

Hiscox Europe Underwriting Limited

DIRECTORS' REPORT

Adopted by a resolution of the Board of Directors of
Hiscox Europe Underwriting Limited on 7 September 2018

Preamble

This report has been prepared by the Directors of Hiscox Europe Underwriting Limited (**HEUL**) in order to comply with the requirement in regulation 8 of The Companies (Cross-Border Mergers) Regulations 2007 (the **CBMR**), that the Directors of HEUL draw up an explanatory report explaining the implications of the cross-border merger referred to in this report for members, creditors and employees of HEUL, and the legal and economic grounds for that merger.

The proposed merger is intended to be a merger by absorption such that, subject to the satisfaction of the conditions more fully described in section 5.1 below, the entire business, including all assets, all liabilities and any other legal relationships, of HEUL will be assumed by Hiscox S.A. (**HSA** and together with HEUL the **Merging Companies**), a Luxembourg public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg (**Luxembourg**) and HEUL will cease to exist without going into liquidation (the **Merger**).

HEUL and HSA are both members of the Hiscox group of companies (the **Hiscox Group**). HEUL is a wholly owned direct subsidiary of HSA.

This report has also been prepared in conjunction with the common terms of the cross-border merger (the **Merger**) prepared by HEUL and HSA in accordance with the CBMR, and the applicable provisions of the Luxembourg law dated June 10, 2009 (the **Luxembourg Cross-Border Mergers Law**) which has been inserted in the provisions of the Luxembourg law on commercial companies dated August 10, 1915, as amended (the **Luxembourg Companies Act**) (the **Cross-Border Merger Terms**).

The Merger falls under the scope of the Council Directive 2009/133/EC, of 19 October 2009 on the common system of taxation applicable to mergers, divisions, partial divisions, transfers of assets and exchanges of shares concerning companies of different Member States (as defined therein) and to the transfer of the registered office of an SE or SCE between Member States (as defined therein) (the **Taxation Directive**).

1. Description of the companies involved in the Merger

1.1 Hiscox S.A.

HSA is a public limited liability company incorporated under the laws of Luxembourg, having its registered office at 35f Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg (**Luxembourg**) and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés de Luxembourg*) (the **RCS**), under company number B217018.

The registered share capital of HSA amounts to EUR5,730,000 represented by 5,730,000 ordinary shares having a nominal value of EUR1.00 each.

The sole direct shareholder of HSA is Hiscox Ltd.

HSA has 6 employees as at 6 September 2018 (being the latest practicable date before adoption of this document).

Further information on HSA is set out in section 4.

1.2 Hiscox Europe Underwriting Limited

HEUL is a private company limited by shares incorporated under the laws of England and Wales, with registered office at 1 Great St Helen's, London, EC3A 6HX, United Kingdom and registered with the Companies House of England and Wales under company number 06712051.

The registered share capital of HEUL amounts to EUR615, divided into 615 ordinary shares with a nominal value of EUR1.00 each, fully paid-up.

The sole direct shareholder of HEUL currently is HSA.

HEUL had 582 employees as at 6 September 2018 (being the latest practicable date before adoption of this document).

Further information on HEUL is set out in section 3.

2. **Strategic, Commercial and Economic Grounds for the Merger**

As a consequence of the United Kingdom's decision to exit the European Union (**EU**) (**Brexit**), the Hiscox Group's existing business model for servicing EU customers and EU risks is uncertain. In particular it is not known whether the existing UK companies will continue to benefit from the Freedom of Services and Freedom of Establishment privileges enjoyed by members of the EU. If those benefits cease then, under the existing business model, the Hiscox Group would not be able to continue to service many of its EU customers and EU risks.

Therefore, in order to be certain that continuity of service can be provided to these customers and risks, the Hiscox Group is undertaking a legal restructuring which will move relevant portfolios into different legal entities, where it is possible to underwrite and service EU customers and EU risks after Brexit is made effective.

In particular, HEUL's business, which is predominantly EU customers and EU risks, cannot be continued without Freedom of Services and Freedom of Establishment permissions since HEUL is a UK company. The Merger will, together with certain other related transactions to be implemented by other members of the Hiscox Group move this business into HSA, a Luxembourg entity, where the business will benefit from access to all EU markets via Freedom of Services and Freedom of Establishment and hence continuity of service can be provided to customers and brokers.

