operational efficiency and an asset-light distribution network, has enabled us to increase the levels of cash generated by our business. Our strong cash flow generation has allowed us to effectively reinvest in our business and enabled us to pursue additional opportunistic acquisitions to further grow our customer base and consolidate our position.

***Experienced senior management team with strong track record for achieving revenue growth, operational efficiency and successful acquisitions.***

The experience, industry knowledge, leadership and entrepreneurial nature of our senior management team has been instrumental in establishing and expanding our position in the water and coffee solutions industry and in achieving our long term objective of delivering growth for our business. With over 50 years of combined senior management experience within Eden Springs, our senior management team has a strong track record of achieving revenue growth; and in driving operating excellence by using our KPI-driven reporting and control systems to effectively benchmark each of our local markets and identify, target and successfully execute and integrate bolt-on acquisitions.

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## **Our History**

We have an entrepreneurial culture of helping to pioneer new categories in the water solutions industry and a proven ability to achieve leading positions. We were the first to develop the PET and BWC categories in Israel, entering the PET segment in 1982, upon the company's founding, and the BWC segment in 1987.

In 1993, Eden Springs Ltd. (our former indirect majority-holder) underwent an initial public offering and was listed on the Tel Aviv Stock Exchange.

We were among the first group of entrepreneurs to develop the BWC category in Europe. We started our BWC operations in Poland in 1997, followed by Switzerland in 1999. Since 1999, we have expanded our BWC operations throughout Europe, including the United Kingdom, France, the Netherlands, Luxembourg, Spain, the Nordics and the Baltics, through organic growth, strategic acquisitions and a joint venture with Danone. In 2006, we acquired Nestlé Waters PowWow in Denmark and Nestlé Waters Direct Suisse in Switzerland while selling Eden Springs Greece to Nestlé Waters Direct. Recently we completed the NWDE Acquisition, which occurred in three stages and concluded on February 1, 2016, which has allowed us to expand our operations into Germany, Russia and Portugal.

Initially, our entry into the POU segment was restricted under our joint venture relationship with Danone, however, after purchasing Danone's stake in our company, we began expanding into the POU segments in Europe in 2008 and in Israel in 2013.

Leveraging our presence in the water solutions space and strong track record of successful acquisitions, we launched our OCS business in Israel in 1998 and in Europe in 2010 through a combination of organic growth (including greenfield expansions) and strategic acquisitions (with a total of 13 OCS acquisitions in Europe and Israel since 2009).

On October 23, 2013, Eden Springs Europe B.V. and its subsidiaries and the Israeli Subsidiaries were indirectly acquired by our management team and Rhône Fund IV, and became owned by Hydra Dutch Holdings 2 B.V. (the "2013 Eden Springs Acquisition").

## **Our Solutions**

We offer a variety of integrated water and coffee solutions designed to cater to the broad range of tastes and requirements of our diverse customer base across 18 countries.

### ***Water Solutions***

#### *Bottled Water Coolers (BWC): Eden "Pure Nature"*

BWC is our principal business and consists of the installation, rental and servicing of stand-alone bottled water coolers and the sale and delivery of bottled water to our customers. We also generate revenue from the sale and delivery of accessory products such as cups, bottle racks and sanitization kits. According to a report by Zenith International from 2015, we are the overall leading provider of BWC solutions in Europe, and have the largest or second largest presence by client base in 16 of the 17 European countries in which we operate, as well as in Israel. As of March 31, 2016, we had an installation base in Europe and Israel, respectively, of 722,697 and 99,438 bottled water coolers. BWC accounted for 61.4% of our total revenue for the year ended December 31, 2015.

The majority of our BWC revenue is generated on a recurring basis. As of March 31, 2016 approximately 54% of our customers had a BWC rental contract and approximately 18% had a BWC package contract, which are often automatically renewed thereby contributing to our average customer relationship of seven years for our water and coffee solutions (excluding PET).

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Our variety of BWC water coolers may dispense ambient, hot and/or cold water for 3 and 5 gallon returnable bottles which are designed to be easily installed. The units are available in floor-standing and tabletop models and in a variety of attractive designs.

*Point-of-Use Filtration Systems (POU): Eden “Unlimited”*

POU consists of the installation, rental and servicing of point-of-use plumbed-in water coolers that access and filter tap water, as well as the sale of accessory products. We believe that our POU offering represents a significant opportunity for sustainable growth. We intend to grow our POU platform by leveraging our competitive product offering and best-in-class distribution and sales and marketing expertise to cross-sell POU to our OCS customers and to convert BWC customers with higher consumption levels who may prefer POU as a more cost-efficient alternative and therefore potentially not renew a BWC contract. We seek to identify such potential BWC quits and convert those customers to our POU offering, thereby maintaining a high level of retention. POU accounted for 5.8% of our total revenue for the year ended December 31, 2015.

The majority of our POU revenue is generated on a recurring basis by rental contracts. Our rental contracts include installation, sanitization and maintenance services, with accessory products sold separately. We charge our customers on a regular cycle to cover both the rental and routine maintenance. We generate additional revenue if we are required to perform any other work on filtration equipment outside of our standard maintenance. Rental contracts for POU have historically generally had duration of three years, though are often automatically renewed and thereby contribute to our average customer relationship of seven years for our water and coffee solutions (excluding PET).

POU systems are connected at the customer’s location to an existing water supply to reduce impurities and other contaminants found in tap water. Our variety of POU water coolers may dispense ambient, hot, cold and/or carbonated water. The units are available in floor-standing and table-top models and in a variety of attractive designs. Our POU water coolers are professionally installed and maintained by qualified filtration service engineers. We provide bi-annual sanitization and maintenance services, which includes visits to ensure that the filters are clean and operating properly and to replace the filters as necessary.

A customer may move from a BWC to POU solution for a variety of reasons, including cost, convenience and environmental considerations. Although installing a POU is more capital intensive for customers, it is generally more cost-effective and convenient at higher consumption levels because it does not require delivery, handling and storage of BWC bottles. POU is therefore often the preferred alternative for larger offices. POU is also perceived by many customers as being more environmentally friendly and having a reduced carbon footprint. Our POU offering is designed to enable us to promote retention by recapturing BWC customer churn while competitively servicing the higher-growth POU market. As of March 31, 2016, we had an installation base of almost 77,700 POU water coolers across Europe and Israel.

*Small-Pack Bottles (PET): Eden “On-the-Go”*

As part of our water offering in Israel, we also manufacture and distribute single-serve and small-pack bottled mineral water for personal use in 500 and 750 milliliter and other size PET water bottles. We distribute our PET bottles to most retail outlets in Israel through Jafora, our key third-party distributor. Marketed under the brand name “Mey Eden,” our mineral water is commonly recognized as the leading bottled water brand in Israel. We currently hold the largest share of the Israeli PET water segment by revenue. A portion of our revenue in Europe is generated from up-selling single-serve and small- packed PET bottled spring and mineral water to BWC and POU customers and may include delivery of such bottles as part of a package contract. At the end of the three year period, we may enter discussions with Nestlé to continue this arrangement. PET accounted for 12% of our total revenue for the Year ended December 31, 2015.

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### ***Coffee Solutions (OCS)***

Our OCS offering includes the installation, rental and servicing of a variety of stand-alone coffee machines, as well as the sale and delivery of coffee (capsule, bean, ground and soluble coffee), tea, chocolate and accessory products such as sugar and cups.

The water and coffee solutions business models have significant operational overlap, allowing us to integrate new coffee customers onto our existing water business platform and generate efficiencies in areas such as billing and collection, sales and marketing and administration. As with water, we believe nearly every office in the countries in which we operate requires a coffee solution, which creates opportunities for cross-selling our OCS solutions to our office water solutions customers. As of March 31, 2016, we had an installation base of approximately 155,000 coffee machines across Europe and Israel, representing an increase of almost 19,000 since December 31, 2014, and an increase of approximately 11,000 since December 31, 2015. We believe that with our large, existing BWC and POU installation base, and our competitive coffee offering, we are well positioned to grow our emerging leadership position in OCS and capitalize on the trend towards consumption of higher-quality, premium coffee, often in the form of single-serve capsules, which typically require a rented or purchased coffee machine and an OCS supplier to provide regular service. OCS accounted for 19.7% of our total revenue for the year ended December 31, 2015.

We have developed a portfolio of coffee products for capsule, bean, ground and soluble coffee preparations and have partnered with coffee machine manufacturers and brands to cover a broad spectrum from premium to value-oriented solutions for customers with varying levels of coffee consumption. We offer coffee machines and capsules mainly from our partner Lavazza, but we also partner with and purchase coffee machines and coffee products from other suppliers. Since our acquisition of Kafevend in December 2013, we also offer Flavia coffee machines and premium single-serve coffee supplied by Mars Drinks. We have developed our own private label brand, Edenissimo, which is positioned at a lower price point and complements our Lavazza offering. We also offer Kenco (Kraft Foods). As part of the NWDE Acquisition, we will enter an agreement with Nestlé to sell-through for a three year period Nestlé branded food products, including a range of Nestlé coffee products such as Nescafé, Sical, Buondi and Dolce Gusto. At the end of the initial three year period we may enter discussions with Nestlé to continue this arrangement. The majority of our OCS revenue is generated on a recurring basis by rental and package contracts. Historically, our rental contracts for OCS have generally had a duration of between two and four years, and package contracts have generally had a duration of five years, though our customer relationships are typically longer as a result of renewals, which are often automatically renewed and thereby contribute to our average customer relationship of seven years for our water and coffee solutions (excluding PET).

In Israel, we provide an OCS offering under the Pauza brand. The majority of our machines are purchased from Lavazza, but we also partner with and purchase machines and other coffee products from other suppliers, including Saeco, Illy, Nescafé and Mokador.