The Merger will entail:

- i. transferring HEUL's business, including HEUL's role in carrying out certain administrative activities in respect of certain policies written by Hiscox Insurance Company Limited (**HIC**) (which will be transferred to HSA under the Part VII FSMA transfer, further details of which are described in section 4i below), to HSA (following which HSA will carry out those activities in its capacity as the insurer under the relevant policy) (the **HEUL Business**); and
- ii. transferring the assets and liabilities of HEUL to HSA to enable HSA to continue carrying on those activities through newly established branches of HSA in UK, Ireland France, Germany, Belgium, Spain, Portugal, and the Netherlands on a cross-border basis.

As part of the Merger, new regulatory branches (referred to above in respect of the corporate branches) of HSA will be established in advance of the Merger Effective Date (as defined below) and will each assume the existing business of HEUL in their respective jurisdiction. Prior to the Merger Effective Date (as defined below), the newly established branches of HSA will obtain all regulatory permissions to enable them to continue providing these services.

After the Merger, HSA will continue to support HEUL's clients currently serviced through HEUL's EEA branches. The assumption by HSA of the HEUL Business via the merger, and the creation of branches in France, Germany, the Netherlands, Belgium, Spain and Portugal will allow HSA to utilise the local administrative capability and historic knowledge and customer relationships of HEUL's branches and maintain continuity of service to customers.

The Merger will not have a material adverse impact on the former clients of HEUL as HSA will continue to provide services both on a cross-border basis and through its newly established branches in EEA jurisdictions and to a number of clients in other jurisdictions on the same basis as before. Services provided to HSA customers in respect of risks located outside the EU will be provided by HSA, Hiscox Assurance SAS (**HASAS**), or another member of the Hiscox Group.

The Merger will result in the consolidation of the assets, liabilities and equity reserves of HEUL and HSA. This process supports the overall Hiscox strategy to continue its European operations in the single market following the United Kingdom's exit from the European Union.

Subject to the receipt of approval of the Merger by the shareholder of HSA; the acknowledgement of the realisation of the Merger by the Luxembourg public notary; and the receipt from the UK Court of an order issuing the pre-merger certificate certifying that all pre-merger requirements have been completed, the business performed by HEUL at the Merger Effective Date will be inherited by HSA, including all of the strategic management and decision making activities relating to HEUL. No change in business carried on immediately prior to the Merger Effective Date is currently envisaged as a result of the Merger so the Merger will not affect the seamless continuity of the HEUL Business to the extent licencing is available.

3. **Information on HEUL**

HEUL is an authorised person with permission from the Financial Conduct Authority under Part IV of the Financial Services and Markets Act 2000 to carry out regulated insurance mediation activities. HEUL's business comprises insurance mediation in respect of policies written by HIC and Hiscox Syndicates Limited (**HSL**).

HEUL has a passport out in respect of, and regulated branches in, France, Germany, Belgium, Spain, Portugal, the Netherlands and Sweden. The Swedish branch of HEUL is in the process of being closed.

The assets and liabilities of HEUL as at 30 June 2018 were as follows:

Balance Sheet

Intangibles	7,984,779
Goodwill	291,410
Cash	15,071,388
Fixed Assets	3,394,327
Investments in Subsidiaries	11,999,272
Broker Debtors - 3rd party	53,258,421
Trade Debtors	
HIC	6,238,782
S33	1,762,580
S3624	46,434
Other Intercompany	5,035,063
Prepayments	796,260
Corporate tax	1,646,933
Deferred Tax	675,246
Other Debtors	2,370,171
	110,571,067
Share Capital	(615)
Share premium	(29,020,615)
Contributed Capital	(19,499,272)
Loss b/f	21,681,482
Profit for the year	(11,766,364)
	(38,605,384)
Trade creditors	
HIC	(47,020,154)
S33	(3,542,689)
S3624	(279,679)
Creditors - 3rd parties	0
Other Intercompany	(7,382,180)
Accruals	(6,751,218)
Other taxes	(1,824,945)
Corporate tax	(1,807,892)
Deferred Tax	0
Other Creditors	(3,356,925)
Total Creditors	(71,965,682)
Total Creditors and Liabilities	(110,571,067)

The income statement of HEUL for the six month period ended 30 June 2018 was as follows:

Profit and Loss

Income HIC	64,411,874
Income S33	5,256,931
Income S3624	1,532,439
Commissions and Brokerage	71,201,244
Investment income	593,761
Other Income	703,708
Wages & Salaries	(11,962,792)
Social Security	(2,752,938)
Provision for bad debts	(150,858)
Other Pension Costs	(803,776)
Brokerage	(37,749,930)
Other Expenses	(5,824,264)
Exchange Gain/ Loss	(80,521)
Tangibles Depreciation	(251,433)
Intangibles Depreciation	(1,387,717)
Corporation Tax	231,879
Profit/Loss	<u><u>11,766,364</u></u>