### **Geographical Footprint**

As the map below illustrates, we hold the leading or second-leading position by BWC client base in 17 of the 18 countries in which we operate. This broad water customer base facilitates our ability to sell our coffee and other water offerings. We offer a dual water-and-coffee solution in each of the countries in which we currently operate and therefore have a strong water customer base from which to sell our coffee and other water offerings.





Note: BWC represents total bottled water coolers but is not a market in and of itself as the HOD water business consists of coolers, bottled water as well as other products such as case pack water and single serve products

Source: Zenith report and Company information/management assesment

The following table sets forth the percentage of total revenue generated in the twelve months ended March 31, 2016 in each of the countries specified below:

	<b>Eden</b>
Baltics (1)	2%
France (2)	12%
Germany	5%
Israel	26%
The Netherlands	3%
Nordics (3)	5%
Poland	10%
Portugal	3%
Russia	6%
Spain	4%
Switzerland	5%
UK	19%
<b>Total</b>	<b><u>100%</u></b>

(1) Includes Estonia, Latvia and Lithuania.

(2) Includes Luxembourg.

(3) Includes Sweden, Norway, Denmark and Finland.

With respect to Eden Springs, the following table sets forth the historical evolution of the percentage of our total revenue in each of the countries specified below for the year ended below:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Total revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
France (1)	18%	14%	12%
Israel	33%	27%	26%
Poland	10%	8%	10%
UK	14%	19%	19%
Other (2)	25%	32%	31%

(1) Includes Luxembourg.

(2) Includes Denmark, Estonia, Finland, Latvia, Lithuania, the Netherlands, Norway, Sweden, Spain and Switzerland.

The increase in the revenue percentage generated in the UK from 14.0% in 2014 to 19.0% in the year ended December 31, 2015 has been primarily driven by the acquisition of Kafevend.

## **Our Operations**

### ***Procurement***

We believe that with the exception of our mutually beneficial relationship with Lavazza and Mars Drinks, we have limited supplier dependence and that our wide geographic presence affords us greater purchasing power. We regularly evaluate our needs and our suppliers' capacities and from time to time switch suppliers for pricing, quality or other reasons.

An important commodity is fuel, which is used for trucks and as a raw material for the plastic-related products we purchase from suppliers. Other key commodities we purchase are coffee and plastic-related purchases such as cups, bottle caps, coffee capsules, PET water bottles and our 3 and 5 gallon water bottles. Since 2011, the prices of two key inputs, fuel and plastic products, have increased meaningfully but have had a limited impact on our gross margins. We have historically been able to mitigate the rise in fuel costs by passing on this cost to customers with increases in prices and monthly fuel surcharges on our invoices.

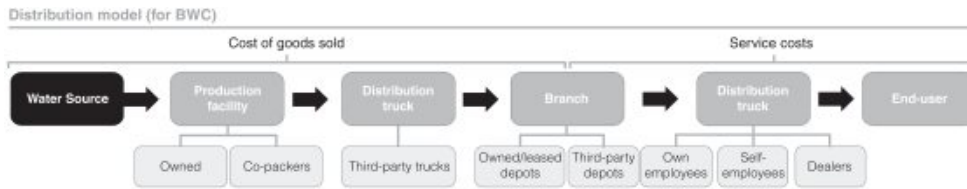
We also purchase water coolers and coffee machines. We purchase the majority of our BWC water coolers primarily from Oasis and Ebac and our POU water coolers primarily from Champ. We purchase our BWC and POU water coolers from other suppliers, as well, and believe there are a number of alternative suppliers that could satisfy our demand at any given time. We regularly evaluate our needs and the capacities of our suppliers, and we may switch suppliers for pricing, quality or other reasons.

Our coffee machines are purchased mainly from Lavazza, but we also partner with and purchase machines from other suppliers. We have individual contracts with Lavazza in some countries and these contracts are generally renewed annually. Coffee prices charged by Lavazza can be changed once a year by Lavazza and that is normally done in mutual understanding, with both parties considering market conditions. We believe that Lavazza is a key supplier that cannot be easily replaced, though our relationship with Lavazza is mutually-beneficial. We provide Lavazza with access to a steady, growing customer base in Europe and Israel and as that base grows the relationship becomes increasingly beneficial for Lavazza. In the UK, since the Kafevend Acquisition, we also rely on Mars Drinks to supply Flavia and Klix drinks machines and single serve capsules for those machines. The agreement with Nestlé to sell-through Nestlé products that NWDE offered to its customers means that we additionally sell certain Nestlé products, including Nescafe, Sical, Buondi and Dolce Gusto.

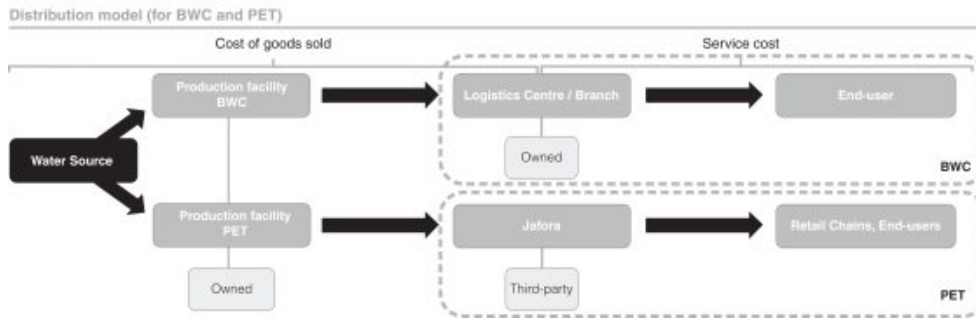
## Production, Distribution & Service

To maximize the operational synergies from our water and coffee solutions offerings, we have partly unified our supply chains for our water and coffee solutions in Europe to enable both solutions to be delivered via a single distribution process where possible and primarily in dense delivery areas. Where it is more economically beneficial, we deliver certain OCS solutions via couriers. Our BWC and PET supply chain begins at the water source and bottling production facilities. Below is a depiction of our BWC distribution model in Europe and our BWC and PET supply chains in Israel:

### European BWC Distribution Model:



### Israeli BWC and PET Distribution Models:



### Production and Distribution:

Our water is sourced from 27 water sources, 26 in Europe and one in Israel. We aim to source our water locally in order to limit the distance between the customers and the source and thus reduce fuel and other transportation costs.

Our bottles are washed, sterilized, filled, capped and packed at production facilities located near the site of the water source. Nine of these facilities are managed and operated by us, and 18 are owned and operated by third -parties, (referred to as “co-packers”) with whom we have strategic relationships to reduce operational costs.

We seek to run an efficient production process, which is based on a “just-in-time” principle to minimize our stock of bottles and optimize working capital. Water is pumped or springs out naturally from boreholes drilled in the ground at the water sources and then piped to our production facilities where it is then collected in water tanks to ensure a continuous flow for the bottling lines, filtered and disinfected for quality control, before being emptied into sterilized bottles. In parallel, empty bottles are collected from customers, and cleaned and sterilized along the bottling line so they may be re-filled with water.

After the water is bottled, the full bottles are packed and shipped to one of our operating facilities or our third-party managed branches, primarily by third-party distributors who are also responsible for bringing empty

bottles (that were recovered from our customers) from the branches back to the production facilities. The branches generally hold enough bottles to be able to supply the expected demand for the next three to four days, including ad hoc requests. From the branches, the bottles are distributed to the customer by a mix of three types of distributors depending on which method is most cost effective based on route density and other factors. The three types of distributors are: our own-employees using Eden Springs vehicles, most of which are leased; self-employees (entrepreneurs that work for us on demand, with remuneration linked to volumes delivered, profitability and satisfaction of the customers on their routes) and dealers (common carrier distributors that work for other parties as well and are generally more expensive than own- and self-employees). Dealers work in certain more remote locations with sub-optimal customer density. The percentage of own-employees, self-employees and dealers we use varies in each country in which we operate. We had a fleet of approximately 1,200 service vehicles as of March 31, 2016, including vehicles we owned or leased, and which are used by own- or self-employees.

In Israel, our water is sourced from the Salukia Spring. Our activities include the filling of BWC and PET bottles, as well as related activities such as sealing, labeling, sanitizing and storing of bottles. We have relatively rapid turnover and usually maintain an inventory of BWC and PET bottles for up to 18 working days of production. After the water is bottled, sealed BWC bottles are transported to one of our logistics centers or one of our rented storage locations before being distributed by our own network of vehicles to the customer.

Our PET solutions are distributed directly from our production facility by our key third-party distributor, Jafora, to retail outlets. Jafora is a joint owner of Ein Gedi, a primary competitor in the Israeli PET market, and therefore the distribution agreement with Jafora required approval by the Israel Antitrust Authority, which was granted in 2004, extended until March 2015 and recently extended for five additional years. Jafora purchases our PET products on 60-day terms and does not put up collateral against the credit it receives.

*Service:*

Our water coolers, coffee machines and other products are mostly delivered to a central warehouse in each location and dispatched to the different branches based on local demand. Our refilled water bottles are then delivered to customers through our own distribution system by route sales managers (“RSMs”). RSMs act as a one-stop-shop for our customers and optimize visits by delivering all of our water and coffee products and providing some technical service, including installation and sanitization of water coolers and coffee machines. Qualified filtration service professionals install and service our POU cooler, and experienced technicians install and service our more sophisticated coffee machines. Upon termination of service or conversion from BWC to POU, water coolers and coffee machines are picked up, cleaned, sanitized, refurbished and re-issued to other customers generally at relatively low cost.