It is envisaged that before the Merger Effective Date, the following transactions will be effected:

i. *HAG/HEUL CBM*

- a. On 21 September 2018, a cross-border merger (the **HAG/HEUL CBM**) between HEUL (as surviving company) and Hiscox Vertrieb Aktiengesellschaft (**HAG**) (as disappearing company) will become effective.
- b. From the effective date of the HAG/HEUL CBM, HEUL will recognise all of the assets and liabilities of HAG in its balance sheet at their respective fair values in accordance with accounting provisions applicable to HEUL. The terms of merger in respect of the HAG/HEUL CBM provide that, from 21 September 2018, the transactions of HAG will be treated for accounting purposes as being those of HEUL from 1 Jan 2018.
- c. The effect of the HAG/HEUL CBM on the assets and liabilities of HEUL will be an increase to net asset value of approximately EUR3.6m.
- d. As a consequence of the CBM it is expected that the profits of HEUL will increase by EUR980k in the next financial year.

ii. *Lloyd's servicing obligation transfer*

- a. HEUL currently intermediates Lloyd's syndicate business written by HSL as well as HIC underwritten business .
- b. It is expected that before the Merger Effective Date, HEUL will transfer its obligations associated with intermediating Lloyd's syndicate business to another member of the Hiscox Group, HASAS (the **Lloyd's Transfer**). In consideration for the assumption of these obligations by HASAS, HEUL shall pay HASAS an amount equal to the fair value for such obligations.
- c. The effect of the Lloyd's transfer will be a loss of approximately EUR360k, and a corresponding reduction to the net asset value.
- d. It is estimated that the costs associated with conducting the Lloyd's business are approximately EUR1.3m per annum. Following the Lloyd's transfer, such costs will not be incurred by HEUL(or following the Merger Effective Date, HSA) and so will not be included in HSA's income statement for the next financial year.

iii. *General*

Certain other transactions involving HEUL may be required after the date of this report and before the Merger Effective Date, but no such transaction is expected to be material in the context of HEUL or the HEUL Business, taken as a whole.

The financial information in this section 3 is derived from internal accounting information of the Hiscox Group and has not been subject to audit or any other independent verification procedures. It has been included for the purposes of describing the information considered by directors in delivering this report.

4. **Information on HSA**

HSA was incorporated on 28 July 2017. HSA is a Luxembourg-based non-life insurer which will underwrite business in the EEA from 1 January 2019. HSA has been authorised by the Luxembourg Minister of Finance to provide regulated insurance products and services in place of HIC. In addition, from the Merger Effective Date, HSA will carry out certain administrative functions in respect of the policies written by it (including policies assumed under the Part VII FSMA transfer, further details of which are described in section 4(i) below), previously carried out by HEUL.

HSA is subject to a prudential capital regime which requires it to meet a solvency capital requirement calibrated to ensure that policyholders are secure at the 99.5% confidence level of potential future liability outcomes over a single year. This is part of the EU-wide regulatory regime for insurance companies known as “Solvency II”, which was introduced with effect from 1 January 2016. HSA intends to hold capital at a level of at least 120 per cent. of its 2019 solvency capital requirement under Solvency II (the **Solvency Capital Requirement**). This is expected to be comprised of the following:

- the existing net assets held on HSA’s balance sheet, amounting to EUR5.1m as at 30 June 2018;
- before the Merger Effective Date, the immediate parent company of HSA, Hiscox Ltd, will contribute further capital in the amount of EUR33m; and
- on the Merger becoming effective, capital arising from the Merger amounting to approximately EUR38.6m based on 30 June 2018 balance sheet.