We apply a highly data-driven approach to managing our business. To increase operational efficiency and increase customer satisfaction, we monitor operations with a precise profit and loss reporting system, monthly management reviews and a yearly audit on operations. We believe our system of benchmarking performance across countries and product categories and system of remuneration for both management and employees based on profitability, growth and customer satisfaction has encouraged a culture of internal accountability and competition, as well as the sharing of best practices. As part of this system, we collect, track and analyze a variety of key performance indicators (“KPIs”) from each of our local markets across our supply chain. These KPIs are designed to optimize route density, increase customer satisfaction and help us quickly identify issues or trends in our business. For instance, we have implemented a tailor-made customer relationship management solution and software to optimize the route sequence, cost and frequency of visits, and to provide reliable service to our customers, closely following our service level agreements and making sure our customers, for instance, do not run low on inventory by monitoring their consumption. We have also implemented an operational system named “FlexMax,” which encourage managers to convert fixed costs into variable costs; for instance, by renting assets. We have been able to reduce our distribution costs as a percentage of revenue from 19.1% in 2013 to 17% in 2014 and to 17.8% in 2015. We estimate that our variable costs, including semi-variable distribution costs that

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we can downscale relatively quickly in reaction to variations in demand for water and coffee, represented more than 70% of our total cost base for the year ended December 31, 2015.

Two of our operational KPIs for our BWC supply chain are the average number of bottles delivered per distribution employee (including self-employees) per day and the average number of bottles per stop. Our average number of bottles delivered per distribution employee (including self-employees) per day increased from 113.4 in 2013 to 114.2 in 2014 to 118.1 in 2015. Larger numbers are achieved by RSMs in areas where we have strong route density. RSM remuneration is generally tied to profitability, increase in the number of installations and customer satisfaction for the route. We believe that delivery efficiency is a key factor governing our success as the delivery cost per day tends to be fixed and a greater number of bottles and other products and services delivered in a day increases the profitability per customer.

We believe we have created a best-in-class and highly scalable platform. In addition, our strong operational capabilities have historically enabled us to quickly and easily integrate acquired businesses and realize significant cost savings with minimal disruption to our business.

We continually evaluate our operations to identify areas to improve productivity or reduce costs. We believe our established systems and processes and ability to efficiently construct and manage an asset-light distribution network sets us apart from our competition and has been a key success factor in allowing us to achieve superior returns on capital and stable cash flow generation. As operational efficiency is correlated to customer density, our continued consolidation through organic growth and acquisition in any one location will further improve our efficiency and therefore increase profitability at each location.

### ***Customer Service***

Customer service is responsible for receiving calls from customers on a daily basis, varying from a request for information to a request for additional bottle deliveries. They also make proactive calls after the contacts are executed to verify customer satisfaction levels and rectify any problems down to the route level. We believe that the quality, reliability and frequency of our service, both at the route level and in the back office, including call centers and billing and collections departments, are competitive factors within our markets.

We currently maintain call centers in certain markets, we outsource customer service to third parties in the same country or to other areas. Our employees at the call centers strive to answer customer calls within 20 seconds and to address any complaints or questions within the first call. We manage the efficiency of our customer service through KPIs, including the number of calls per 1,000 customers, the number of calls being answered within 20 seconds, the average length of calls and problem resolution during the first call. We believe our call center capabilities allow us to respond to our customers' needs, quickly and efficiently, differentiating us from our competitors. We also have a self-service website, which enables customers to better handle their needs online as opposed to through the call centers. We believe we compete favorably in this area and continue to work on improving our service to our customer base.

### **Customers and Contracts**

We are a preferred supplier to a high-quality and diversified customer base, leading to stable revenue and significant growth opportunities such as cross-selling of our coffee and water services to existing customers. Our customer base is broad in terms of customer size, industry and geographic region, ranging from recognized blue chip companies to individual homes and offices across 18 countries. For the year ended December 31, 2015 our top 10 customers in aggregate accounted for less than 5% of our total revenue.

In order to grow our business or even retain our market share, we focus on maintaining a high retention rate. We have consistently increased our retention rate across our water and coffee segments (excluding PET) in recent years with an increase from 85.3% in 2013 to 86.5% in 2014 to 87.0% in 2015.

The majority of our BWC, POU and OCS revenue is generated on a recurring basis. As of March 31, 2016, approximately 52% of our BWC, POU and OCS customers, in aggregate, had a “rental contract” and approximately 19% had a “package contract.” Our “rental contracts” usually include sanitization and maintenance services, with sale and delivery of accessory products and bottles not included. “Rental contracts” have historically had a duration of two to four years, though our customer relationships are typically longer as a result of renewals. Our “package contracts” may include rental, sanitization, maintenance and delivery of bottles, and in some cases, other accessories. On a “package contract,” the price of water and bottles is normally locked-in for the length of the contract. “Package contracts” have historically had a duration of one to five years, though our customer relationships are typically longer due to renewals. A limited percentage of our BWC revenue is generated from the ad hoc sale of bottled water coolers and a contract for servicing and bottle delivery. Our country management has a high degree of autonomy in determining local pricing for each contract.

As of March 31, 2016, our average customer relationship (excluding PET) was approximately seven years. We believe the loyalty of our customers is evidence of our high quality service and proven ability to continuously evolve and grow our business to meet their ongoing needs. The growth of our installed water and coffee client base reflects this, with an installed aggregate client base, as of December 31, of approximately 656,000 in 2013, 764,000 in 2014, 899,000 in 2015 and 955,000 as of March 31, 2016.

The table below shows the growth of the Eden Springs’ client base development over the historical period from January 1, 2013 to March 31, 2016.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Three months ended March 31, 2015</u>	<u>Three months ended March 31, 2016</u>
Client base at beginning of period	654,220	655,733	763,703	763,703	898,681
Change in client base attributable to organic growth (net)	(13,721)	4,592	18,513	(1,629)	6,485
Change in client base attributable to acquisitions (net)	15,234	103,378	116,465	75,771	49,824
Client base at end of period	655,733	763,703	898,681	837,845	954,990

Our client base gains attributable to acquisitions has increased our client base by 15,000 clients in 2013, 103,000 in 2014, 116,000 in 2015 and 50,000 in the first quarter ended March 31, 2016. The number of acquired clients varies depending on the cost effectiveness of the opportunities identified during the acquisition process and the resources allocated by management to take advantage of those opportunities.

Monthly ARPU was 29.6 in average during full year ended 2015.

## Sales and Marketing

Our marketing operation consists of local teams which are consolidated at the company level. The core of our marketing activity is to support and create lead-generating commercial initiatives, enhance brand visibility, develop a coherent brand image and manage communications related to the company.

We market our products through various media channels, including Internet activities (which includes our regional and corporate websites), telephone, television, radio, billboard, trucks, direct mail and various referral programs. Our marketing activities emphasize the benefits of bottled water and the convenience of a water dispenser, including the associated convenience of receiving regularly scheduled bottled water delivery. Potential new customers are often offered various introductory promotions, including complimentary products, as an inducement to start the service. Our marketing efforts also support our strategy of cross-selling our water and coffee services.

We make use of several sales channels, based on customer segmentation, to support our marketing activities. As of March 31, 2016, our sales team consisted of 622 full-time equivalent employees, including key account representatives for our larger customers, field sales representatives focused on small and medium enterprises and telesales representatives focused on private consumers and small offices and homes offices. We have training for our sales team, adapted for each of the different channels.

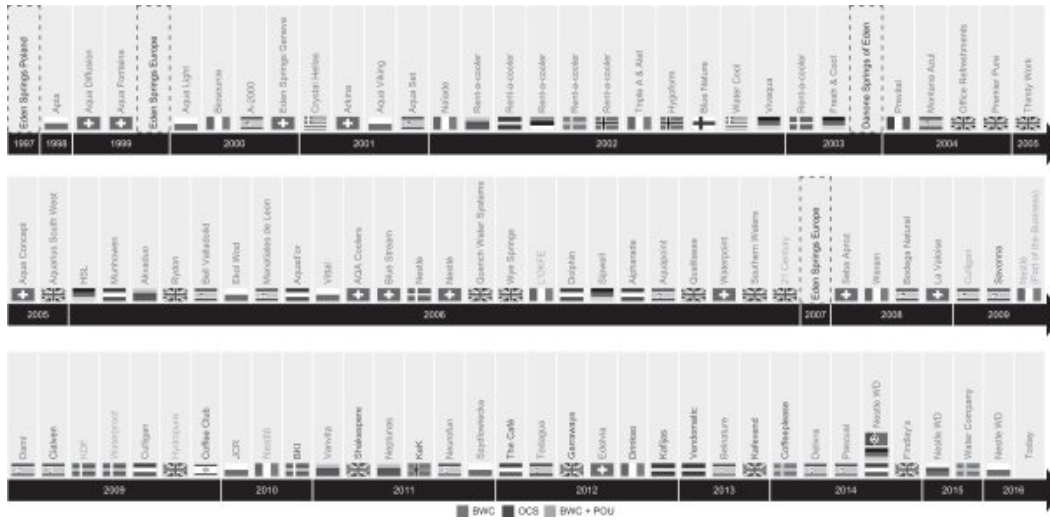
In addition to servicing the needs of our existing customers, our RSMs also generate sales by signing up new customers or selling new products to existing customers. RSMs earn a commission based on sales and are additionally compensated for each new customer contract they originate.

We also have a customer retention team that accounts for approximately 14% of our selling positions and deals with retention activity in every customer segment, excluding key accounts handled by key account representatives. Our customer retention team monitors our customers' behavior for quit signals such as complaints and decreased consumption and proactively makes direct contact with the aim of maximizing customer satisfaction and increasing retention. Our customer retention team also re-negotiates service levels and other aspects of existing customer contracts to increase retention.

We have numerous KPIs in place to track sales force efficiencies and return on investment per customer segment and per sales channel. In order to optimize resources and cost effectiveness, a sales "barometer" is used to optimize resources between segments and channels, as the sales platform allows the flexibility to shift resources between different customers segments. Our sales force uses software that links our front and back office support. As part of our strategies to accelerate organic growth and consolidate our water and coffee positions through strategic acquisitions, we use decision-making software to consider the relative cost effectiveness of acquiring customers through targeted investment in sales and marketing and product development and through acquisition opportunities.

## Acquisitions

We have acted as a consolidator in the fragmented water and coffee services industry and have successfully executed over 90 acquisitions of varying sizes since 1998.