The assets and liabilities of HSA as at 30 June 2018 were as follows:

Balance Sheet

Intangibles	0
Goodwill	0
Cash	6,085,575
Fixed Assets	79,834
Trade Debtors	0
Other Intercompany	0
Prepayments	7,000
Corporate tax	3,566
Deferred Tax	0
Other Debtors	(600)
	<u>6,175,374</u>
Share Capital	(5,730,000)
Share premium	0
Contributed Capital	0
P&L account b/f	130,367
Profit for the year	468,896
	<u>(5,130,737)</u>
Trade creditors	0
Creditors - 3rd parties	0
Other Intercompany	(1,004,353)
Accruals	(24,890)
Other taxes	(15,395)
Corporate tax	0
Deferred Tax	0
Other Creditors	0
Total Creditors	<u>(1,044,637)</u>
Total Creditors and Liabilities	<u>(6,175,374)</u>

The income statement of HSA for the six month period ended 30 June 2018 was as follows:

Profit and Loss

Income	0
Investment income	0
Other Income	0
Wages & Salaries	292,744
Social Security	32,313
Provision for bad debts	0
Other Pension Costs	0
Brokerage	0
Other Expenses	138,676
Exchange Gain/Loss	2
Tangibles Depreciation	5,161
Intangibles Depreciation	0
Corporation Tax	0
Profit/Loss	468,896

In addition to the HSA Capitalisation, the following transactions involving HSA will occur on or before the Merger Effective Date:

i. *Part VII transfer*

- a. HIC is undertaking a Part VII transfer process, the purpose of which is to transfer the insurance obligations relating to certain insurance policies and certain other assets and liabilities of HIC to HSA with effect from the Merger Effective Date.
- b. The effect of the Part VII transfer will be to transfer a portfolio of insurance liabilities from HIC to HSA. An equal amount of assets, which will include financial assets (e.g. cash) and reinsurance assets, will also be transferred such that the overall net balance sheet impact is expected to be nil.

ii. *Loss Portfolio Transfer*

- a. HSA intends to purchase additional reinsurance protection from its sister company, Hiscox Insurance (Bermuda) Limited (**HIB**), for risk mitigation and capital optimisation purposes. Risk mitigation will be in the form of additional reinsurance recoverable assets from HIB, the cost of which will be equal to the value of those assets. As a consequence the net balance sheet impact for HSA will be nil.

iii. *Sale of insurance portfolios from HUL to HSA*

- a. Hiscox Underwriting Limited (**HUL**) will sell renewal rights relating to certain Republic of Ireland and UK insurance portfolios currently written by HIC to HSA.
- b. The consideration payable by HSA for the renewal rights will be fair market value, which is estimated to be EUR16.5m in aggregate.
- c. The effect of the transfer on the assets and liabilities of HSA is expected to be neutral to HSA's balance sheet.
- d. The effect of the transfer on the profits of HSA is that HSA would not incur commission expenses to renew these policies.

iv. *Overall Balance Sheet impact*

Our estimates of the financial impact of the transactions described above are based on the most recently available financial information of the relevant Hiscox Group companies. The actual financial impact of these transactions may differ because of on-going trading by such companies between the date of this document and the date of each individual transaction. However, any negative changes will be mitigated by increasing the capital contribution of Hiscox Ltd into HSA so as to ensure that HSA holds at least 120% of its 2019 regulatory Solvency Capital Requirement.

v. *General*

Certain other transactions involving HSA may be required after the date of this report and before the Merger Effective Date, but no such transaction is expected to be material in the context of HSA taken as a whole (following the Part VII transfer).

The financial information in this section 4 is derived from internal management accounts of the Hiscox Group and has not been subject to audit or any other independent verification procedures. It has been included for the purposes of describing the information considered by directors in delivering this report.

5. Legal Grounds for the Merger

This document has been drawn up in accordance with the CBMR and the Luxembourg Cross-Border Mergers Law. The CBMR and the Luxembourg Cross-Border Mergers Law implement the Directive of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies (2005/56/EC) (which correlates to Directive (EU) 2017/1132 of the European Parliament and Council of 14 June 2017) (the **Directive**). The Directive facilitates mergers of companies incorporated in different European Union or European Economic Area member states.

5.1 Conditions under the CBMR and the Luxembourg Cross-Border Mergers Law

In addition to any required notification/approval from the Luxembourg and UK regulatory authorities, under the Luxembourg Cross-Border Mergers Law and the CBMR, HEUL and HSA must meet certain conditions before the Merger can occur. HEUL and HSA must draw up common draft terms of merger and HEUL must prepare a directors' report explaining the implications of the Merger on shareholders, creditors and employees of HEUL, and the legal and economic grounds for the Merger.

In the UK, HEUL is obliged to deliver the Common Cross-Border Merger Terms, together with a notice in the form of Form CB01, to the Registrar of Companies (England and Wales). Notice of delivery of these documents to the Registrar of Companies must be published in the London Gazette.

Once HEUL has complied with the conditions applicable to it, it must apply to the UK High Court for a pre-merger certificate.