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Our dedicated mergers and acquisitions team and experienced local management have a disciplined and structured approach to identifying and targeting opportunities and in smoothly and efficiently executing acquisitions, including negotiating deal structure and pricing. We have targeted opportunities that increased our customer base and generated a compelling return to complement our investment in sales and marketing and product development, focusing mostly on selective bolt-on acquisitions. We have a demonstrated ability to successfully integrate acquired companies and their customer base and generate significant synergies shortly after acquisition. For all other than our most material acquisitions, we operate a “90:90” model in which we target realization of 90% of the company’s acquired contribution margin within 90 days of close.

Acquisitions are driven by a dedicated mergers and acquisitions team, supported by local management and other departments, including legal, human resources, finance, operations, sales and marketing, business development and IT. When we have identified a potential target, we consider a series of key factors such as the size, location, geographical coverage, mode of operation, execution probability, strategic fit, synergies, market positioning and potential investment profitability and follow detailed procedures before deciding whether to acquire the business. Every acquisition is ultimately approved by our senior management, and for larger acquisitions, our board of directors.

We generally extract synergies from bolt-on acquisitions from supply chain optimization, implementation of operational efficiency initiatives and saving on overhead costs through economies of scale. For instance, we increase route density and thereby decrease transportation cost per customer when the acquired company has customers in the same geographical area as our existing operations. Synergies extracted from overhead costs include savings resulting from shared functions and support systems such as management supervision, sales force, accounting and finance, payroll and information systems, and allow for instance, for a reduction in headcount, vehicles and premises, while increasing our customer base. As part of our structured integration approach, we have developed a sophisticated communication strategy with customers, new and existing employees and suppliers. These communications are intended to ensure a smooth integration of the acquired business with minimal loss of customers, while maintaining a high level of employee trust and fair cooperation with suppliers. After execution, our follow-up acquisition reporting monitors results of our integration plan.

### **Properties**

We own or manage nine production facilities, as well as several branches located across Europe.

### **Research and Development**

We engage in a variety of research and development activities. These activities principally involve the development of new products to meet customers’ needs, improvement of existing products, and improvement and modernization of processes to optimize our operations and decrease costs.

Our development activities are led by our business development and research and development functions and support our strategy to offer a dual water- and-coffee solution and improve operation excellence. Our business development team is responsible for identifying our customers’ needs evaluating potential profitability of new developments and managing the development cycle. We have a research and development department that consists of a small team of engineers and is responsible for, among other things, performing quality testing on our products and developing new technologies and processes. Each of our other departments, including finance, operations, sales and procurement support the project development lifecycle through implementation. In addition, we outsource research and development to engineers and manufacturers in Europe, Israel and Asia.

### **Intellectual Property**

We own a substantial number of registered and unregistered trade names and trademarks in the countries in which we operate for use in the sale and marketing of our various products. These trade names and trademarks



are important because brand name recognition is a key factor in the success of many of our product lines. The current registrations of these trade names and trademarks are effective for varying periods of time and may be renewed periodically, provided that we comply with the applicable requirements. We are not aware of any material challenge to the ownership of any of our major trademarks nor are we aware of any violation of our intellectual property rights in any of our primary markets or elsewhere. Our key brands are Eden, Eden Springs, Chateau d'Eau, Mey Eden, Pauza and Edenissimo.

## Employees

As of March 31, 2016, we had approximately 3,200 full-time equivalent employees (including self-employees), of which approximately 90% are in Europe and 10% are in Israel.

The following table sets forth a breakdown of our fulltime equivalent employees by function:

	As of March 31, 2016	
	(FTEs)	
Service(1)	2,003	63%
Sales(2)	622	20%
COGS(3)	326	10%
G&A(4)	222	7%
Total	<u>3,173</u>	<u>100.0%</u>

(1) Includes employees in distribution to customers (including RSMs), branch, central operations, technical / customer service and information technology.

(2) Includes employees in sales and marketing.

(3) Includes employees in production, purchasing and primary transportation.

(4) Includes employees in administrative support functions, finance, human resources and management.

Some of our employees are represented by unions or work councils or are covered by collective bargaining agreements. In France, some of our employees are represented by works councils and unions, and in Israel, some employees are represented by unions. Further, we are subject to collective bargaining agreements with some of our employees in Israel and Spain and the Nordics. We believe that overall, we have good relations with our employees.

## Insurance

We maintain liability, property, directors' and officers' and other insurance coverage. We consider our insurance coverage to be adequate both as to the nature of the risks covered and amounts insured for our business operations. However, there can be no assurance given that we may not suffer a loss or losses which are not covered by our insurance policies or which may be in excess of the amount of insurance coverage.

## Legal Proceedings

We have been, and continue to be, subject to various legal proceedings arising in the ordinary course of our business, such as commercial disputes with our customers, suppliers and/or employees. In addition we currently are subject to commercial investigations in the context of two class actions which have been filed in Israel. At this stage, despite the fact that we do not anticipate any critical adverse effect on our business arising from any current legal proceedings, we estimate that the total exposure under these claims will range between €200,000 and €500,000.

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## Regulatory Framework

Our properties, including our water sources and production facilities, and the operations of our production and distribution facilities, and those owned and operated by our third-party producers and primary operators, are subject to various health, environmental and workplace laws and regulations. Specifically, we are subject to health and environmental laws in the jurisdictions in which we operate due to our ownership, leasing and use of real property, the extraction and processing of water, and the storage of fuel and other regulated substances at our facilities. These laws may impose joint and several liability and may apply to conditions at properties presently or formerly owned or operated by us or our predecessor entities or at which waste or other environmental contamination attributable to us or our predecessor entities has been sent or otherwise comes to be located. For example, at certain of our properties, we engage in or have in the past engaged in the handling, storage or use of hazardous substances, including for the maintenance and fueling of our vehicle fleet.

As a beverage producer, we are also subject to various regulations in the countries in which we operate. For example, such regulations are related to water source permits and licenses, production, water quality, inspection and licensing of bottling facilities, and labeling and packaging requirements.

In the European Union, these include Directive 2009/54/EC on the exploitation and marketing of natural mineral waters, Directive 98/83/EEC relating to the quality of water intended for human consumption, Directive 2003/40/EC establishing the list, concentration limits and labeling requirements for constituents of natural mineral waters, and Directive 2000/13/EC relating to the labeling, presentation and advertising of foodstuffs. Alongside other pertinent EU Directives and Regulations, the regulatory framework under which we operate:

- sets the conditions for exploiting sources and defines the routine water quality controls, and production facility audits, to be performed;
- monitors the standards related to the permitted contents and composition of our bottled water products;
- sets the terms on which water types are recognized and sets and enforces the applicable standards by which we are permitted to package and label our water;
- sets the standards applicable to the construction, operation and cleanliness of our production facilities.

In the Russian Federation, the regulatory framework relating to the bottled potable water production industry comprises both regulations adopted at the level of the Russian Federation and regulations enacted at the level of the Customs Union composed of the Russian Federation, Belarus and Kazakhstan. The Russian regulations are being gradually replaced with the unified regulations adopted, and as may be adopted in the future, within the framework of the Customs Union. The regulations include the Russian law No. 184-FZ on the Technical Regulation, the Russian Sanitary and Epidemiological Rules No. 2.1.4.1116-02 “Potable water. Hygienic requirements to the quality of bottled water. Quality control”, state standard R 52109-2003 on “Drinking bottled water. General specifications”, state standard R51074- 2003 on “Food products. Information for consumer. General requirements”, Technical Regulations of the Customs Union 021/2011 “On the safety of food products”, Technical Regulations of the Customs Union 022/2011 “On the food products in terms of their labelling” and Customs Union Resolution No. 299 “On the application of the sanitary rules in the Customs Union” and other pertinent Customs Union and Russian regulations. The overall regulatory framework, amongst other things:

- sets standards and provide information on the mandatory safety indicators;
- establish the compliance assessment requirements in terms of the bottled potable water production processes and quality control procedures; and,
- set sanitary and epidemiological rules to be complied with.

In Israel, we are subject to the Public Health Ordinance—1940 and its regulations, which relate to the quality of water intended for human use; the Licensing of Business Law—1968 and its regulations, which set the

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terms of the business licenses, including certain environmental conditions and obligations such as the applicable standards of cleanliness of our products and facilities (provided in order to prevent water pollution); the Water Law—1959 and its regulations, which establish the framework for the control and protection of water sources, including the grant of water quotas which are regulated and granted by the Israeli Water Authority; the Packing Law—2011, which governs the packaging of products; Nature Reserves National Sites Law—1998 and its regulations, which provide the legal structure for the protection of natural assets such as the Salukia Spring; the Pharmacies Ordinance—1981 in relation to the radioactive permit granted to us; and, the Hazardous Substances Law—1993 and its regulations, which provide the legal framework of hazardous substances in Israel and set the terms and conditions to be provided with the Toxic Substance Permit.

We are also subject to various similar regulations relating to coffee production and our coffee related products.

### **Quality Control**

We are committed to the quality and safety of our products and apply quality control programs designed to maintain compliance with applicable governmental regulations as well as standards and best practices set by the organization of which we are a part. Water quality is regularly monitored at our water sources and production facilities, including at those owned and managed by third- parties.

Water quality is tested on a regular basis by a system of internal controls at each production facility. In addition, a comprehensive yearly audit is conducted with respect to the water at each production facility. We use an independent and accredited laboratory (ISO 17025) to support this initiative and this laboratory performs individual water controls and provides an annual Group synthesis of waters distributed per Eden Springs in Europe and Israel.

In addition, we are a member of the European Water Cooler Association (“WE”), which sets and self-enforces practical water quality standards and good manufacturing and hygiene practices, which supplement the applicable European laws and regulations.

These inspection audits, and quality and testing procedures cover all areas of plant operations and the bottling process, and check compliance with relevant national standards, good manufacturing practices, and any other local regulations. Additionally, our quality assurance staff routinely conducts comprehensive internal quality management at each of our water sources and production facilities.

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

*The following is a discussion of Eden's results of operations for, and financial condition as of the end of, the twelve months ended December 31, 2015 and the three months ended March 31, 2016 and should be read together with Eden's audited consolidated financial statements for the year ended December 31, 2015 and unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016 and the related notes thereto, each of which is included elsewhere herein. The discussions in this section may contain forward-looking statements that reflect our plans, estimates and beliefs and involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements. For the purposes of this section "Management's Discussion and Analysis of Financial Condition and Results of Operations of Eden" only, the words "we," "us," "our," "Eden," "Eden Springs," "Company" and words of similar import refer to Eden and its subsidiaries on a consolidated basis. Eden Holdings refers to the parent holding company of Eden.*

*The financial information of Eden has been prepared in accordance with IFRS as issued by IASB and not U.S. GAAP. IFRS differs in certain respects from GAAP. See the section entitled "Presentation of Financial Information."*

### Overview

Headquartered in Switzerland, we are a leading provider of water and coffee solutions in Europe. After giving effect to the NWD Acquisition, we operate in 17 European countries, and Israel, and according to a report by Zenith International from 2015, we have a higher combined water and coffee installed client base than any of our competitors. We offer a variety of integrated water and coffee solutions designed to cater to the broad range of tastes and requirements of our diverse customer base. Our offerings are segmented into water and coffee solutions:

#### Water Solutions

- Our stand alone BWC offering is our principal business and consists of the installation, rental and servicing of stand-alone bottled water coolers and the sale and delivery of bottled water and accessory products to our customers. Our BWC business provides a platform for continued growth of our other solutions. According to a report by Zenith International from 2015, we are the largest BWC provider in Europe and hold the largest or second largest presence by BWC client base in 16 of the 17 European countries in which we operate, as well as in Israel.
- Our POU offering consists of the installation, rental and servicing of point of use plumbed in water coolers that access and filter tap water, as well as the sale of accessory products. According to a report by Zenith International from 2015, we currently hold the second largest POU position by client base across the European countries we are present in and believe POU represents a significant opportunity for sustainable growth.
- Our PET offering consists of the sale of branded small pack plastic bottles of water for personal use. We offer our PET products primarily in Israel to retail outlets through a third party distributor and we believe we currently hold the largest share of the Israeli PET segment.

#### Coffee Solutions

- Our OCS offering consists of the installation, rental and servicing of a variety of stand-alone coffee machines and the sale and delivery of coffee (capsule, bean, ground and soluble), tea, chocolate and accessory products. We have been growing our OCS presence in Europe and are a leading OCS provider in the UK. We also hold a leading position in the Israeli OCS segment, according to a 2012 report by GIL-CSC.

Our water and coffee business models have significant operational overlap in areas such as customer service, billing and collection, sales and marketing and administration, which allows us to integrate new coffee customers onto our existing water business platforms and offer a dual water and coffee solution with increased operational efficiency. In recent years, we have achieved revenue growth and consolidated our position in the water and coffee space through strategic acquisitions. For the twelve months ended December 31, 2015, we generated revenue of €355.8 million. For the three months ended March 31, 2016, we generated revenue of €83.5 million.

As of December, 2015, we had an installed client base of approximately 899,000 (including the NWDE acquired customers in Phases 1 and 2, as per Eden rules, but not including the customers acquired from NWDE Poland) comprising 755,000 water coolers and machines and 144,000 coffee machines. As of March, 2016, we had an installed client base of approximately 955,000 (including the NWDE acquired customers in Phases 1, 2 and 3 as per Eden rules) comprising 800,000 water coolers and machines and 155,000 coffee machines.

For the twelve months ended December 31, 2015, we distributed more than 28 million BWC bottles and approximately 676 million liters of water in our BWC and PET offerings combined. As of December 31, 2015, we had approximately 1,100 service vehicles and employed approximately 3,100 full time equivalent employees (including “self-employees”), of which approximately 76% are in Europe and 24% are in Israel. For the three months ended March 31, 2016, we distributed more than 6.7 million BWC bottles and more than 156 million liters of water in our BWC and PET offerings combined. As of March 31, 2016, we had approximately 1,200 service vehicles and employed approximately 3,200 full time equivalent employees (including “self-employees”), of which approximately 90% are in Europe and 10% are in Israel.

## **Comparability of Financial Data**

### ***Financial Information***

On October 23, 2013, Eden Springs Europe B.V. and its subsidiaries and the Israeli Subsidiaries were indirectly acquired by our management and Rhône Fund IV, and became owned by Eden.

On December 23, 2013, we completed the Kafevend Acquisition which has significantly strengthened our presence in the UK.

On September 3, 2014 we signed the agreement to acquire NWDE and on December 1, 2014, we completed Stage 1 of the NWDE Acquisition including NWDE’s companies in Germany, Netherlands and Portugal.

On February 2, 2015 we completed Stage 2 of the NWDE Acquisition and acquired its operations in Russia.

On February 1, 2016 we completed Stage 3 of the NWDE Acquisition and acquired a portion of its operations in Poland.

This financial information hereto includes the year ended December 31, 2015 and 2014 (audited) and three months ended March 31, 2016 and 2015 (unaudited) – Hydra Dutch Holding 2 B.V. consolidated financial information.

### ***Foreign Currency Fluctuations and Translation***

We conduct our business in various currencies other than the euro, primarily, Swedish Kroner, Danish Kroner, Norwegian Kroner, Polish Zloty, British Pound, Swiss Franc, U.S. Dollar, and Israeli New Shekel. Following the completion of Stage 2 of the NWD Acquisition, we also conduct business in Russian Rubles. As a result, our financial position and results of operations are subject to currency translation risks. Currency translation risk arises through fluctuations in the exchange rate of the currencies of the countries that are not part of the European Monetary Union and their impact on our results of operations and balance sheet positions as we

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translate the financial results from our subsidiaries in those countries to the euro. We largely benefit from natural hedging and face limited transactional currency exchange risk because although a significant portion of our revenue is denominated in currencies other than the euro, they are generally accompanied by costs in the same currency. Our Israeli activity, however, is exposed to foreign currency exchange risk on imported goods and on charges to other companies within the group for IT services, which are located in Israel. We are therefore subject to foreign currency exchange rate risk on cash flows related to sales, expenses, financing and investing transactions conducted in currencies other than the euro. Significant fluctuations in exchange rates against the euro may have an adverse impact on our financial performance. See “Risk Factors—Risks Related to Eden’s Business and Industry—Fluctuations in foreign currency exchange rates may adversely affect our results of operations.”

## **Presentation of our Financial Information**

### ***Critical Accounting Estimates and Assumptions***

The preparation of the Eden Springs Consolidated Financial Statements in conformity with IFRS requires management to make estimates, assumptions and judgments which affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Eden Springs Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting periods. The estimates and associated assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

### ***Estimated impairment of goodwill***

We test whether goodwill has suffered any impairment once a year, or more frequently, in the presence of events or circumstances indicating a possible impairment in the value of such assets. The recoverable amounts of cash generating units have been determined based on value-in-use (or fair value less cost to dispose) calculations. These calculations require the use of estimates.

### ***Deferred tax asset***

We are subject to income tax in numerous jurisdictions. Significant judgment is required in determining the portion of tax losses carried forward which can be offset against future taxable profit. In order to assess if there is any future benefit, forecasts are made of the future taxable profits by legal entity. Actual tax outcomes could vary significantly from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

### ***Provisions for contingencies***

Provisions are recognized when we have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle such obligation and the amount has been reliably estimated. The provision for contingencies in respect of legal claims is carried at the discretion of the management as to the likelihood that cash flows will be allocated to settle such liabilities, and is based on an estimate of the present value of the cash flows that is expected to be required to settle such liabilities.

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### ***Useful lives of depreciable and amortizable assets***

We estimate the useful asset lives and the related depreciation and amortization costs in respect of our fixed assets and intangible assets. The estimate is based on the expected life cycle of our products. Estimates may vary significantly commensurate with changes in customer installations and quits and other technological changes.

### **Key Income Statement Items**

Below is a summary description of our key income statement line items.

**Revenue** consists primarily of revenue generated from the rental of water coolers and coffee machines and sale of goods in our water and coffee solutions segments. BWC revenue is generated from the rental and servicing of BWC water coolers and the sale and delivery of bottled water to our customers, as well as the sale and delivery of accessory products such as cups and sanitization kits. POU revenue is generated from the installation, rental and maintenance of POU water coolers, as well as the sale of accessory products. PET revenue is generated primarily from the sale of our PET bottles in Israel, as well as to BWC and POU customers in Europe. OCS revenue is generated from the installation, rental and servicing of coffee machines, as well as the sale and delivery of coffee (capsule, bean, ground and soluble coffee), tea, chocolate and accessory products such as cups.

**Cost of goods sold** includes primarily depreciation of our production equipment, returnable bottles, water coolers, coffee machines and other rental equipment; maintenance and repair of rental equipment; raw materials, including non-returnable bottles and the cost of coffee and coffee accessory products for resale; production expenses related to the bottling process; and the cost of freight (including fuel costs) to transport products from our production facilities to our branches and distribution centers.

**Service expenses** includes operating expenses relating to our distribution activities from branches to customers, including costs of labor, vehicle and fuel costs, cost of dealers and self-employees as well as customer service, billing and collection and information technology.

**Selling expenses** includes selling and advertising costs, including costs of labor, commissions and outside marketing related expenditures.

**General and administration expenses** includes costs related to executive, finance, legal and human resources functions, as well as bad debt costs.

**Amortization of customer relations and tradenames** includes amortization of customer account portfolios, as well as tradenames.

**Other operating expenses** consists primarily of restructuring and certain acquisition-related integration costs, establishment of a new business line such as POU in Israel, litigation and release of unused provisions and liabilities such as customer deposits received, as well as business development expenses with long-term payback periods.