In Luxembourg, HSA is obliged, amongst other actions, publish the Common Cross-Border Merger Terms in the Luxembourg Official Gazette (*Recueil Electronique des Sociétés et Associations*) (the **RESA**) Not less than one month after the Merger Terms have been published in the RESA, the proposal to effect the Merger will be put to the HSA shareholder for approval. Hiscox Ltd, acting as sole shareholder of HSA, will be able to appear before a Luxembourg notary to approve the Merger. The notarial recording such approval (the **Luxembourg Merger Deed**) will be published by the notary in the RESA.

Once HEUL has complied with the conditions applicable to it, it must apply to the UK High Court for a pre-merger certificate.

Pursuant to article 129 of the Directive, the effectiveness of a cross-border merger is determined by the national law that is applicable to the surviving company. Accordingly, the effectiveness of the Merger is governed by Luxembourg law because the surviving company (i.e. HSA) is incorporated under and governed by Luxembourg laws. Following issue of the pre-merger certificate referred to above, HEUL and HSA must request that the Luxembourg public notary acknowledge the realisation of the Merger. The Luxembourg Merger Deed then will need to be published in the RESA and, pursuant to article 129 of the Directive and article 1021-16 (1) of the Luxembourg Companies Act, the Merger will become effective on the date of such publication (the **Merger Effective Date**).

5.2 Specific conditions under the Common Cross-Border Merger Terms

As set out in the Common Cross-Border Merger Terms, the completion of the Merger is subject to the receipt from the UK Court of an order issuing the pre-merger certificate certifying that all pre-merger requirements have been completed.

5.3 Effectiveness of the Merger

The receipt by the Luxembourg public notary of the pre-merger certificate from the UK High Court, the execution of the Luxembourg Merger Deed before the relevant Luxembourg public notary and its publication in RESA will have the effect that the business of HEUL, including all of its assets and liabilities, will be inherited by HSA by operation of law in accordance with regulation 17 of the CBMR and article 1020-3 (1) of the Luxembourg Cross-Border Mergers Law.

As a matter of Luxembourg Cross-Border Mergers Law and English law, on the Merger Effective Date, the consequences will be that:

- (a) the business, including all the assets and liabilities, of HEUL on the Merger Effective Date will be inherited by HSA and subsequently “allocated” to the relevant branches of HSA and the assets and liabilities of HEUL will be allocated in accordance with the allocations previously made by HEUL (with the exception of certain head office liabilities which will be allocated to the Luxembourg branch of HSA as the head office of HSA);
- (b) HEUL will be dissolved in the records of the UK Companies House (once the UK Companies House has been informed about the Merger Effective Date);
- (c) all legal proceedings pending by or against HEUL will continue with the substitution of HSA for HEUL as a party;
- (d) all of the employment rights and obligations and social security obligations that HEUL has towards its employees will be assumed by HSA;
- (e) every contract, agreement or instrument to which HEUL is a party will be construed and have effect as if HSA had been a party thereto instead of HEUL and will become a contract, agreement or instrument between HSA and the counterparty with the same rights and subject to the same obligations as would have been applicable to that contract, agreement or instrument if it had continued in force between HEUL and the counterparty;
- (f) any money due and owing (or payable) by or to HEUL under or by virtue of any contract, agreement or instrument will become due and owing (or payable) by or to HSA instead of HEUL; and
- (g) the business currently being carried out by HEUL prior to the Merger Effective Date will be carried out as from the Merger Effective Date by HSA, on a cross-border basis and through its branches, as notified to the relevant EEA regulatory authorities.

The business of HEUL including all of its assets and liabilities will, for accounting purposes, be treated as those of HSA with effect from 00.00 hours on the Merger Effective Date. From that date onwards, all acts and transactions of HEUL shall be deemed for accounting purposes to have been effected for the account of HSA.

These actions will ensure the seamless continuity of the business currently carried out by HEUL immediately prior to the Merger Effective Date.

5.4 Tax Grounds for Merger

The Merger falls under the scope of the Taxation Directive.

6. **Consideration**

As HSA is the sole shareholder of HEUL the Merger will be effectuated without any new shares in the capital of the Acquiring Company being issued. For the purposes of financial accounting, HSA shall recognise the assets and liabilities of HEUL following the Merger Effective Date in its balance sheet at their respective book values in accordance with accounting provisions applicable to HSA.