**Financial income** represents primarily foreign exchange gains, gains on derivatives that do not qualify for hedge accounting and interest receivables on funds invested.

**Financial expenses** represents foreign exchange losses, losses on derivatives that do not qualify for hedge accounting, interest payable on borrowings and borrowing costs amortization.

**Taxes on income** includes current and deferred income tax expense.

## Results of Operations for the Twelve Months Ended December 31, 2014 and 2015

The following table sets out certain items from our consolidated statements of income for the periods indicated:

	12 months ended December 31, 2014	12 months ended December 31, 2015	Percentage change	12 months ended December 31, 2014	12 months ended December 31, 2015
	(€ in thousands)			(% of total revenue)	
<b>Revenue</b>	<b>283,144</b>	<b>355,816</b>	<b>25.7%</b>	<b>100.0%</b>	<b>100.0%</b>
Cost of goods sold	(99,093)	(118,349)	19.4%	(35.0%)	(33.3%)
Gross Profit	184,051	237,467	29.0%	65.0%	66.7%
Service expenses	(106,800)	(135,390)	26.8%	(37.7%)	(38.1%)
Direct Margin	77,251	102,077	32.1%	27.3%	28.7%
Selling expenses	(25,933)	(35,909)	38.5%	(9.2%)	(10.1%)
General and administration expenses	(19,467)	(26,446)	35.9%	(6.9%)	(7.4%)
Amortization of customer relations and tradenames	(8,041)	(11,209)	39.4%	(2.8%)	(3.2%)
Other operating expenses	(14,142)	(19,348)	36.8%	(5.0%)	(5.4%)
NWDE Acquisition related costs	(2,569)	(2,592)	0.9%	(0.9%)	(0.7%)
Profit/(Loss) from operations	7,099	6,573	(7.4%)	2.5%	1.8%
Net financial expenses	(32,181)	(36,852)	14.5%	(11.4%)	(10.4%)
Profit/(Loss) before taxes on income	(25,082)	(30,279)	20.7%	(8.9%)	(8.5%)
Taxes on income	(2,818)	(72)	(97.4%)	(1.0%)	(0.0%)
Net Profit (loss)	(27,900)	(30,351)	8.8%	(9.9%)	(8.5%)

### Revenue

Our revenue amounted to €355.8 million for the twelve months ended December 31, 2015, an increase of €72.7 million, or 25.7%, from €283.1 million for the twelve months ended December 31, 2014. This growth was primarily attributable to the acquisition of Nestle Water Direct.

The table below shows our consolidated sales by solutions for the twelve months ended December 31, 2014 and 2015, respectively:

	12 months ended December 31, 2014	12 months ended December 31, 2015	Percentage change	12 months ended December 31, 2014	12 months ended December 31, 2015
	(€ in thousands)			(% of total revenue)	
<b>Solutions:</b>					
Water	221,402	285,411	28.9%	78.2%	80.2%
Coffee	61,652	70,405	14.2%	21.8%	19.8%
<b>Total</b>	<b>283,054</b>	<b>355,816</b>	<b>25.7%</b>	<b>100.0%</b>	<b>100.0%</b>



The table below shows our consolidated sales by geographic segment for the twelve months ended December 31, 2014 and 2015, respectively:

	12 months ended December 31, 2014	12 months ended December 31, 2015	Percentage change	12 months ended December 31, 2014	12 months ended December 31, 2015
	(€ in thousands)			(% of total revenue)	
<b>Geographical:</b>					
Europe	197,160	261,698	32.7%	69.6%	73.5%
Israel	85,984	94,118	9.5%	30.4%	26.5%
<b>Total</b>	<b>283,144</b>	<b>355,816</b>	<b>25.7%</b>	<b>100.0%</b>	<b>100.0%</b>

(1) Denmark, Estonia, Finland, France, Germany, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland and United Kingdom.

Our revenue from water solutions increased to about €285.4 million for the twelve months ended December 31, 2015, versus about €221.4 million for the twelve months ended December 31, 2014. This is mainly reflecting the contribution the acquired NWDE businesses in Germany, Russia, Portugal and The Netherlands, as well as good development in the various water segments across the markets.

Our revenue from coffee solutions increased by about €8.8 million, or 14.2%, from €61.7 million for the twelve months ended December 31, 2014 to €70.4 million for the twelve months ended December 31, 2015. This increase was primarily attributable to an improvement in most countries, as well as additional sales coming from the NWDE acquired markets.

#### *Cost of goods sold*

Cost of goods sold increased by €19.3 million, or 19.4%, from €99.1 million for the twelve months ended December 31, 2014 to €118.3 million for the twelve months ended December 31, 2015. As a percentage of revenue, cost of goods sold decreased by 1.7 percentage points comparing to the prior year. Increase of cost of goods sold was primarily attributable to the contribution of the NWDE Acquisition in line with the increasing revenue.

#### *Service expenses*

Service expenses increased by €28.6 million, or 26.8%, from €106.8 million for the twelve months ended December 31, 2014 to €135.4 million for the twelve months ended December 31, 2015. As a percentage of revenue, service expenses increased by 0.4 percentage points. Increase of service expenses was primarily attributable to the contribution of the NWDE Acquisition in line with the increasing revenue.

#### *Selling expenses*

Selling expenses increased by €10.0 million, or 38.5%, from €25.9 million for the twelve months ended December 31, 2014 to €35.9 million for the twelve months ended December 31, 2015. As percentage of revenue, the selling expenses increased by 0.9 percentage points from 9.2% to 10.1%. This increase was attributable to additional selling expenses related to our plans to keep on enhancing our overall growth, as well as due to the impact from the NWDE Acquisition.

#### *General and administration expenses*

General and administration expenses increased from €19.5 million for the twelve months ended December 31, 2014 to €26.4 million for the twelve months ended December 31, 2015. As a percentage of revenue, general and administrative expenses increased by 0.5 percentage points and is mainly explained by the NWDE Acquisition addition, pre partial of the expected synergies.

### Amortization of customer relations and tradenames

Amortization of customer relations and tradenames, which is a non-cash expense, increased by €3.2 million, or 39.4%, from €8.0 million for the twelve months ended December 31, 2014 to €11.2 million for the twelve months ended December 31, 2015. This increase is primarily explained by amortization of intangible assets coming from NWDE acquired business.

### Other operating expenses

Other operating expenses, excluding €2.6 million of NWDE Acquisition costs, accounted for €19.3 million for the twelve months ended December 31, 2015, which includes the following: €9.7 million of acquisition integration cost, mainly related to the NWDE integration, as planned; €1.8 million related to restructuring activities aimed at optimizing manufacturing and service activities, and exceptional cost related to the re-organization of branches and back-functions, including redundancy payments following re-routing optimization activities; €0.6 million related to business development expenses with long-term payback periods, including the related cost of consultants, such as for example the exploration and testing of new products alternatives; €4.7 million of establishment costs related to POU in Israel as well as one-off costs related to the acceleration plan including related third-party advisors to support projects; €2.5 million of other expenses, including legal costs for insurance and other cases, net loss on sale or disposal of assets, shareholder monitoring fees, and other non-recurring costs.

### Net financial expenses

Net financial expenses increased from €32.2 million for the twelve months ended December 31, 2014 to €36.9 million for the twelve months ended December 31, 2015, which reflects the new group financing structure, as well as non-cash items such as the accrued shareholders loan financial expenses, borrowing costs amortization, including previously capitalized borrowing costs upon the refinancing of debt, and foreign exchange impacts.

### Taxes on income

Taxes on income decreased from €2.8 million for the twelve months ended December 31, 2014 to the €0.1 million for the twelve months ended December 31, 2015.

### Results of Operations for the Three Months Ended March 31, 2015 and 2016

The following table sets out certain items from our consolidated statements of income for the periods indicated:

	3 months ended March 31, 2015	3 months ended March 31, 2016	Percentage change	3 months ended March 31, 2015	3 months ended March 31, 2016
	(€ in thousands)			(% of total revenue)	
<b>Revenue</b>	<b>82,306</b>	<b>83,508</b>	<b>1.5%</b>	<b>100.0%</b>	<b>100.0%</b>
Cost of goods sold	(28,173)	(27,376)	(2.8%)	(34.2%)	(32.8%)
<b>Gross Profit</b>	<b>54,133</b>	<b>56,132</b>	<b>3.7%</b>	<b>65.8%</b>	<b>67.2%</b>
Service expenses	(32,194)	(32,066)	(0.4%)	(39.1%)	(38.4%)
<b>Direct Margin</b>	<b>21,939</b>	<b>24,066</b>	<b>9.7%</b>	<b>26.7%</b>	<b>28.8%</b>
Selling expenses	(8,497)	(8,544)	0.6%	(10.3%)	(10.2%)
General and administration expenses	(6,428)	(6,483)	0.9%	(7.8%)	(7.8%)
Amortization of customer relations and tradenames	(2,608)	(2,791)	7.0%	(3.2%)	(3.3%)
Other operating expenses	(4,566)	(3,461)	(24.2%)	(5.5%)	(4.1%)
NW DE Acquisition related costs	(112)	(33)	(70.5%)	(0.1%)	(0.0%)
<b>Profit/(Loss) from operations</b>	<b>(272)</b>	<b>2,754</b>	<b>1,112.5%</b>	<b>(0.3%)</b>	<b>3.3%</b>
Net financial expenses	(8,402)	(9,765)	16.2%	(10.2%)	(11.7%)
<b>Profit/(Loss) before taxes on Income</b>	<b>(8,674)</b>	<b>(7,011)</b>	<b>(19.2%)</b>	<b>(10.5%)</b>	<b>(8.4%)</b>
Taxes on income	(499)	(539)	8.0%	(0.6%)	(0.6%)
<b>Net Profit / (Loss)</b>	<b>(9,173)</b>	<b>(7,550)</b>	<b>(17.7%)</b>	<b>(11.1%)</b>	<b>(9.0%)</b>

## Revenue

Our revenue amounted to €83.5 million for the three months ended March 31, 2016, an increase of €1.2 million, or 1.5%, from €82.3 million for the three months ended March 31, 2015. This growth was primarily attributable to the acquisition of Nestle Water Direct in Poland and Russia.

Revenue increased 3.2% compared to first quarter 2015, excluding translational impact of foreign exchange rates.

The table below shows our consolidated sales by solutions for the three months ended March 31, 2015 and 2016, respectively:

	3 months ended March 31, 2015	3 months ended March 31, 2016	Percentage change	3 months ended March 31, 2015	3 months ended March 31, 2016
	(€ in thousands)			(% of total revenue)	
<b>Solutions:</b>					
Water	64,727	66,039	2.0%	78.6%	79.1%
Coffee	17,579	17,469	-0.6%	21.4%	20.9%
<b>Total</b>	<b>82,306</b>	<b>83,508</b>	<b>1.5%</b>	<b>100.0%</b>	<b>100.0%</b>

	3 months ended March 31, 2015	3 months ended March 31, 2016	Percentage change	3 months ended March 31, 2015	3 months ended March 31, 2016
	(€ in thousands)			(% of total revenue)	
<b>At current FX</b>					
<b>Solutions:</b>					
Water	63,758	66,039	3.6%	78.8%	79.1%
Coffee	17,145	17,469	1.9%	21.2%	20.9%
<b>Total</b>	<b>80,903</b>	<b>83,508</b>	<b>3.2%</b>	<b>100.0%</b>	<b>100.0%</b>

The table below shows our consolidated sales by geographic segment for the three months ended March 31, 2015 and 2016, respectively:

	3 months ended March 31, 2015	3 months ended March 31, 2016	Percentage change	3 months ended March 31, 2015	3 months ended March 31, 2016
	(€ in thousands)			(% of total revenue)	
<b>Geography:</b>					
Europe (1)	62,032	61,918	(0.2%)	75.4%	74.1%
Israel	20,274	21,590	6.5%	24.6%	25.9%
<b>Total</b>	<b>82,306</b>	<b>83,508</b>	<b>1.5%</b>	<b>100.0%</b>	<b>100.0%</b>

	3 months ended March 31, 2015	3 months ended March 31, 2016	Percentage change	3 months ended March 31, 2015	3 months ended March 31, 2016
	(€ in thousands)			(% of total revenue)	
<b>At current FX</b>					
Europe (1)	59,958	61,918	3.3%	74.1%	74.1%
Israel	20,946	21,590	3.1%	25.9%	25.9%
<b>Total</b>	<b>80,903</b>	<b>83,508</b>	<b>3.2%</b>	<b>100.0%</b>	<b>100.0%</b>

(1) Denmark, Estonia, Finland, France, Germany, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland and United Kingdom.

Our revenue from water solutions increased to about €66.0 million for the three months ended March 31, 2016, versus about €64.7 million for the three months ended March 31, 2015. This is mainly reflecting the contribution the acquired NWDE businesses in Russia and Poland.

Our revenue from coffee solutions slightly decreased by about €0.1 million, or 0.6%, from €17.6 million for the three months ended March 31, 2015 to €17.5 million for the three months ended March 31, 2016. Revenue from Coffee solutions increased 1.9% compared to first quarter 2015 excluding translational impact of foreign exchange rates. Taking into account the UK special revenues in the parallel quarter last year, relating to the “Klix Starter Packs,” the Coffee growth year-on-year would be around 5%.

#### ***Cost of goods sold***

Cost of goods sold decreased by €0.8 million, or 2.8%, from €28.2 million for the three months ended March 31, 2015 to €27.4 million for the three months ended March 31, 2016. As a percentage of revenue, cost of goods sold decreased by 1.4 percentage points compared to the last year. Decrease of cost of goods sold was primarily attributable to the European markets and being a result of the operational excellence activities conducted during the last few quarters.

#### ***Service expenses***

Service expenses decreased by €0.1 million, or 0.4%, from €32.2 million for the three months ended March 31, 2015 to €32.1 million for the three months ended March 31, 2016. As a percentage of revenue, service expenses decreased by 0.7 percentage points. This is in line with the general trend where revenue in the growing markets is increasing faster than operating costs.

#### ***Selling expenses***

Selling expenses remained at the stable level of €8.5 million for the three months ended March 31, 2016. As percentage of revenue, the selling expenses decreased by 0.1 percentage points from 10.3% to 10.2%.

#### ***General and administration expenses***

General and administration expenses slightly increased from €6.4 million for the three months ended March 31, 2015 to €6.5 million for the three months ended March 31, 2016. As a percentage of revenue, general and administrative expenses stayed at the stable level of 7.8 % of revenue.

#### ***Amortization of customer relations and tradenames***

Amortization of customer relations and tradenames, which is a non-cash expense, increased by €0.2 million, or 7.0%, from €2.6 million for the three months ended March 31, 2015 to €2.8 million for the three months ended March 31, 2016. This increase is primarily explained by amortization of intangible assets coming from NWDE acquired business.

#### ***Other operating expenses***

Other operating expenses accounted for €3.5 million for the three months ended March 31, 2016, which includes the following: €2.0 million of acquisition integration cost, mainly related to the NWDE integration, as planned; €0.2 million related to restructuring activities aimed at optimizing manufacturing and service activities, and exceptional cost related to the re-organization of branches and back-functions, including redundancy payments following re-routing optimization activities; €0.1 million related to business development expenses with long-term payback periods, including the related cost of consultants, such as for example the exploration and testing of new products alternatives; €0.8 million of establishment costs related to POU in Israel as well as one-off costs related to the acceleration plan including related third party advisors to support projects; €0.4 million of other expenses, including legal costs for insurance and other cases, notice period compensation of redundant FTEs, net loss on sale or disposal of assets, net impact of evaluation of assets or liabilities, shareholder monitoring fees, and other one-time costs normalized by management.

### ***Net financial expenses***

Net financial expenses increased from €8.4 million for the three months ended March 31, 2015 to €9.8 million for the three months ended March 31, 2016, which reflects the new group financing structure, as well as non-cash items such as the accrued shareholders loan financial expenses, borrowing costs amortization, including previously capitalized borrowing costs upon the refinancing of debt, and foreign exchange impacts.

### ***Taxes on income***

Taxes on income remained stable at €0.5 million for the three months ended March 31, 2016 comparing to March 31, 2015.

## **Liquidity and Capital Resources**

### ***Overview***

Liquidity and capital resources describe the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, capital expenditures (excluding significant acquisitions), debt service obligations, other commitments, contractual obligations and acquisitions. We manage our liquidity risk by on-going monitoring of our cash flows. We budget and appropriately follow up our cash flows and manage available cash deposits and approved credit lines. We believe the unutilized approved credit lines available to us are sufficient to cover our reasonably foreseeable liquidity needs.

### ***Cash flow data***

#### ***Cash from operating activities***

Operating cash flow amounts to €32.5 million for the twelve months ended December 31, 2015, which represents a €3.6 million decrease versus the comparative period for the twelve months ended December 31, 2014.

Operating cash flow before working capital changes amounts to €6.9 million for the three months ended March 31, 2016, which represents a €6.1 million increase versus comparative period for the three months ended March 31, 2015.

#### ***Net cash (used in)/from investing activities (Net Capital expenditures)***

Net cash used in the investing activities amounted to about €62.5 million for the twelve months ended December 31, 2015. This was primarily attributable to the new acquisitions of €40.0 million mainly from stage 2 of the NWDE Acquisition and cash used for Operational Capex investments (net), in the amount of about €22.7 million, as normally needed for the ongoing business.

Net cash used in the investing activities amounted to about €34.8 million for the three months ended March 31, 2016. This was primarily attributable to the new acquisitions of €18.5 million from stage 3 of the NWDE Acquisition, the purchase of Get Fresh bonds of €11.1 million, as part offstage 3 of the NWDE Acquisition, and cash used for Operational Capex investments (net), in the amount of about €5.3 million, as normally needed for the ongoing business.

#### ***Net cash (used in)/from financing activities***

Net cash from financing activities amounted to €22.1 million for the twelve months ended December 31, 2015, substantially reflecting the net movement in the company indebtedness as well as interest payments during the period of €20.6 million.

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Net cash from financing activities amounted to €33.5 million for the three months ended March 31, 2016, substantially reflecting the net movement in the company indebtedness as well as interest payments during the period of €8.4 million.

#### *Changes in Operating Working Capital*

Changes in operating working capital amounted to about €3.9 million cash outflow for the twelve months ended December 31, 2015, versus about €6.2 million cash inflow (including special impacts) in the twelve months ended December 31, 2014. The working capital consumption reflects the increase of trade receivables and an increased level of inventories, partly off-set by the increase in trade payables and other current liabilities. The overall consumption of working capital is following the growth of the business versus the prior year, and reflects a year-on-year improvement in the working capital ratio.

Changes in operating working capital amounted to about €3.0 million cash outflow for the three months ended March 31, 2016, versus about €6.3 million cash outflow in the three months ended March 31, 2015. The working capital consumption reflects the increase of prepaid and other assets and an increased level of inventories as well as decreased level of other current liabilities and provisions, partly off-set by the decrease in trade receivables and increase in trade payables. The overall consumption of working capital was due to a normal course of business operational needs, and in line with the seasonality cycle for this period of the year, when the business is preparing for the higher growth season as typically expected during the second and third quarters of the year.

### **Quantitative and Qualitative Disclosures about Financial Risk**

#### ***Interest rate risk***

Our exposure to the risk of changes in market interest rates relates primarily to our long-term Euros-denominated Notes, based on EURIBOR floating interest rates. We closed in 2014 interest rate swaps to hedge a substantial portion of our exposure to interest rate risks from our notes. These derivative instruments are floating-to-fixed interest rate swaps which have the economic effect of converting floating rates to fixed rates.