7. **Implications of the Merger on Members**

At the time at which the Merger becomes effective, Hiscox Ltd will continue to be the sole shareholder of HSA. HEUL will be dissolved without liquidation (once the UK Companies House has been informed about the Merger Effective Date).

Following the Merger, Hiscox Limited will continue to own the entire issued share capital of HSA.

8. **Implications of the Merger on Creditors and Clients**

The rights and obligations of HEUL in relation to its creditors will be assumed by HSA when the Merger becomes effective.

8.1 As a result, HSA will assume HEUL's liabilities by means of universal succession (*transmission universelle*), in accordance with regulation 17 of the CBMR and 1020-3 (1) of the Luxembourg Cross-Border Mergers Law and, consequently, HSA will have more liabilities after the Merger than it had before the Merger. However, the Directors of HEUL consider that the creditors of HSA will be adequately protected because:

- (a) HSA will also assume all of the assets of HEUL by means of universal succession (*transmission universelle*), in accordance with regulation 17 of the CBMR and 1020-3 (1) of the Luxembourg Cross-Border Mergers Law, when the Merger becomes effective;
- (b) as a regulated insurance company HSA must adhere to the capital requirements of the solvency II regime. This is expected to be achieved by HSA's capital which will comprise the following:
 - (i) the existing net assets held on HSA's balance sheet, amounting to EUR5.1m as at 30 June 2018;
 - (ii) before the Merger Effective Date, the immediate parent company of HSA, Hiscox Ltd, will contribute further capital in the amount of EUR33m; and
 - (iii) on the Merger becoming effective, capital arising from the Merger amounting to approximately EUR38.6m based on 30 June 2018 balance sheet;
- (c) as at 30 June 2018, the liabilities of HSA were EUR1.04m (of which EUR40k is owed to third party creditors and EUR1.00m is owed to other members of the Hiscox Group), and HSA had net assets of EUR5.1m; and
- (d) the board's intention is to compensate for any downside movements by increasing the capital injection to ensure that HSA holds at least 120% of its 2019 Solvency Capital Requirement.

8.2 Implications of the Merger on HEUL's clients

- (a) The Merger is not expected to have any adverse effect on the business of HEUL or its clients.
- (b) As discussed at section 2 above, the assumption of HEUL's business by HSA as a result of the Merger includes the creation of branches in advance of the Merger Effective Date, each of which will assume the existing business of HEUL in their respective jurisdiction.
- (c) After the Merger, HSA's EEA branches will continue to support HEUL's clients currently serviced through its EEA branches. This will allow HSA to utilise the local administrative capability and historic knowledge and customer relationships of HEUL's branches.
- (d) The Merger will not impact upon the former clients of HEUL as HSA will continue to provide services both on a cross-border basis and through its newly established branches in France, Germany, the Netherlands, Belgium, Spain and Portugal and to a limited number of clients in other jurisdictions on the same basis as before.

9. Implications of the Merger on the Employees

As at 6 September 2018, HSA has 6 employees in Luxembourg and zero employees in other countries. As employees of the absorbing company, their employment contracts will not be affected by the Merger.

As at 6 September 2018, HEUL had 582 employees outside the UK and zero employees in the UK.

This figure is comprised of employees located in France, Germany, the Netherlands, Belgium, Spain Portugal. It is anticipated that all employees (including, pursuant to regulation 8(2A) of the CBMR, any agency workers (to the extent applicable)) of HEUL at the Merger Effective Date will continue working at the same premises and same organisational structure (albeit employed by a different corporate entity, HSA). As noted above, HEUL's operations immediately prior to the Merger Effective Date will seamlessly transition to the new legal structure on the Merger Effective Date.

It is not foreseen that the Merger will have any material effect over the workforce of HEUL.

In accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"), HSA will assume all the employment rights and obligations and social security obligations that the merging entity, HEUL, has towards its employees (including any agency workers (to the extent applicable)).

Part 4 of the CBMR and 1021-1 (4) 3° of the Luxembourg Cross-Border Mergers Law regulating participation of employees are not applicable to the Merger since employee participation rights do not exist in either HEUL or HSA.

In accordance with Regulation 8 of the CBMR, copies of the HEUL Directors' Report shall be made available to the representatives of HEUL's employees (or if there are no such representatives, to the employees) not less than 2 months before the Court hearing to approve the Common Cross-Border Merger Terms.

10. Material Interests of the Directors

No director of HEUL has a material interest in the Merger, including those of the kind mentioned in regulation 8(2)(b)(ii) of the CBMR.