#### **Risk Factors Associated with the Group**

We refer to risk related disclosures under the caption “Risk Factors—Risks Related to Eden’s Business and Industry” herein.

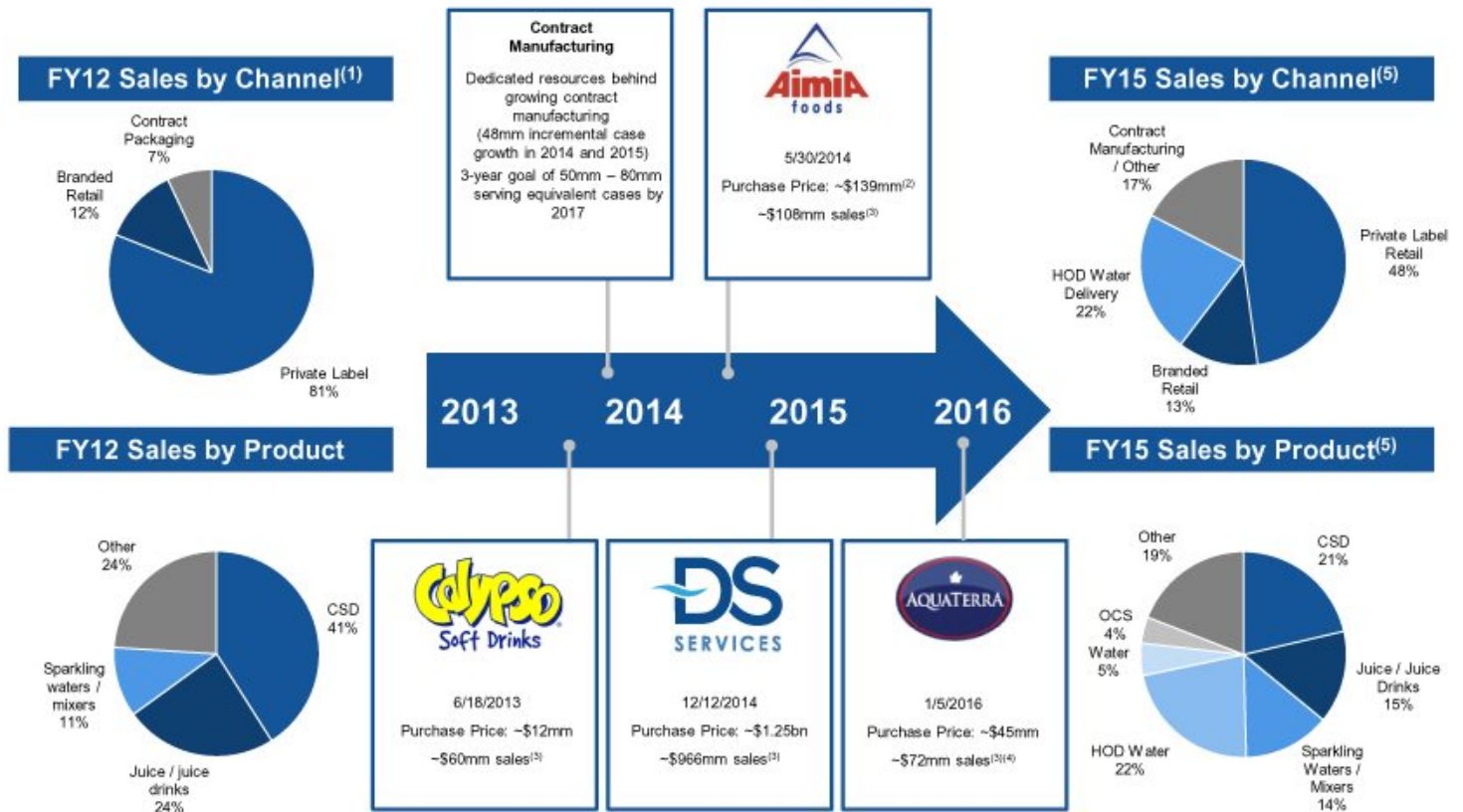


*Cott*

**€450 million Senior Notes due 2024  
Investor Presentation**

*June 14 – 17, 2016*

# Strategic Initiatives and Acquisitions Have Diversified Profile While Reducing Risk & Concentration



1. Branded retail includes concentrate sales  
 2. Reflects working capital adjustment, deferred consideration and on-target earnout (based on estimate of \$17.9mm contingent payment to be paid in July 2016)  
 3. Annual sales figures are as of LTM June 2013, LTM March 2014, LTM September 2014 and LTM March 2015 for Calypso, Aimia Foods, DS Services and Aquaterra, respectively  
 4. Assumes LTM March 2015 average exchange rate of 0.881 CAD:USD  
 5. Excludes Aquaterra revenue  
 Source: Company information



# DS Services is a Leading North American Direct-to-Consumer Services Provider



## Water Delivery Services<sup>(1)</sup>



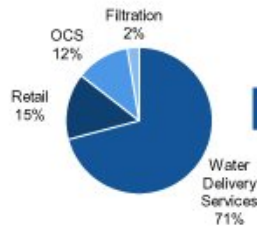
2015 Revenue: \$724mm (71%)

## Office Coffee Services ("OCS")



2015 Revenue: \$121mm (12%)

2015 Revenue<sup>(2)</sup>:  
\$1,021mm



## Retail



2015 Revenue: \$149mm (15%)

## Filtration Services



2015 Revenue: \$27mm (2%)

1. Other revenue included in Water Delivery Services revenue  
 2. Excludes Aquaterra revenue  
 Source: Company information

# History of Deleveraging

**1** Strong focus on rapidly deleveraging

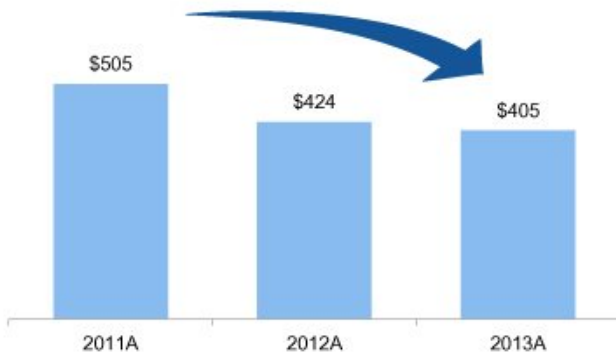
✓ Substantial cash flow generation

▪ Leverage target of mid-3x area by 2018



**2** History of Deleveraging (Net Debt from 2011 – 2013)

(\$ in millions)



Delevering Post DSS Acquisition



1. Adjusted free cash flow calculated as net cash provided by operating activities less capex plus other adjustments. See supplemental information for reconciliation.  
 2. Reconciliation can be found in the supplemental schedule  
 Source: Cott management

# Cott Corporation Adjusted Free Cash Flow – Non-GAAP



(\$ in millions)	For the Year Ended				For the Three Months Ended		Last Twelve Months Ended
	December 29, 2012	December 28, 2013	January 3, 2015	January 2, 2016	April 4, 2015	April 2, 2016	April 2, 2016
<b>Net cash provided by operating activities</b>	\$173	\$155	\$57	\$255	(\$1)	(\$19)	\$237
Less: Capital expenditures	(70)	(55)	(47)	(111)	(27)	(30)	(113)
<b>Free Cash Flow</b>	<b>\$103</b>	<b>\$100</b>	<b>\$10</b>	<b>\$144</b>	<b>\$(28)</b>	<b>\$(48)</b>	<b>\$124</b>
Plus:							
Bond redemption cash costs		10	21	-	-	-	-
53rd week interest payment 2022 Notes		-	15	-	-	-	-
DSS integration capital expenditures		-	-	5	-	-	5
Acquisition and integration cash costs		-	32	14	-	-	14
Cash collateral <sup>(1)</sup>		-	29	(29)	(29)	-	-
<b>Adjusted Free Cash Flow<sup>(2)</sup></b>		<b>\$110</b>	<b>\$107</b>	<b>\$134</b>	<b>\$(58)</b>	<b>\$(48)</b>	<b>\$143</b>

1. In connection with the DSS Acquisition, \$29.4 million was required to cash collateralize certain DSS self-insurance programs. The \$29.4 million was funded with borrowings against our ABL facility, and the cash collateral is included within prepaid and other current assets on our Consolidated Balance Sheet at January 3, 2015. Subsequent to January 3, 2015 additional letters of credit were issued from our available ABL facility capacity, and the cash collateral was returned to the Company, which was used to repay a portion of our outstanding ABL facility.

2. Includes \$5.6 million of DSS's free cash flow from the acquisition date.  
Source: Company information

## DS Services Acquisition Pro Forma Leverage

<i>(\$ in millions)</i>	<u>2014PF</u>
<b>Adjusted EBITDA</b>	<b>\$357</b>
6.75% Senior Notes due 2020	625
10.00% Senior Secured Notes due 2021 <sup>(1)</sup>	406
New Term Loan / Note	0
5.25% Senior Notes due 2022	525
ABL Facility	229
GE	8
Capital Leases and other	5
Less letter of credit <sup>(2)</sup>	(29)
<b>Total debt</b>	<b>\$1,769</b>
Preferred shares	149
Less Cash	(86)
<b>Net Debt</b>	<b>\$1,832</b>
 <b>Net leverage</b>	 <b>5.1x</b>

1. Includes fair value premium of \$55.6 million

2. In connection with the DSS Acquisition, \$29.4 million was required to cash collateralize certain DSS self-insurance programs. The \$29.4 million was funded with borrowings against our ABL facility, and the cash collateral is included within prepaid and other current assets on our Consolidated Balance Sheet at January 3, 2015. Subsequent to January 3, 2015 letters of credit were issued and the cash collateral was returned to the Company, which was used to repay a portion of our outstanding ABL facility

Source: Company information